



AUDITED FINANCIAL STATEMENTS REPORT
For Fiscal Years Ended June 30, 2021 and 2020

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MISSIODEBN 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, 2021

<u>Name</u>	<u>Title</u>	<u>Elected/Appointed</u>	<u>Current Term</u>
Sharon Raghavachary	President	Elected	Dec-24
James D. Bodnar	Vice President	Elected	Dec-22
Kerry Erickson	Director	Elected	Dec-22
Ken Putnam	Director	Elected	Dec-22
Judy Tejada	Director	Elected	Dec-24

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

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INTRODUCTORY SECTION

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**Directors**

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

Officers

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

January 17, 2022

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, 2021 and June 30, 2020, 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 (U.S. GAAP) require that management provide a section including a narrative introduction, an overview, and an analysis to accompany the financial statements. This section is the Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately after the Independent Auditors' Report.

District Structure and Leadership

The Crescenta Valley Water District is an independent special district, which operates under the authority of Division 12 of the California Water Code. The Crescenta Valley Water District has been providing services to area residents since 1950. The District is governed by a five-member board of directors, elected at-large from within the District boundaries. The District General Manager administers the day-to-day operations of the District in accordance with policies and procedures established by the board of directors. The Crescenta Valley Water District employs a full-time staff of 27 employees. The District's board of directors' regularly scheduled meetings are on the second and fourth Tuesday of each month. Meetings are publicly noticed and customers are encouraged to attend.

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

The District serves an area of approximately 4 square miles in relatively steep terrain ranging from 1,200 feet to almost 3,000 feet above sea level. The customer base is primarily residential with some light commercial along Foothill Boulevard in La Crescenta and Honolulu Avenue in Montrose. The District currently provides water to over 8,000 accounts representing a population of approximately 33,000.

Economic Condition and Outlook

The District's administrative office is located in Los Angeles County, in the community of La Crescenta. The economic outlook for the area is expected to be stable. Although the Crescenta Valley area is nearly built out, residential growth continues 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.

In December of 2019, the World Health Organization identified a new strain of coronavirus identified as COVID-19. COVID-19 evolved into a pandemic and affected the way the District conducts business and interacts with customer. CVWD's Board of Directors elected to forgo any water or wastewater rate increase for FY 2021 to reduce financial burden on the community. As a result, rates were not adjusted to match the increase in costs due to inflation. This affected wastewater operations significantly, as the cost to treat wastewater as charged by the City of Los Angeles had increased by more than 60 percent over a two-year period. With treatment costs comprising approximately half of operating expenses, overall costs continued to outpace revenues. The pandemic had a positive effect on water consumption revenues. As a result of the Governor's stay-at-home orders, the District saw an increase in residential water use as customers were home for longer periods. The increased usage is not expected to continue into FY 2022. The Governor also issued an order prohibiting utilities from shutting water service off or adding late fees. This caused a reduction in fees revenue and an increase in accounts receivable. This order expires December 31, 2021, and the District expects to collect the majority of accumulated receivables.

In September 2020, the District successfully issued municipal bonds to refund existing debt at a net present value savings and to fund \$5 million of new infrastructure projects. The bond proceeds are being used to smooth out necessary rate increases to ensure the District's infrastructure replacement schedule limits the amount of assets past their useful life. A large portion of CVWD's water pipes are approaching the end of their useful life, and although it is not certain that these pipes will fail, they are at a higher risk of failure. The Board of Directors, in an effort to fulfill CVWD's mission, moved to adopt a "Ramp Up" pipeline replacement schedule, which starts with approximately one mile of pipe per year in 2022 to approximately three miles in the year 2032 and then back down to about over 1.5 miles in 2042. In FY 2021 CVWD used \$2.3 million of the bond proceeds and is projecting to use the remaining \$2.7 million in FY 2022.

CVWD is in the midst of a new drought period that started in 2020. Although local water supplies within the Verdugo Groundwater Basin in La Crescenta and Montrose are expected to withstand the current drought, statewide water supply, specifically in Northern California, is at record-low levels according to the California Department of Water Resources (DWR). The State of CA has issued water conservation mandates that will likely result in the reduction in water sales revenue. A large portion of the community had made permanent water consumption changes during the last drought period, and it is expected that this will lessen the year-on-year change in consumption as a result of drought-related water restrictions. Staff is closely monitoring water consumption and sales monthly to make any necessary adjustments. Additionally, the State enacted two water efficiency laws (SB 606 & AB 1668) in 2018 that focus on using water more wisely, eliminating water waste, and strengthening local drought resilience. These new standards are planned to be implemented as early as 2023, which may further reduce water consumption.

The increase in water sales led to a net operating income for water operations, but was not enough to offset the net operating loss from wastewater operations. A multi-year moratorium on rate increases, combined with increasing costs of water treatment, has necessitated the use of the District's rate stabilization reserves to mitigate customer rate impacts in the past. The District has focused on producing net zero budgets to reduce any further use of reserves. Going forward, the District will be evaluating alternative sewer treatment options as a potential strategy for mitigating the rising costs of wastewater treatment.

Major Initiatives

The activities of the board and staff of the District are driven by its Mission Statement: "The mission of the Crescenta Valley Water District is to provide quality water and wastewater services to the Crescenta Valley community in a dependable and economically responsible manner."

Crescenta Valley Water District works to provide a stable supply of high-quality, safe drinking water at a fair price to all customers of the District. In addition, the District aims to provide reliable sewer service that is collected through the District's wastewater collection system and treated through the City of Los Angeles Sanitation Department. The board, the staff, and all employees of Crescenta Valley Water District are committed to providing its customers with high-quality, cost-effective, and environmentally sensitive customer service. The following summarize the District's strategic goals that translate to its major initiatives:

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

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

Internal Control Structure

District management is responsible for the establishment and maintenance of the internal control structure that ensures that the assets of the District are protected from loss, theft, or misuse. The internal control structure also ensures that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with U.S. GAAP. The District's internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that 1) the cost of a control should not exceed the benefits likely to be derived; and 2) the valuation of costs and benefits requires estimates and judgments by management. District management takes internal control seriously, and improvements based on the balance between internal control and staff resources are an ongoing conscious effort.

Budgetary Control

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

Investment Policy

The board of directors has adopted an investment policy that conforms to state law, District ordinance and resolutions, prudent money management, and the "prudent person" standards. The objectives of the Investment Policy are safety, liquidity, and yield.

Water and Sewer Rates and District Revenues

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

Water Conservation Programs

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

- Mandatory Water Conservation Program
- Low-Flow Retrofit Program
- Hi-Efficiency Washers Program
- Rain Barrel Program

Audit and Financial Reporting

State Law and bond covenants require the District to obtain an annual audit of its financial statements by an independent certified public accountant. The accounting firm of CliftonLarsonAllen LLP, has conducted the audit for the District's financial statements. Their unmodified Independent Auditor Report appears in the Financial Section.

Risk Management

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

Other References

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

Acknowledgements

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

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Crescenta Valley Water District
La Crescenta, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Crescenta Valley Water District (District) as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit 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.

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, 2021 and 2020, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

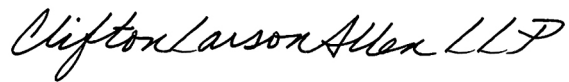
Our audits were conducted for the purpose of forming an opinion on the District's basic financial statements. The supplementary information and introductory section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2022 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
January 17, 2022

**CRESCENTA VALLEY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2021 AND 2020**

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, 2021 and 2020. 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 1.09%, or \$490K to \$44.5M in fiscal year 2021, primarily due to an increase in wastewater processing charges by the City of Los Angeles coupled with a freeze on rate increase . In 2020, the District's net position increased 1.06%, or \$470K to \$45.0M, primarily due to an increase in water sales coupled with a decrease in water related expenses from cost savings per board directive .
- The District's operating revenues increased 5.93% or \$925K in fiscal year 2021. In 2020, the District's operating revenues increased 9.69% or \$1.4M
- The District's operating expenses increased 8.07%, or \$1.2M in fiscal year 2021. In 2020, the District's operating expenses increased 2.05%, or \$310K.

Required Financial Statements

This annual report consists of a series of financial statements. The Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position, and the Statements 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, noncapital financing, and capital and related financing activities, as well as providing answers to such questions as the source of cash, the use of it, and the change in cash balance during the reporting period.

**CRESCENTA VALLEY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2021 AND 2020**

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 Statements of Net Position found on page 13 and the Statements of Revenues, Expenses, and Changes in Net Position on page 15 report information about the District in a manner that helps answer this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, the accounting method 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 of resources, and liabilities and deferred inflows of resources), 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 nonfinancial factors such as changes in economic conditions, population growth, zoning and new or changed government legislation, such as changes in federal and state water quality standards.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found beginning on page 18.

**CRESCENTA VALLEY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2021 AND 2020**

Condensed Statements of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources by \$44.5M and \$45.0M as of June 30, 2021 and 2020, respectively.

	2021	2020	Change	2019	Change
Assets					
Current Assets	\$ 15,633,924	\$ 10,823,263	\$ 4,810,661	\$ 4,287,463	\$ 6,535,800
Noncurrent Assets	4,407,568	4,056,060	351,508	10,422,237	(6,366,177)
Capital Assets, Net	<u>51,447,478</u>	<u>50,078,068</u>	<u>1,369,410</u>	<u>49,011,292</u>	<u>1,066,776</u>
Total Assets	<u>71,488,970</u>	<u>64,957,391</u>	<u>6,531,579</u>	<u>63,720,992</u>	<u>1,236,399</u>
Deferred Outflows of Resources	1,931,238	1,476,186	455,052	1,603,290	(127,104)
Liabilities:					
Current Liabilities	3,386,968	2,264,829	1,122,139	1,912,235	352,594
Noncurrent Liabilities	<u>24,428,546</u>	<u>18,388,029</u>	<u>6,040,517</u>	<u>18,286,234</u>	<u>101,795</u>
Total Liabilities	<u>27,815,514</u>	<u>20,652,858</u>	<u>7,162,656</u>	<u>20,198,469</u>	<u>454,389</u>
Deferred Inflows of Resources	<u>1,112,989</u>	<u>799,209</u>	<u>313,780</u>	<u>614,135</u>	<u>185,074</u>
Net Position:					
Net Investment in Capital Assets	40,288,262	42,610,380	(2,322,118)	41,249,830	1,360,550
Unrestricted	<u>4,203,443</u>	<u>2,371,130</u>	<u>1,832,313</u>	<u>3,261,848</u>	<u>(890,718)</u>
Total Net Position	<u>\$ 44,491,705</u>	<u>\$ 44,981,510</u>	<u>\$ (489,805)</u>	<u>\$ 44,511,678</u>	<u>\$ 469,832</u>

By far, the largest portion of the District's net position (90.55% and 94.73% as of June 30, 2021 and 2020, respectively) reflects the District's net investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding and added back the unspent bond proceeds. The District uses these capital assets to provide services to customers within the District boundaries; consequently, these assets are not available for future spending. See note 10 for further information.

At the end of fiscal years 2021 and 2020, the District showed a positive balance in its unrestricted net position of \$4.2M and \$2.4M respectively. See note 10 for the amount of unrestricted net position that may be utilized in future years

**CRESCENTA VALLEY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2021 AND 2020**

Condensed Statements of Revenues, Expenses and Changes in Net Position

	2021	2020	Change	2019	Change
Revenues					
Operating Revenues	\$ 16,527,925	\$ 15,603,162	\$ 924,763	\$ 14,225,014	\$ 1,378,148
Nonoperating Revenues	(141,365)	488,212	(629,577)	864,118	(375,906)
Total Revenues	<u>16,386,560</u>	<u>16,091,374</u>	<u>295,186</u>	<u>15,089,132</u>	<u>1,002,242</u>
Expenses					
Operating Expenses	16,649,090	15,406,468	1,242,622	15,096,778	309,690
Nonoperating Expenses	357,646	242,948	114,698	456,755	(213,807)
Total Expenses	<u>17,006,736</u>	<u>15,649,416</u>	<u>1,357,320</u>	<u>15,553,533</u>	<u>95,883</u>
Net Income (Loss) Before Capital Contributions	(620,176)	441,958	(1,062,134)	(464,401)	906,359
Capital Contributions	<u>130,371</u>	<u>27,874</u>	<u>102,497</u>	<u>653,310</u>	<u>(625,436)</u>
Change in Net Position	(489,805)	469,832	(959,637)	188,909	280,923
Net Position - Beginning of Year	<u>44,981,510</u>	<u>44,511,678</u>	<u>469,832</u>	<u>44,322,769</u>	<u>188,909</u>
Net Position - End of Year	<u>\$ 44,491,705</u>	<u>\$ 44,981,510</u>	<u>\$ (489,805)</u>	<u>\$ 44,511,678</u>	<u>\$ 469,832</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 2021 decreased 1.09%, or \$490K to \$44.5M due to an increase in wastewater processing charges by the City of Los Angeles coupled with a freeze on rate increases. In fiscal year 2020, net position increased 1.06%, or \$470K to \$44.5M.

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

In 2021, the District's total revenues increased by 1.83%, or \$295K. Revenues from metered water sales increased significantly from 2020. A dry winter and a stay-at-home order related to the COVID-19 pandemic caused an increase in residential water use.

In 2020, the District's total revenues increased by 6.64%, or \$1.0M. Revenues from metered sales increased slightly from 2020. Above-average rainfall in the winter resulted in decreased water consumption at the beginning of the fiscal year, but a dry spring and stay-at-home orders related to the COVID-19 pandemic caused an increase in residential water use the last two quarters of the year. In 2020, development activity rebounded, increasing water operations from other charges by \$586K.

**CRESCENTA VALLEY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2021 AND 2020**

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

In 2021, the District's total expenses increased by \$1.4M, or 8.67%. The increase was driven by supply chain shortages related to COVID-19 and general inflationary pressures that increased most operating expenses. A large portion of the District's increased expenses are from the cost of treating wastewater. Wastewater system treatment expenses charged by the City of Los Angeles increased by \$411K.

In 2020, the District's total expenses increased by \$96K, or 0.62%. The increase was driven by general inflationary pressures that increased most operating expenses. Total expenses increased at a pace less than inflation even with increased imported water purchases in large part due to cost savings as directed by the board of directors. A large portion of the District's increased expenses are from the cost of treating wastewater. Wastewater system treatment expenses charged by the City of Los Angeles increased by \$326K.

In 2021, nonoperating expenses increased by 47.21%, or \$115K, due primarily to an increase in interest expense and investment premiums.

In 2020, nonoperating expenses decreased by 46.81%, or \$214K, due primarily to a decrease in interest expense and investment premiums.

In 2021, capital contributions increased by 367.72%, or \$102K, due primarily to completion of grant funded projects and the active pursuit of new grants.

In 2020, capital contributions decreased by 95.73%, or \$625K, due primarily to a shortage of grant funded projects.

Capital Asset Administration

At the end of fiscal years 2021 and 2020, the District's capital assets amounted to \$51.4M and \$50.1M respectively (net of accumulated depreciation). This investment in capital assets includes land, transmission and distribution systems, collection systems, buildings and structures, equipment, and vehicles, etc. Major capital assets additions during the year included upgrades to the District's water production system and transmission and distribution systems.

**CRESCENTA VALLEY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2021 AND 2020**

Capital Asset Administration, Continued

Changes in capital asset amounts for 2021 are as follows:

	Balance 2020	Additions/ Transfers	Deletions/ Transfers	Balance 2021
Capital Assets:				
Nondepreciable Assets	\$ 4,331,763	\$ 3,517,493	\$ (560,529)	\$ 7,288,727
Depreciable Assets	92,724,673	552,702	-	93,277,375
Accumulated Depreciation	(46,978,368)	(2,140,256)	-	(49,118,624)
Total Capital Assets, Net	<u>\$ 50,078,068</u>	<u>\$ 1,929,939</u>	<u>\$ (560,529)</u>	<u>\$ 51,447,478</u>

Changes in capital asset amounts for 2020 are as follows:

	Balance 2019	Additions/ Transfers	Deletions/ Transfers	Balance 2020
Capital Assets:				
Nondepreciable Assets	\$ 6,261,291	\$ 3,090,520	\$ (5,020,048)	\$ 4,331,763
Depreciable Assets	87,766,222	4,958,451	-	92,724,673
Accumulated Depreciation	(45,016,221)	(1,962,147)	-	(46,978,368)
Total Capital Assets, Net	<u>\$ 49,011,292</u>	<u>\$ 6,086,824</u>	<u>\$ (5,020,048)</u>	<u>\$ 50,078,068</u>

Debt Administration

Changes in long-term debt amounts at 2021 are as follows:

	Balance 2020	Additions/ Transfers	Payments/ Discount Amortization	Balance 2021	Amount Due Within One Year
Long-Term Debt:					
Total Loans Payable	\$ 7,684,867	\$ 11,995,140	\$ (6,731,093)	\$ 12,948,914	\$ 226,917
Total Long-Term Debt	<u>\$ 7,684,867</u>	<u>\$ 11,995,140</u>	<u>\$ (6,731,093)</u>	<u>\$ 12,948,914</u>	<u>\$ 226,917</u>

Changes in long-term debt amounts at 2020 are as follows:

	Balance 2019	Additions/ Transfers	Payments/ Discount Amortization	Balance 2020	Amount Due Within One Year
Long-Term Debt:					
Total Loans Payable	\$ 8,017,784	\$ -	\$ (332,917)	\$ 7,684,867	\$ 345,917
Total Long-Term Debt	<u>\$ 8,017,784</u>	<u>\$ -</u>	<u>\$ (332,917)</u>	<u>\$ 7,684,867</u>	<u>\$ 345,917</u>

**CRESCENTA VALLEY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2021 AND 2020**

Conditions Affecting Current Financial Position

Management is unaware of any conditions at June 30, 2021, that would have a significant impact on the District's financial position, net position, or operating results in terms of past, present and future.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

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**CRESCENTA VALLEY WATER DISTRICT
STATEMENTS OF NET POSITION
JUNE 30, 2021 AND 2020**

	2021	2020
ASSETS		
Current Assets:		
Cash and Cash Equivalents (Note 2)	\$ 12,496,407	\$ 7,266,490
Accrued Interest Receivable	26,326	63,289
Accounts Receivable - Water and Wastewater	2,682,257	2,549,933
Accounts Receivable - Other	9,028	535,918
Material and Supplies Inventory	381,057	367,996
Prepaid Expenses and Other Deposits	38,849	39,637
Total Current Assets	15,633,924	10,823,263
Noncurrent Assets:		
Restricted Cash and Cash Equivalents (Note 2)	2,708,142	-
Investments (Note 2)	1,699,426	4,056,060
Capital Assets - Not Being Depreciated (Note 4)	7,288,727	4,331,763
Depreciable Capital Assets (Note 4)	44,158,751	45,746,305
Total Noncurrent Assets	55,855,046	54,134,128
Total Assets	71,488,970	64,957,391
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows on Bond Refunding (Note 6)	224,282	240,302
Deferred Other Postemployment Benefits Outflows (Note 7)	620,057	457,142
Deferred Pension Outflows (Note 8)	1,086,899	778,742
Total Deferred Outflows of Resources	1,931,238	1,476,186

See accompanying Notes to Financial Statements.

**CRESCENTA VALLEY WATER DISTRICT
STATEMENTS OF NET POSITION (CONTINUED)
JUNE 30, 2021 AND 2020**

	2021	2020
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Expenses	\$ 1,963,527	\$ 1,097,225
Retention Payable	85,067	-
Accrued Wages and Related Payables	199,229	198,301
Customer Deposits	715,136	516,584
Accrued Interest Expense	117,746	18,242
Long-Term Liabilities - Due Within One Year:		
Compensated Absences (Note 5)	79,346	88,560
Loan Payable (Note 6)	226,917	345,917
Total Current Liabilities	3,386,968	2,264,829
Noncurrent Liabilities:		
Long-Term Liabilities - Due in More than One Year:		
Compensated Absences (Note 5)	265,678	265,678
Loan Payable (Note 6)	12,721,997	7,338,950
Other Postemployment Benefits Obligation (Note 7)	6,684,872	6,454,152
Net Pension Liability (Note 8)	4,755,999	4,329,249
Total Noncurrent Liabilities	24,428,546	18,388,029
Total Liabilities	27,815,514	20,652,858
DEFERRED INFLOWS OF RESOURCES		
Deferred Other Postemployment Benefits Inflows (Note 7)	528,492	143,766
Deferred Pension Inflows (Note 8)	584,497	655,443
Total Deferred Inflows of Resources	1,112,989	799,209
NET POSITION (Note 10)		
Net Investment in Capital Assets	40,288,262	42,610,380
Unrestricted	4,203,443	2,371,130
Total Net Position	\$ 44,491,705	\$ 44,981,510

See accompanying Notes to Financial Statements.

**CRESCENTA VALLEY WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Water Operations - Consumption Sales	\$ 8,938,008	\$ 7,952,859
Water Operations - Service Charge	3,016,461	2,985,239
Water Operations - Other Charges	1,148,283	1,477,804
Wastewater Operations - User and Standby Charges	<u>3,425,173</u>	<u>3,187,260</u>
Total Operating Revenues	16,527,925	15,603,162
OPERATING EXPENSES		
Source of Supply	3,683,148	3,175,446
Plant Operations	2,091,783	2,173,063
Distribution System	880,137	910,095
City of Los Angeles Wastewater System	1,930,797	1,520,287
Collection System	275,422	222,129
General and Administrative Expenses	<u>5,647,545</u>	<u>5,443,304</u>
Total Operating Expenses Before Depreciation	14,508,832	13,444,324
OPERATING INCOME BEFORE DEPRECIATION	2,019,093	2,158,838
DEPRECIATION EXPENSE	<u>(2,140,258)</u>	<u>(1,962,144)</u>
OPERATING INCOME (LOSS)	(121,165)	196,694
NONOPERATING REVENUES (EXPENSES)		
Investment Earnings (Losses)	(219,058)	450,100
Interest Expense	(352,154)	(241,135)
Rental Income	77,693	38,112
Other Income (Expense), Net	<u>(5,492)</u>	<u>(1,813)</u>
Total Nonoperating Revenues (Expenses), Net	(499,011)	245,264
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(620,176)	441,958
CAPITAL CONTRIBUTIONS		
Capital Grants - State	98,745	-
Assessments	<u>31,626</u>	<u>27,874</u>
Total Capital Contributions	130,371	27,874
CHANGE IN NET POSITION	(489,805)	469,832
Net Position - Beginning of Year	<u>44,981,510</u>	<u>44,511,678</u>
NET POSITION - END OF YEAR	<u>\$ 44,491,705</u>	<u>\$ 44,981,510</u>

See accompanying Notes to Financial Statements.

**CRESCENTA VALLEY WATER DISTRICT
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020**

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Receipts from Customers for Water Sales and Services	\$ 16,722,782	\$ 15,419,336
Cash Paid to Employees for Salaries and Wages	(4,735,489)	(4,741,132)
Cash Paid to Vendors and Suppliers for Materials and Services	<u>(8,427,422)</u>	<u>(7,724,272)</u>
Net Cash Provided by Operating Activities	3,559,871	2,953,932
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and Construction of Capital Assets	(3,424,601)	(3,028,920)
Proceeds from Grant Funding	497,006	181,881
Proceeds from Property Owner Assessments	31,626	27,874
Proceeds from Loan	11,995,140	-
Principal Paid on Long-Term Debt	(6,705,917)	(332,917)
Interest Paid on Long-Term Debt	<u>(261,806)</u>	<u>(255,644)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	2,131,448	(3,407,726)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(25,436,580)	(29,039,981)
Proceeds from Sale of Investments	27,447,001	35,672,637
Interest Earnings	164,118	183,621
Proceeds from Rental Properties	<u>72,201</u>	<u>36,299</u>
Net Cash Provided by Investing Activities	<u>2,246,740</u>	<u>6,852,576</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	7,938,059	6,398,782
Cash and Cash Equivalents - Beginning of Year	<u>7,266,490</u>	<u>867,708</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 15,204,549</u></u>	<u><u>\$ 7,266,490</u></u>

See accompanying Notes to Financial Statements.

**CRESCENTA VALLEY WATER DISTRICT
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2021 AND 2020**

	2021	2020
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ (121,165)	\$ 196,694
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	2,140,258	1,962,144
Changes in Operating Assets and Liabilities:		
Accounts Receivable - Water and Wastewater, Net	(132,324)	(180,912)
Accounts Receivable - Other	128,629	(129,834)
Material and Supplies Inventory	(13,061)	2,677
Prepaid Expenses and Other Deposits	788	(10,830)
Decrease in Deferred Outflows of Resources - OPEB and Pension	(471,072)	111,084
Accounts Payable and Accrued Expenses	866,302	275,004
Accrued Wages and Related Payables	928	(28,785)
Customer Deposits	198,552	126,920
Compensated Absences	(9,214)	(12,065)
Other Postemployment Benefits Payable	230,720	37,829
Net Pension Liability	426,750	418,932
Increase in Deferred Inflows of Resources - OPEB and Pension	313,780	185,074
Total Adjustments	3,681,036	2,757,238
Net Cash Provided by Operating Activities	\$ 3,559,871	\$ 2,953,932

See accompanying Notes to Financial Statements.

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**CRESCENTA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Operations of the Reporting Entity

The Crescenta Valley Water District (the 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 nonoperating 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 (U.S. 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.

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.

**CRESCENTA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

**NOTE 1 REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

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 U.S. GAAP. The hierarchy is based on valuation inputs used to measure the fair value of the asset, as follows:

Level 1 – This valuation level is based on quoted prices in active markets for identical assets.

Level 2 – This valuation level is based on directly observable and indirectly observable inputs. These inputs are derived principally from or corroborated by observable market data through correlation or market-corroborated inputs. The concept of market-corroborated inputs incorporates observable market data such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 – This valuation level is based on unobservable inputs where assumptions are made based on factors such as prepayment rates, probability of defaults, loss severity and other assumptions that are internally generated and cannot be observed in the market.

Restricted Assets

Amounts shown as restricted assets are to be used for specified purposes, such as servicing general obligation bond debt and the construction of capital assets. Such assets have been restricted by bond indenture, law, or contractual obligations. As of June 30, 2021 and 2020, the District had restricted assets in the amounts of \$2,708,142 and \$0, respectively.

Accounts Receivable and Allowance for Uncollectible Accounts

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

Inventory

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

**CRESCENTA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

**NOTE 1 REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Prepaid

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

Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at \$5,000. Contributed assets are recorded at acquisition cost at the date of contribution. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Sewer Facilities	40 to 50 Years
Water Facilities	50 Years
Buildings	5 to 10 Years
Joint-Use-Facilities	40 to 50 Years
Meters	5 to 15 years
Office Equipment	3 to 15 Years
Maintenance Facilities	5 to 15 Years

Deferred Outflows of Resources

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

Deferred Charge on Refunding

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

Other Postemployment Benefits Other than Pensions (OPEB)

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

**CRESCENTA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

**NOTE 1 REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Deferred Outflows of Resources (Continued)

Pension Plan

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

Compensated Absences

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

Postemployment Benefits Other than Pensions (OPEB)

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

Net Pension Liability

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 (the Plans) and addition to/deduction from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources

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

**CRESCENTA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

**NOTE 1 REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Deferred Inflows of Resources (Continued)

Other Postemployment Benefits Other than Pensions (OPEB)

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

Pension Plan

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

Net Position

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

- *Net Investment in Capital Assets* – This component of net position consists of capital assets, net of accumulated depreciation, and reduced by any debt outstanding against the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt is included in this component of net position.
- *Restricted Component of Net Position* – This component of net position consists of assets that have restrictions placed upon their use by external constraints imposed by either creditors (debt covenants), grantors, contributors, or laws and regulations of other governments or constraints imposed by law through enabling legislation. The District did not have a restricted net position balance at June 30, 2021 or 2020.
- *Unrestricted Component of Net Position* – This component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the net investment in capital assets or restricted component of net position.

Customer Deposits

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

**CRESCENTA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

**NOTE 1 REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

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 expenses or capacity commitment.

Budgetary Policies

The District adopts a one-year nonappropriated 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 U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in net position during the reporting period.

Risks and Uncertainties

The Coronavirus Disease 2019 (COVID-19) has recently affected global markets, supply chains, employees of companies and our communities. Management is taking appropriate actions to mitigate the impact.

NOTE 2 CASH AND INVESTMENTS

Cash and investments as of June 30, are classified in the statement of net position as follows:

	<u>2021</u>	<u>2020</u>
Cash and Cash Equivalents, Unrestricted	\$ 12,496,407	\$ 7,266,490
Cash and Cash Equivalents, Restricted	2,708,142	-
Investments	1,699,426	4,056,060
Total Cash and Investments	<u>\$ 16,903,975</u>	<u>\$ 11,322,550</u>

**CRESCENTA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

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

	2021	2020
Cash on Hand	\$ 800	\$ 800
Deposits with Financial Institutions	9,733,373	6,816,331
Investments	7,169,802	4,505,419
Total Cash and Investments	\$ 16,903,975	\$ 11,322,550

Custodial Credit Risk

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

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

**CRESCENTA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Investment in State Investment Pool (Continued)

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 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, 2021 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	\$ 392,140	\$ -	\$ -	\$ 392,140	\$ -
Federal Farm Credit Bank Bonds	1,006,812	1,006,812	-	-	-
Corporate Notes	300,474	-	-	300,474	-
Local Agency Investment Funds	5,470,376	5,470,376	-	-	-
Total	<u>\$ 7,169,802</u>	<u>\$ 6,477,188</u>	<u>\$ -</u>	<u>\$ 692,614</u>	<u>\$ -</u>

Maturities of investments at June 30, 2020 were as follows:

Investment Type	Total	Remaining Maturity (in Months)			
		12 Months or less	13 to 24 Months	25-60 Months	61-120 Months
Federal Farm Credit Bank Bonds	\$ 4,056,060	\$ 25,408	\$ 1,059,750	\$ -	\$ 2,970,902
Local Agency Investment Funds	449,359	449,359	-	-	-
Total	<u>\$ 4,505,419</u>	<u>\$ 474,767</u>	<u>\$ 1,059,750</u>	<u>\$ -</u>	<u>\$ 2,970,902</u>

**CRESCENTA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Credit Risk

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

Credit rating of investments as of June 30, 2021, were as follows:

Investment Type	Total	Minimum Legal Rating	Rating as of Year End			
			AAA	AA+	A	Not Rated
U.S. Treasury Notes	\$ 392,140	A	\$ -	\$ 392,140	\$ -	\$ -
Federal Farm Credit Bank Bonds	1,006,812	A	-	1,006,812	-	-
Corporate Notes	300,474	A	-	-	300,474	-
Local Agency Investment Funds	5,470,376	N/A	-	-	-	5,470,376
Total	<u>\$ 7,169,802</u>		<u>\$ -</u>	<u>\$ 1,398,952</u>	<u>\$ 300,474</u>	<u>\$ 5,470,376</u>

Credit rating of investments as of June 30, 2020, were as follows:

Investment Type	Total	Minimum Legal Rating	Rating as of Year End		
			AAA	AA+	Not Rated
Federal Farm Credit Bank Bonds	\$ 4,056,060	A	\$ -	\$ 4,056,060	\$ -
Local Agency Investment Funds	449,359	N/A	-	-	449,359
Total	<u>\$ 4,505,419</u>		<u>\$ -</u>	<u>\$ 4,056,060</u>	<u>\$ 449,359</u>

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. As of June 30, 2021, more than 5% of the District's investments are in Federal Farm Credit Bank (Federal-sponsored enterprises) debt securities. As of June 30, 2020, more than 5% of the District's investments are in U.S. Treasury Notes and Federal Farm Credit Bank (Federal-sponsored enterprises) debt securities.

Fair Value Measurements

Investments measured at fair value on a recurring and nonrecurring basis at June 30, 2021:

Investment Type	Total	Fair Value Measurements		
		Level 1	Level 2	Level 3
U.S. Treasury Notes	\$ 392,140	\$ 392,140	\$ -	\$ -
Government Sponsored Entities Securities	1,006,812	-	1,006,812	-
Corporate Notes	300,474	-	300,474	-
Total Investments Measured at Fair Value	1,699,426	<u>\$ 392,140</u>	<u>\$ 1,307,286</u>	<u>\$ -</u>
Investments Measured at Amortized Cost:				
Local Agency Investment Fund (LAIF)	5,470,376			
Total	<u>\$ 7,169,802</u>			

**CRESCENTA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Fair Value Measurements (Continued)

Investments measured at fair value on a recurring and nonrecurring basis at June 30, 2020:

Investment Type	Total	Fair Value Measurements		
		Level 1	Level 2	Level 3
Government Sponsored Entities Securities	\$ 4,056,060	\$ -	\$ 4,056,060	\$ -
Total Investments Measured at Fair Value	4,056,060	-	4,056,060	-
Investments Measured at Amortized Cost:				
Local Agency Investment Fund (LAIF)	449,359			
Total	<u>\$ 4,505,419</u>			

NOTE 3 ACCOUNTS RECEIVABLE – WATER AND WASTEWATER, NET

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

	2021	2020
Account Receivable - Water and Wastewater	\$ 2,719,418	\$ 2,567,399
Allowance for Doubtful Accounts	(37,161)	(17,466)
Account Receivable - Water and Wastewater, Net	<u>\$ 2,682,257</u>	<u>\$ 2,549,933</u>

NOTE 4 CAPITAL ASSETS

Capital Assets at June 30, 2021, are summarized as follows:

	Balance 2020	Additions/ Transfers	Deletions/ Transfers	Balance 2021
Nondepreciable Assets:				
Water Operations	\$ 4,259,939	\$ 3,389,968	\$ (544,659)	\$ 7,105,248
Wastewater Operations	71,824	127,525	(15,870)	183,479
Total Nondepreciable Assets	<u>4,331,763</u>	<u>3,517,493</u>	<u>(560,529)</u>	<u>7,288,727</u>
Depreciable Assets, Net:				
Water Operations	29,543,714	(949,845)	-	28,593,869
Wastewater Operations	16,202,591	(637,709)	-	15,564,882
Total Depreciable Capital Assets, Net	<u>45,746,305</u>	<u>(1,587,554)</u>	<u>-</u>	<u>44,158,751</u>
Total Capital Assets, Net	<u>\$ 50,078,068</u>	<u>\$ 1,929,939</u>	<u>\$ (560,529)</u>	<u>\$ 51,447,478</u>

**CRESCENTA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 4 CAPITAL ASSETS (CONTINUED)

Changes for water operations capital assets in 2021 were as follows:

	Balance 2020	Additions/ Transfers	Deletions/ Transfers	Balance 2021
Nondepreciable Assets:				
Land	\$ 1,158,526	\$ -	\$ -	\$ 1,158,526
Construction in Progress	3,101,413	3,389,968	(544,659)	5,946,722
Total Nondepreciable Assets	<u>4,259,939</u>	<u>3,389,968</u>	<u>(544,659)</u>	<u>7,105,248</u>
Depreciable Assets:				
Production Equipment	11,461,673	343,623	-	11,805,296
Distribution Equipment	35,934,905	77,538	-	36,012,443
Groundwater Reclamation Plant	5,783,686	-	-	5,783,686
Autos and Trucks	1,017,604	62,391	-	1,079,995
Office Equipment	769,411	45,117	-	814,528
Office Building	560,995	8,981	-	569,976
Total Depreciable Assets	<u>55,528,274</u>	<u>537,650</u>	<u>-</u>	<u>56,065,924</u>
Accumulated Depreciation:				
Production Equipment	(5,287,568)	(466,805)	-	(5,754,373)
Distribution Equipment	(16,438,646)	(792,247)	-	(17,230,893)
Groundwater Reclamation Plant	(2,341,497)	(145,850)	-	(2,487,347)
Autos and Trucks	(983,040)	(32,948)	-	(1,015,988)
Office Equipment	(650,985)	(38,075)	-	(689,060)
Office Building	(282,824)	(11,570)	-	(294,394)
Total Accumulated Depreciation	<u>(25,984,560)</u>	<u>(1,487,495)</u>	<u>-</u>	<u>(27,472,055)</u>
Total Depreciable Assets, Net	<u>29,543,714</u>	<u>(949,845)</u>	<u>-</u>	<u>28,593,869</u>
Total Capital Assets, Net	<u>\$ 33,803,653</u>	<u>\$ 2,440,123</u>	<u>\$ (544,659)</u>	<u>\$ 35,699,117</u>

**CRESCENTA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 4 CAPITAL ASSETS (CONTINUED)

Changes for wastewater operations capital assets in 2021 were as follows:

	Balance 2020	Additions/ Transfers	Deletions/ Transfers	Balance 2021
Nondepreciable Assets:				
Construction in Progress	\$ 71,824	\$ 127,525	\$ (15,870)	\$ 183,479
Total Nondepreciable Assets	71,824	127,525	(15,870)	183,479
Depreciable Assets:				
Wastewater Collection System:				
Interceptor	4,988,812	-	-	4,988,812
Unit 1	11,421,644	-	-	11,421,644
Unit 2	19,891,101	-	-	19,891,101
Tools and Lab Equipment	30,381	-	-	30,381
Autos and Trucks	735,406	-	-	735,406
Safety Equipment	6,569	-	-	6,569
Booster Building	66,465	-	-	66,465
Office Equipment	56,021	15,052	-	71,073
Total Depreciable Assets	37,196,399	15,052	-	37,211,451
Accumulated Depreciation:				
Wastewater Collection System:				
Interceptor	(2,798,586)	(77,139)	-	(2,875,725)
Unit 1	(6,539,961)	(212,884)	-	(6,752,845)
Unit 2	(10,888,158)	(285,783)	-	(11,173,941)
Tools and Lab Equipment	(30,381)	-	-	(30,381)
Autos and Trucks	(671,064)	(64,342)	-	(735,406)
Safety Equipment	(6,569)	-	-	(6,569)
Booster Building	(25,263)	(2,292)	-	(27,555)
Office Building	(33,826)	(10,321)	-	(44,147)
Total Accumulated Depreciation	(20,993,808)	(652,761)	-	(21,646,569)
Total Depreciable Assets, Net	16,202,591	(637,709)	-	15,564,882
Total Capital Assets, Net	<u>\$ 16,274,415</u>	<u>\$ (510,184)</u>	<u>\$ (15,870)</u>	<u>\$ 15,748,361</u>

Capital assets at June 30, 2020, are summarized as follows:

	Balance 2019	Additions/ Transfers	Deletions/ Transfers	Balance 2020
Nondepreciable Assets:				
Water Operations	\$ 6,235,581	\$ 3,039,415	\$ (5,015,057)	\$ 4,259,939
Wastewater Operations	25,710	51,105	(4,991)	71,824
Total Nondepreciable Assets	6,261,291	3,090,520	(5,020,048)	4,331,763
Depreciable Assets, Net:				
Water Operations	25,886,944	3,656,770	-	29,543,714
Wastewater Operations	16,863,057	(660,466)	-	16,202,591
Total Depreciable Capital Assets, Net	42,750,001	2,996,304	-	45,746,305
Total Capital Assets, Net	<u>\$ 49,011,292</u>	<u>\$ 6,086,824</u>	<u>\$ (5,020,048)</u>	<u>\$ 50,078,068</u>

**CRESCENTA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 4 CAPITAL ASSETS (CONTINUED)

Changes for water operations capital assets in 2020 were as follows:

	Balance 2019	Additions/ Transfers	Deletions/ Transfers	Balance 2020
Nondepreciable Assets:				
Land	\$ 1,158,526	\$ -	\$ -	\$ 1,158,526
Construction in Progress	5,077,055	3,039,415	(5,015,057)	3,101,413
Total Nondepreciable Assets	<u>6,235,581</u>	<u>3,039,415</u>	<u>(5,015,057)</u>	<u>4,259,939</u>
Depreciable Assets:				
Production Equipment	11,348,734	112,939	-	11,461,673
Distribution Equipment	34,318,223	1,616,682	-	35,934,905
Groundwater Reclamation Plant	2,642,127	3,141,559	-	5,783,686
Autos And Trucks	1,017,604	-	-	1,017,604
Office Equipment	687,134	82,277	-	769,411
Office Building	560,995	-	-	560,995
Total Depreciable Assets	<u>50,574,817</u>	<u>4,953,457</u>	<u>-</u>	<u>55,528,274</u>
Accumulated Depreciation:				
Production Equipment	(4,823,149)	(464,419)	-	(5,287,568)
Distribution Equipment	(15,700,292)	(738,354)	-	(16,438,646)
Groundwater Reclamation Plant	(2,321,310)	(20,187)	-	(2,341,497)
Autos And Trucks	(954,348)	(28,692)	-	(983,040)
Office Equipment	(617,315)	(33,670)	-	(650,985)
Office Building	(271,459)	(11,365)	-	(282,824)
Total Accumulated Depreciation	<u>(24,687,873)</u>	<u>(1,296,687)</u>	<u>-</u>	<u>(25,984,560)</u>
Total Depreciable Assets, Net	<u>25,886,944</u>	<u>3,656,770</u>	<u>-</u>	<u>29,543,714</u>
Total Capital Assets, Net	<u>\$ 32,122,525</u>	<u>\$ 6,696,185</u>	<u>\$ (5,015,057)</u>	<u>\$ 33,803,653</u>

**CRESCENTA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 4 CAPITAL ASSETS (CONTINUED)

Changes for wastewater operations capital assets in 2020 were as follows:

	Balance 2019	Additions/ Transfers	Deletions/ Transfers	Balance 2020
Nondepreciable Assets:				
Construction in Progress	\$ 25,710	\$ 51,105	\$ (4,991)	\$ 71,824
Total Nondepreciable Assets	25,710	51,105	(4,991)	71,824
Depreciable Assets:				
Wastewater Collection System:				
Interceptor	4,988,812	-	-	4,988,812
Unit 1	11,421,644	-	-	11,421,644
Unit 2	19,891,101	-	-	19,891,101
Tools and Lab Equipment	30,381	-	-	30,381
Autos and Trucks	735,406	-	-	735,406
Safety Equipment	6,569	-	-	6,569
Booster Building	66,465	-	-	66,465
Office Equipment	51,027	4,994	-	56,021
Total Depreciable Assets	37,191,405	4,994	-	37,196,399
Accumulated Depreciation:				
Wastewater Collection System:				
Interceptor	(2,721,446)	(77,140)	-	(2,798,586)
Unit 1	(6,319,505)	(220,456)	-	(6,539,961)
Unit 2	(10,601,363)	(286,795)	-	(10,888,158)
Tools and Lab Equipment	(30,381)	-	-	(30,381)
Autos and Trucks	(599,413)	(71,651)	-	(671,064)
Safety Equipment	(6,569)	-	-	(6,569)
Booster Building	(22,969)	(2,294)	-	(25,263)
Office Building	(26,702)	(7,124)	-	(33,826)
Total Accumulated Depreciation	(20,328,348)	(665,460)	-	(20,993,808)
Total Depreciable Assets, Net	16,863,057	(660,466)	-	16,202,591
Total Capital Assets, Net	<u>\$ 16,888,767</u>	<u>\$ (609,361)</u>	<u>\$ (4,991)</u>	<u>\$ 16,274,415</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 2020	Additions	Deletions	Balance 2021	Due Within One Year	Due in More than One Year
\$ 354,238	\$ 247,996	\$ (257,210)	\$ 345,024	\$ 79,346	\$ 265,678
Balance 2019	Additions	Deletions	Balance 2020	Due Within One Year	Due in More than One Year
\$ 366,303	\$ 293,958	\$ (306,023)	\$ 354,238	\$ 88,560	\$ 265,678

**CRESCENTA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 6 LONG-TERM DEBT

Changes in long-term debt amounts as of June 30, 2021 were as follows:

	Balance 2020	Additions	Payments/ Discount Amortization	Balance 2021	Amount Due Within One Year
Long-Term Debt:					
Direct Placements:					
2020 Certificates of Participation	\$ -	\$ 11,095,000	\$ -	\$ 11,095,000	\$ 205,000
Issuance Premium	-	900,140	(25,176)	874,964	-
Total Bonds Payable	-	11,995,140	(25,176)	11,969,964	205,000
Direct Borrowings:					
2016 GWP Infrastructure Loan	1,000,867	-	(21,917)	978,950	21,917
2017 Pacific Western Loan	6,684,000	-	(6,684,000)	-	-
Total Loans Payable	7,684,867	-	(6,705,917)	978,950	21,917
Total Long-Term Debt	<u>\$ 7,684,867</u>	<u>\$ 11,995,140</u>	<u>\$ (6,731,093)</u>	<u>\$ 12,948,914</u>	<u>\$ 226,917</u>

Changes in long-term debt amounts as of June 30, 2020 were as follows:

	Balance 2019	Additions	Payments/ Discount Amortization	Balance 2020	Amount Due Within One Year
Long-Term Debt:					
Direct Borrowings:					
2016 GWP Infrastructure Loan	\$ 1,022,784	\$ -	\$ (21,917)	\$ 1,000,867	\$ 21,917
2017 Pacific Western Loan	6,995,000	-	(311,000)	6,684,000	324,000
Total Loans Payable	8,017,784	-	(332,917)	7,684,867	345,917
Total Long-Term Debt	<u>\$ 8,017,784</u>	<u>\$ -</u>	<u>\$ (332,917)</u>	<u>\$ 7,684,867</u>	<u>\$ 345,917</u>

**CRESCENTA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 6 LONG-TERM DEBT (CONTINUED)

2016 GWP Infrastructure Loan

On September 9, 2014 the District entered into a loan agreement with City of Glendale Water and Power (GWP) to receive a \$1,091,590 loan. Loan proceeds were to provide construction-related expenditure costs related to the Rockhaven (Well #16) project. Terms of the agreement call for monthly installments of principal and interest payments with an average interest rate of 3.34% and the loan maturing on March 1, 2041. On the loan maturity date, the principal balance will be \$547,921, at which point a new agreement will be negotiated. Future annual debt service requirements are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 21,917	\$ 29,095
2023	21,917	29,095
2024	21,917	29,095
2025	21,917	29,095
2026	21,917	29,095
2027-2031	109,584	145,476
2032-2036	109,584	145,476
2037-2041	109,584	145,476
Total	<u>438,337</u>	<u>\$ 581,903</u>
Principal Remaining at Maturity Date	540,613	
Less: Current Portion	(21,917)	
Total Noncurrent	<u>\$ 957,033</u>	

In the event of default, the landlord at law or in equity, landlord shall have the option to terminate the lease agreement and shall be entitled to immediate restraint by injunction of any violation of any of the covenants, conditions, or provisions of the lease agreement.

2017 Pacific Western Infrastructure Loan

On August 1, 2017, the District entered into a loan agreement to receive a \$7,668,000 loan from the Pacific Western Bank to refund all outstanding 2007 certificates and to pay the cost of issuance in connection with such prepayment. Terms of the agreement call for semiannual installments of principal and interest payments with interest from between 4.00% to 4.375% and the loan maturing on June 1, 2037. As a result of the refunding, the District reduced its total debt service payments by \$1,219,090 and obtained an economic savings of \$864,414. The refunding also resulted in a difference between the reacquisition price and the carrying amount of the old debt of \$282,332. This difference is included in the accompanying financial statements as a Deferred Outflows on Bond Refunding and is being charged to operation through the year 2037 using the straight-line method of amortization. The indenture authorizes, upon default, the Trustee to declare immediate due and payable the total unpaid principal of the Loan and accrued interest thereon. The loan was fully refunded by 2020 Crescenta Valley Water District Revenue Certificates of Participation.

**CRESCENTA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 6 LONG-TERM DEBT (CONTINUED)

2020 Crescenta Valley Water District Revenue Certificates of Participation

On September 15, 2020, Crescenta Valley Water District (the District) and the Crescenta Valley Water District Financing Corporation (the Corporation), have issued Crescenta Valley Water District Revenue Certificates of Participation (Water System Improvement Projects), Series 2020 for the aggregate principal amount of \$11,095,000, mature in varying amounts from \$205,000 to \$565,000 annually, on September 1, 2021 through 2050, plus interest from 3.00% to 4.00% payable semi-annually each March 1 and September 1. A portion of the debt proceeds were used to pay off the 2017 Pacific Western Loan balance. The debt issuance is binding upon the District. The refunding resulted in debt payment saving in the amount of \$(60,689) and economic gain in the amount of \$387,899. Future annual debt service requirements are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2022	205,000	357,310
2023	220,000	358,081
2024	225,000	350,281
2025	235,000	341,081
2026	245,000	331,481
2027-2031	1,370,000	1,510,655
2032-2036	1,645,000	1,227,405
2037-2041	1,965,000	916,554
2042-2046	2,285,000	573,400
2047-2051	2,700,000	172,000
Total	11,095,000	<u>\$ 6,138,247</u>
Less: Current Portion	(205,000)	
Total Noncurrent	<u>\$ 10,890,000</u>	

NOTE 7 OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS

The District provides postemployment health care benefits for retired employees in accordance with negotiated contracts with the various bargaining units of the District. Currently, the District participates in the Public Agency portion of the California Employers' Retiree Benefit Trust Fund (CERBT), an agent multiple-employer plan administered by California Public Employees' Retirement System (CalPERS). CalPERS issues a Annual Comprehensive Financial Report (ACFR) that may be obtained from the CalPERS Executive Office.

Plan Description and Eligibility

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

**CRESCENTA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 7 OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

Plan Description and Eligibility (Continued)

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

For retired employees whose date of hire is prior to July 1, 2008, who retire with 10 years of service, full cost of retiree and spousal coverage will be paid by the District. For future retirees whose date of hire is between July 1, 2008 and June 30, 2020, the District will pay 50% of the cost for employees who retire with 10 years of service, plus 5% for every additional year of service thereafter, up to a maximum of 100% for employees who retire with 20 or more years of service. The District will no longer offer OPEB benefits for employees hired after June 30, 2020. Membership in the OPEB plan consisted of the following members as of June 30, 2021 and 2020 respectively.

Membership in the OPEB plan consisted of the following members as of June 30, 2021 and 2020, respectively.

Participant Type	Number of Participants	
	2021	2020
Inactive Participants Current Receiving Benefits	22	18
Inactive Participants Entitled to But Not Yet Receiving Benefit Payments	-	-
Active Employees	28	32
Total	<u>50</u>	<u>50</u>

Funding Policy

The Districts' intends to contribute the pay-as-you-go amount with a fixed dollar trust contribution. A fixed dollar trust contribution is \$400,000 in plan year 2018-2019 and up to \$400,000 in 2019-2020. For the measurement periods ended June 30, 2020 and 2019 and the District contributed \$242,284 and \$503,075, respectively, to the plan including the implicit rate subsidy.

Net OPEB Liability (Asset)

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

	Balance	
	June 30, 2021	June 30, 2020
Total OPEB Liability	\$ 7,232,895	\$ 6,983,726
Plan Fiduciary Net Position	548,023	529,574
District's Net OPEB Liability (Assets)	<u>\$ 6,684,872</u>	<u>\$ 6,454,152</u>

Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)	7.58%	7.58%
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**CRESCENTA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 7 OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

Investments

At June 30, 2021 and 2020, all plan investments are held in the California Employers' Retiree Benefit Trust Program (CERBT) through CalPERS.

Actuarial Methods and Assumptions

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

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

<u>Actuarial Methods and Assumptions</u>	<u>2021</u>	<u>2020</u>
Valuation Date	June 30, 2020	June 30, 2018
Measurement Date	June 30, 2020	June 30, 2019
Inflation	2.26%	2.26%
Salary Increases	3.25%	3.25%
Investment Rate of Return	7.28%	7.28%
Health Care Trend Rate	5.00%	5.00%

Mortality rates used for the 2020 valuation date are those describe in the 2017 CalPERS experience study.

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

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

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

**CRESCENTA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 7 OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

Actuarial Methods and Assumptions (Continued)

Above are the arithmetic long-term expected real rates of return by asset class for the next 10 years as provided in a report by JP Morgan. For years thereafter, returns were based on historical average index real returns over the last 30 years assuming a similar equity/fixed investment mix and a 2.26% inflation rate. Investment expenses were assumed to be 10 basis points per year. These returns were matched with cash flows for benefits covered by plan assets and the Bond Buyer 20-Bond General Obligation index was matched with cash flows not covered by plan assets to measure the reasonableness of the choice in discount rate.

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Discount Rate	7.28%	7.28%
Bond Buyer 20-Bond GO Index	2.21%	3.50%

The average per capita claims cost was updated to reflect actual 2020 and 2021 premiums. The healthcare cost trend rate was updated to reflect 2019 industry survey date. There have been no other assumption changes since the last measurement date.

Changes in the Net OPEB Liability

The District's changes in net OPEB liability as of the June 30, 2021 fiscal year was follows:

	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net OPEB Liability (Asset) (a) - (b)</u>
Balances at June 30, 2019	\$ 6,983,726	\$ 529,574	\$ 6,454,152
Changes for the Year:			
Service Cost	130,710	-	130,710
Interest	509,267	-	509,267
Difference Between Expected and Actual Experience	(194,307)	-	(194,307)
Change of Assumptions	(283,714)	-	(283,714)
Net Investment Income	-	18,708	(18,708)
Benefit Payments	(242,284)	(242,284)	-
Contributions - Employer	-	242,284	(242,284)
Administrative Expense	-	(259)	259
Change of Benefit Terms	329,497	-	329,497
Net Changes	<u>249,169</u>	<u>18,449</u>	<u>230,720</u>
Balances at June 30, 2020	<u>\$ 7,232,895</u>	<u>\$ 548,023</u>	<u>\$ 6,684,872</u>

**CRESCENTA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 7 OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

Changes in the Net OPEB Liability (Continued)

The District's changes in net OPEB liability as of the June 30, 2020 fiscal year was as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2018	\$ 6,624,224	\$ 207,901	\$ 6,416,323
Changes for the Year:			
Service Cost	124,486	-	124,486
Interest	484,045	-	484,045
Difference Between Expected and Actual Experience	(45,954)	-	(45,954)
Net Investment Income	-	21,727	(21,727)
Benefit Payments	(203,075)	(203,075)	-
Contributions - Employer	-	503,075	(503,075)
Administrative Expense	-	(54)	54
Net Changes	<u>359,502</u>	<u>321,673</u>	<u>37,829</u>
Balances at June 30, 2019	<u>\$ 6,983,726</u>	<u>\$ 529,574</u>	<u>\$ 6,454,152</u>

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

Discount Rate	Net OPEB Liability (Asset)	
	2021	2020
1% Decrease (6.28%)	\$ 7,797,349	\$ 7,468,497
Current Discount Rate (7.28%)	6,684,872	6,454,152
1% Increase (8.28%)	5,784,839	5,624,679

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

Healthcare Trend Rate	Net OPEB Liability (Asset)	
	2021	2020
1% Decrease (4.00%)	\$ 5,718,067	\$ 5,554,559
Current Discount Rate (5.00%)	6,684,872	6,454,152
1% Increase (6.00%)	7,793,647	7,571,801

**CRESCENTA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 7 OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

OPEB Expense

For the years ended June 30, 2021 and 2020, the District recognized OPEB expense of \$882,174 and \$597,508, respectively. As of fiscal years ended June 30, 2021 and 2020, the District reported deferred outflows and inflows of resources related to the OPEB from the following sources:

	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Contribution to OPEB Plan After Measurement Date	\$ 429,643	\$ -
Differences Between Expected and Actual		
Experience in the Measurement of the TOL	170,194	209,846
Changes in Assumptions	-	318,646
Net Difference Between Projected and Actual		
Earnings of OPEB Plan Investments	20,220	-
Total	\$ 620,057	\$ 528,492
	2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Contribution to OPEB Plan After Measurement Date	\$ 242,284	\$ -
Differences Between Expected and Actual		
Experience in the Measurement of the TOL	208,388	51,748
Changes in Assumptions	-	92,018
Net Difference Between Projected and Actual		
Earnings of OPEB Plan Investments	6,470	-
Total	\$ 457,142	\$ 143,766

As of June 30, 2021 and 2020, employer OPEB contributions of \$429,643 and \$242,284, respectively reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal years ending June 30, 2022 and 2021, respectively.

**CRESCENTA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 7 OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

OPEB Expense (Continued)

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

<u>Year Ending June 30,</u>	<u>Deferred Outflows/Inflows of Resources</u>
2022	\$ (49,014)
2023	(49,729)
2024	(50,308)
2025	(50,590)
2026	(64,199)
Thereafter	(74,238)
Total	<u>\$ (338,078)</u>

NOTE 8 DEFINED BENEFIT PENSION PLAN

Plan Description

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

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for nonduty 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.

**CRESCENTA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Benefits Provided (Continued)

The plans' provision and benefits in effect at June 30, 2021 are summarized as follows:

	Miscellaneous Plan	
	Tier 1	Tier 2
	Prior to January 1, 2013	On or after January 1, 2013
Hire Date		
Benefit Formula	2.0% @ 55	2.0% @ 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	monthly for life	monthly for life
Retirement Age	50-55	52-67
Required Employee Contribution Rates	7.000%	6.750%
Required Employer Contribution Rates	10.221%	6.985%

The plans' provision and benefits in effect at June 30, 2020 are summarized as follows:

	Miscellaneous Plan	
	Tier 1	Tier 2
	Prior to January 1, 2013	On or after January 1, 2013
Hire Date		
Benefit Formula	2.0% @ 55	2.0% @ 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	monthly for life	monthly for life
Retirement Age	50-55	52-67
Required Employee Contribution Rates	7.000%	6.750%
Required Employer Contribution Rates	10.221%	6.985%

Contributions

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

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

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

	Miscellaneous Plan	
	2021	2020
Contribution - Employer	\$ 573,759	\$ 271,620
Contribution - Employee (Paid by Employer)	144,993	157,150
Total Employer Paid Contributions	<u>\$ 718,752</u>	<u>\$ 428,770</u>

**CRESCENTA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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	
	2021	2020
Miscellaneous Plan	\$ 4,755,999	\$ 4,329,249

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, 2020 and 2019, 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, 2019 and 2018, rolled forward to June 30, 2020 and 2019, 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, 2020 and 2019 valuation was as follows:

	Miscellaneous Plan
Proportion June 30, 2020	0.11275%
Proportion June 30, 2019	0.10811%
Change - Increase (Decrease)	0.00464%

The District's proportionate share of the pension liability for the District's plan as of the June 30, 2019 and 2018 valuation was as follows:

	Miscellaneous Plan
Proportion June 30, 2019	0.10811%
Proportion June 30, 2018	0.10376%
Change - Increase (Decrease)	0.00435%

**CRESCENTA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Deferred Pension Outflows (Inflows) of Resources

As of June 30, 2021 and 2020, the District recognized pension expense of \$775,335 and \$771,407, respectively.

As of the fiscal year ended June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions Subsequent to the Measurement Date	\$ 573,759	\$ -
Changes in Assumptions	-	33,922
Difference Between Expected and Actual Experience	245,091	-
Net Difference Between Projected and Actual		
Earnings on Plan Investments	141,284	-
Effect of Change in Employer's Proportion	126,765	489,214
Differences Between Actual Contribution and Proportional Share of Contribution	-	61,361
Total	<u>\$ 1,086,899</u>	<u>\$ 584,497</u>

As of the fiscal year ended June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions Subsequent to the Measurement Date	\$ 271,620	\$ -
Changes in Assumptions	206,439	73,181
Difference Between Expected and Actual Experience	300,683	23,297
Net Difference Between Projected and Actual		
Earnings on Plan Investments	-	75,689
Effect of Change in Employer's Proportion	-	139,576
Differences Between Actual Contribution and Proportional Share of Contribution	-	343,700
Total	<u>\$ 778,742</u>	<u>\$ 655,443</u>

As of June 30, 2021 and 2020, employer pension contributions of \$573,759 and \$271,620, 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 years ending June 31, 2022 and 2021, respectively.

As of June 30, 2021, 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.

**CRESCENTA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Deferred Pension Outflows (Inflows) of Resources (Continued)

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

<u>Year Ending June 30,</u>	<u>Deferred Outflows/Inflows of Resources</u>
2022	\$ 54,498
2023	(99,670)
2024	(45,253)
2025	19,068
Total	<u>\$ (71,357)</u>

Actuarial Methods and Assumptions

The total pension liabilities as of June 30, 2020 and 2019 were determined by applying update procedures to a financial report actuarial valuation of June 30, 2019 and 2018, and rolling forward the total pension liabilities to June 30, 2020 and 2019. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The financial reporting actuarial valuation as of June 30, 2019 and 2018 used the following methods and assumptions, applied to all prior periods included in the measurement:

	2021	2020
Valuation Date	June 30, 2019	June 30, 2018
Measurement Date	June 30, 2020	June 30, 2019
Experience Study	June 30, 2017	June 30, 2017
Actuarial Cost Method	Entry age normal	Entry age normal
Actuarial Assumptions:		
Discount Rate	7.15%	7.15%
Investment Rate of Return	7.15%	7.15%
Consumer Price Inflation	2.50%	2.50%
Wage Growth	Varies by entry age and services	Varies by entry age and services

The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and postretirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

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

**CRESCENTA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Methods and Assumptions (Continued)

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

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

* An expected inflation of 2.00% used for this period

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

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is 1% lower or higher than the current rate:

At June 30, 2021, the discount rate comparison was the following:

	Discount Rate -1% (6.15%)	Prior Discount Rate (7.15%)	Discount Rate +1% (8.15%)
District's Net Pension Liability	<u>\$ 7,399,237</u>	<u>\$ 4,755,999</u>	<u>\$ 2,571,975</u>

**CRESCENTA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Discount Rate (Continued)

At June 30, 2020, the discount rate comparison was the following:

	Discount Rate -1% (6.15%)	Prior Discount Rate (7.15%)	Discount Rate +1% (8.15%)
District's Net Pension Liability	\$ 6,846,385	\$ 4,329,249	\$ 2,251,530

Pension Plan Fiduciary Net Position

Detailed information about CalPERS Miscellaneous Risk Plan fiduciary net position is available in a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

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; the District does not match or contribute any funds to the plan. 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 \$2,233,978 and \$1,532,762 in fiscal years 2021 and 2020, 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 FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 10 NET POSITION

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

	2021	2020
Net Investment in Capital Assets:		
Capital Assets - Not Being Depreciated	\$ 7,288,727	\$ 4,331,763
Depreciable Capital Assets, Net	44,158,751	45,746,305
Retainage Payable and Construction-Related		
Accounts Payable	(1,142,726)	(23,123)
Unspent bond proceeds	2,708,142	-
Loan Payable - Current	(226,917)	(345,917)
Loan Payable - Noncurrent	(12,721,997)	(7,338,950)
Deferred Outflows Refunding	224,282	240,302
Total Net Investments in Capital Assets	40,288,262	42,610,380
Unrestricted Net Position		
Unrestricted	4,203,443	2,371,130
Total Net Position	\$ 44,491,705	\$ 44,981,510

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, 2021, the District participated in the liability, property programs, and workers' compensation programs of the ACWA/JPIA as follows:

- General and auto liability, public officials and employees' errors and omissions: Total risk financing self-insurance limits of \$2,000,000 per occurrence. The District has additional excess coverage layers through ACWA/JPIA: \$58 million for general, auto, and public officials liability, which increases the limits on the insurance coverage noted above.

**CRESCENTA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 11 RISK MANAGEMENT (CONTINUED)

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, 2020 and 2019. 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, 2021, 2020, and 2019, respectively.

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

The GASB has issued several pronouncements prior to June 30, 2021, that has effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 87

In June 2017, the GASB issued Statement No. 87 *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The statement effective date has been postponed to fiscal year 2021-2022.

**CRESCENTA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 12 GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS ISSUED, NOT YET EFFECTIVE (CONTINUED)

Governmental Accounting Standards Board Statement No. 91

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The objective of the statement is to eliminate diversity in practice associated with commitments extended by issuer, arrangements associated with conduit obligations and related note disclosures. The statement clarifies the existing definition of a conduit debt obligation, establishing that a conduit debt obligation is not a liability of the user, and establishing standards for accounting and financial reporting. The statement effective date has been postponed to fiscal year 2022-2023.

Governmental Accounting Standards Board Statement No. 92

In January 2020, the GASB issued Statement No. 92, *Omnibus*. This statement establishes accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. The requirements of this statement apply to the financial statements of all state and local governments. The statement effective date has been postponed to fiscal year 2022-2023.

Governmental Accounting Standards Board Statement No. 93

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. This statement establishes accounting and financial reporting requirements related to the replacement of IBORs in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this statement apply to the financial statements of all state and local governments. The statement is effective for the fiscal year 2022-2023.

Governmental Accounting Standards Board Statement No. 94

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary object of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. The statement is effective for the fiscal year 2022-2023.

**CRESCENTA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 12 GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS ISSUED, NOT YET EFFECTIVE (CONTINUED)

Governmental Accounting Standards Board Statement No. 96

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in statement No. 87, *Leases*, as amended. The statement is effective for the fiscal year 2022-2023.

Governmental Accounting Standards Board Statement No. 97

In June 2020, the GASB issued Statement No. 96, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The primary objectives of this statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The statement is effective for the fiscal year 2021-2022.

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.

**CRESCENTA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 14 RISKS AND UNCERTAINTIES

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of an outbreak of a new strain of coronavirus (the COVID-19 outbreak) and the risks that is posed to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the District's financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on the District's financial condition, liquidity, operations, and workforce. We have seen volatility in materials markets and global supply chains lead to longer lead times and increased costs, but these conditions have not caused significant disruption to District operations or impact on District finances. The District cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, but based on the experience of FY2020-21, which elapsed entirely within the span of the pandemic, we do not anticipate any material effect on the District's results of future operations or financial position in FY2021-22.

REQUIRED SUPPLEMENTARY INFORMATION

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**CRESCENTA VALLEY WATER DISTRICT
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY
OTHER POSTEMPLOYMENTS BENEFITS OBLIGATION
JUNE 30,**

<u>Total OPEB Liability</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Service Cost	\$ 125,970	\$ 132,270	\$ 124,486	\$ 130,710
Interest	417,013	444,552	484,045	509,267
Change of Benefit Terms	-	-	-	329,497
Difference Between Expected and Actual Experience	(19,457)	284,776	(45,954)	(194,307)
Changes of Assumptions	-	(125,750)	-	(283,714)
Benefit Payments	(134,956)	(168,710)	(203,075)	(242,284)
Net Change in Total OPEB Liability	<u>388,570</u>	<u>567,138</u>	<u>359,502</u>	<u>249,169</u>
Total OPEB Liability - Beginning	<u>5,668,516</u>	<u>6,057,086</u>	<u>6,624,224</u>	<u>6,983,726</u>
Total OPEB Liability - Ending (a)	<u>\$ 6,057,086</u>	<u>\$ 6,624,224</u>	<u>\$ 6,983,726</u>	<u>\$ 7,232,895</u>
<u>Plan Fiduciary Net Position</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Contributions - Employer	\$ 234,956	\$ 268,711	\$ 503,075	\$ 242,284
Net Investment Income	-	7,968	21,727	18,708
Benefit Payments	(134,956)	(168,711)	(203,075)	(242,284)
Administrative Expense	-	(67)	(54)	(259)
Net Change in Plan Fiduciary Net Position	<u>100,000</u>	<u>107,901</u>	<u>321,673</u>	<u>18,449</u>
Plan Fiduciary Net Position - Beginning	<u>-</u>	<u>100,000</u>	<u>207,901</u>	<u>529,574</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 100,000</u>	<u>\$ 207,901</u>	<u>\$ 529,574</u>	<u>\$ 548,023</u>
Net OPEB Liability (Asset) - Ending (a) - (b)	\$ 5,957,086	\$ 6,416,323	\$ 6,454,152	\$ 6,684,872
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.65%	3.14%	7.58%	7.58%
Covered Employee Payroll	\$ 3,305,507	\$ 2,595,864	\$ 2,965,045	\$ 2,856,902
Net OPEB Liability (Asset) as a Percentage of Covered Employee Payroll	180.22%	247.17%	217.67%	233.99%

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

**CRESCENTA VALLEY WATER DISTRICT
SCHEDULE OF POSTEMPLOYMENT HEALTHCARE BENEFIT CONTRIBUTIONS
OTHER POSTEMPLOYMENTS BENEFITS OBLIGATION
JUNE 30,**

<u>OPEB Contributions</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Actuarially Determined Contribution (ADC)	\$ 525,315	\$ 525,315	\$ 601,567	\$ 669,236
Contributions in Relation to the ADC	268,711	503,075	242,284	429,643
Contribution Deficiency (Excess)	<u>\$ 256,604</u>	<u>\$ 22,240</u>	<u>\$ 359,283</u>	<u>\$ 239,593</u>
District's Covered-Employee Payroll	\$ 3,305,507	\$ 2,595,864	\$ 2,965,045	\$ 2,856,902
Contributions as a Percentage of Covered-Employee Payroll	8.13%	19.38%	8.17%	15.04%

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

CRESCENTA VALLEY WATER DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30,

Description	2020	2021
District's Proportion of the Net Pension Liability (Asset)	0.10811%	0.11275%
District's Proportion Share of the Net Pension Liability (Asset)	\$ 4,329,249	\$ 4,755,999
District's Covered Payroll as of Previous Fiscal Year to Align with the Measurement Date of the Net Pension Liability	\$ 2,966,432	\$ 2,853,255
District's Proportion Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	145.94%	166.69%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.87%	76.06%

Description	2015	2016	2017	2018	2019
District's Proportion of the Net Pension Liability (Asset)	0.09037%	0.09156%	0.09684%	0.10092%	0.10376%
District's Proportion Share of the Net Pension Liability (Asset)	\$ 2,415,225	\$ 2,512,020	\$ 3,364,245	\$ 3,910,317	\$ 3,910,317
District's Covered Payroll as of Previous Fiscal Year to Align with the Measurement Date of the Net Pension Liability	\$ 2,296,444	\$ 2,388,479	\$ 2,715,807	\$ 2,906,241	\$ 3,305,507
District's Proportion Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	105.17%	105.17%	123.88%	134.55%	118.30%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.88%	81.15%	75.87%	75.39%	77.79%

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

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

See accompanying Note to Required Supplementary Information.

**CRESCENTA VALLEY WATER DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
NET PENSION LIABILITY
JUNE 30,**

	<u>2020</u>	<u>2021</u>
Contractually Required Contribution	\$ 271,620	\$ 573,759
Contributions in Related to the Contractually Required Contribution	<u>(271,620)</u>	<u>(573,759)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 2,853,255	\$ 2,777,559
Contributions as a Percentage of its Covered Payroll	9.52%	20.66%

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually Required Contribution	\$ 292,716	\$ 308,670	\$ 381,098	\$ 350,982	\$ 266,500
Contributions in Related to the Contractually Required Contribution	<u>(292,716)</u>	<u>(308,670)</u>	<u>(381,098)</u>	<u>(350,982)</u>	<u>(266,500)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 2,388,479	\$ 2,715,807	\$ 2,906,241	\$ 3,305,507	\$ 2,966,432
Contributions as a Percentage of its Covered Payroll	12.26%	11.37%	13.11%	10.62%	8.98%

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

See accompanying Note to Required Supplementary Information.

**CRESCENTA VALLEY WATER DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021 AND 2020**

NOTE 1 PURPOSE OF SCHEDULES

Schedule of Changes in Net OPEB Liability

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

Schedule of Postemployment Healthcare Contributions

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

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

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

Schedule of District's Contributions

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

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SUPPLEMENTARY INFORMATION

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**CRESCENTA VALLEY WATER DISTRICT
COMBINING SCHEDULE OF FUND NET POSITION
JUNE 30, 2021**

	Enterprise Funds		Total
	Water Fund	Sewer Fund	
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 12,496,407	\$ -	\$ 12,496,407
Accrued Interest Receivable	26,326	-	26,326
Accounts Receivable - Water and Wastewater, Net	2,102,303	579,954	2,682,257
Accounts Receivable - Other	9,028	-	9,028
Material and Supplies Inventory	367,262	13,795	381,057
Prepaid Expenses and Other Deposits	20,891	17,958	38,849
Total Current Assets	<u>15,022,217</u>	<u>611,707</u>	<u>15,633,924</u>
Noncurrent Assets:			
Restricted Cash and Cash Equivalents	2,708,142	-	2,708,142
Investments	1,699,426	-	1,699,426
Internal Balances	(1,372,339)	1,372,339	-
Capital Assets - Not Being Depreciated	7,105,248	183,479	7,288,727
Depreciable Capital Assets	<u>28,593,869</u>	<u>15,564,882</u>	<u>44,158,751</u>
Total Noncurrent Assets	<u>36,026,204</u>	<u>17,120,700</u>	<u>53,146,904</u>
 Total Assets	 51,048,421	 17,732,407	 68,780,828
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows on Bond Refunding	224,282	-	224,282
Deferred Other Postemployment Benefits Outflows	372,035	248,022	620,057
Deferred Pension Outflows	<u>652,139</u>	<u>434,760</u>	<u>1,086,899</u>
Total Deferred Outflows of Resources	<u>1,248,456</u>	<u>682,782</u>	<u>1,931,238</u>

**CRESCENTA VALLEY WATER DISTRICT
COMBINING SCHEDULE OF FUND NET POSITION (CONTINUED)
JUNE 30, 2021**

	Enterprise Funds		Total
	Water Fund	Sewer Fund	
LIABILITIES			
Current Liabilities:			
Accounts Payable and Accrued Expenses	\$ 1,694,371	\$ 269,156	\$ 1,963,527
Retention Payable	85,067	-	85,067
Accrued Wages and Related Payables	123,472	75,757	199,229
Customer Deposits	645,403	69,733	715,136
Accrued Interest Expense	117,746	-	117,746
Long-Term Liabilities - Due Within One Year:			
Compensated Absences	43,864	35,482	79,346
Loan Payable	226,917	-	226,917
Total Current Liabilities	<u>2,936,840</u>	<u>450,128</u>	<u>3,386,968</u>
Noncurrent Liabilities:			
Long-Term Liabilities - Due in More than One Year:			
Compensated Absences	192,425	73,253	265,678
Loan Payable	12,721,997	-	12,721,997
Other Postemployment Benefits Obligation	4,051,037	2,633,835	6,684,872
Net Pension Liability	2,853,599	1,902,400	4,755,999
Total Noncurrent Liabilities	<u>19,819,058</u>	<u>4,609,488</u>	<u>24,428,546</u>
Total Liabilities	22,755,898	5,059,616	27,815,514
DEFERRED INFLOWS OF RESOURCES			
Deferred Other Postemployment Benefits Inflows	317,095	211,397	528,492
Deferred Pension Inflows	350,698	233,799	584,497
Total Deferred Inflows of Resources	<u>667,793</u>	<u>445,196</u>	<u>1,112,989</u>
NET POSITION			
Net Investment in Capital Assets	24,539,901	15,748,361	40,288,262
Unrestricted	7,041,427	(2,837,984)	4,203,443
Total Net Position	<u>\$ 31,581,328</u>	<u>\$ 12,910,377</u>	<u>\$ 44,491,705</u>

**CRESCENTA VALLEY WATER DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
YEAR ENDED JUNE 30, 2021**

	Enterprise Funds		Total
	Water Fund	Sewer Fund	
OPERATING REVENUES			
Water Operations - Consumption Sales	\$ 8,938,008	\$ -	\$ 8,938,008
Water Operations - Service Charge	3,016,461	-	3,016,461
Water Operations - Other Charges	1,148,283	-	1,148,283
Wastewater Operations - User and Standby Charges	-	3,425,173	3,425,173
Total Operating Revenues	<u>13,102,752</u>	<u>3,425,173</u>	<u>16,527,925</u>
OPERATING EXPENSES			
Source of Supply	3,683,148	-	3,683,148
Plant Operations	1,914,025	177,758	2,091,783
Distribution System	880,137	-	880,137
City of Los Angeles Wastewater System Collection System	-	1,930,797	1,930,797
General and Administrative Expenses	-	275,422	275,422
Total Operating Expenses Before Depreciation	<u>3,848,152</u>	<u>1,799,393</u>	<u>5,647,545</u>
	<u>10,325,462</u>	<u>4,183,370</u>	<u>14,508,832</u>
OPERATING INCOME (LOSS) BEFORE DEPRECIATION	2,777,290	(758,197)	2,019,093
DEPRECIATION EXPENSE	<u>(1,487,496)</u>	<u>(652,762)</u>	<u>(2,140,258)</u>
OPERATING INCOME (LOSS)	1,289,794	(1,410,959)	(121,165)
NONOPERATING REVENUES (EXPENSES)			
Investment Earnings (Losses)	(220,569)	1,511	(219,058)
Interest Expense	(352,154)	-	(352,154)
Rental Income	60,050	17,643	77,693
Other Income (Expense), Net	(5,492)	-	(5,492)
Total Nonoperating Revenues (Expenses), Net	<u>(518,165)</u>	<u>19,154</u>	<u>(499,011)</u>
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	771,629	(1,391,805)	(620,176)
CAPITAL CONTRIBUTIONS			
Capital Grants - State	98,745	-	98,745
Assessments	-	31,626	31,626
Total Capital Contributions	<u>98,745</u>	<u>31,626</u>	<u>130,371</u>
CHANGE IN NET POSITION	870,374	(1,360,179)	(489,805)
Net Position - Beginning of Year	<u>30,710,954</u>	<u>14,270,556</u>	<u>44,981,510</u>
NET POSITION - END OF YEAR	<u>\$ 31,581,328</u>	<u>\$ 12,910,377</u>	<u>\$ 44,491,705</u>

**CRESCENTA VALLEY WATER DISTRICT
 DETAILED SCHEDULES OF REVENUES, EXPENSES, AND
 CHANGES IN FUND NET POSITION
 WATER OPERATIONS
 YEAR ENDED JUNE 30, 2021**

	2021		2020	
	Amount	Percent	Amount	Percent
OPERATING REVENUES				
Water Operations - Customers	\$ 8,938,008	68.21 %	\$ 7,952,859	64.05 %
Water Operations - Others	112,671	0.86	143,216	1.15
Service Charges	3,016,461	23.02	2,985,239	24.04
Meter Installations	-	-	56,953	0.46
Other Revenue	1,035,612	7.90	1,277,635	10.29
Total Operating Revenues	<u>13,102,752</u>	100.00	<u>12,415,902</u>	100.00
OPERATING EXPENSES				
Source of Supply - Water Purchases	3,683,148	100.00	3,175,446	100.00
Plant Operations:				
Power	749,360	7.26	719,330	7.50
Plant Wages	460,227	4.46	461,792	4.81
Utilities	33,993	0.33	36,048	0.38
Maintenance	175,173	1.70	207,478	2.16
Signal System	42,383	0.41	35,475	0.37
Lab and Treatment	190,790	1.85	169,007	1.76
Nitrate Treatment	65,408	0.63	72,511	0.76
Insurance	93,121	0.90	95,573	1.00
Other Expense	103,570	1.00	203,637	2.12
Total Plant Operations	<u>1,914,025</u>	18.54	<u>2,000,851</u>	20.85
Distribution System:				
Meter Maintenance	659,464	6.39	669,791	6.98
Pipeline Maintenance	50,524	0.49	73,477	0.77
Backflow Operations	73	0.00	111	0.00
Reservoir and Building Maintenance	96,560	0.94	74,180	0.77
Auto and Truck Expense	59,475	0.58	78,878	0.82
Property Taxes	14,041	0.14	13,658	0.14
Total Distribution System	<u>880,137</u>	8.52	<u>910,095</u>	9.48

**CRESCENTA VALLEY WATER DISTRICT
DETAILED SCHEDULES OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION (CONTINUED)
WATER OPERATIONS
YEAR ENDED JUNE 30, 2021**

	2021		2020	
	Amount	Percent	Amount	Percent
OPERATING EXPENSES (CONTINUED)				
Directors' Fees	\$ 8,325	0.08 %	\$ 8,010	0.08 %
Salaries- Statutory Officers	208,198	2.02	177,537	1.85
Salaries - General Office	666,389	6.45	755,220	7.87
Retirement (CalPERS)	924,972	8.96	925,075	9.64
Payroll Taxes	165,553	1.60	173,277	1.81
Engineering and Drafting	342,069	3.31	299,603	3.12
Accounting	10,281	0.10	7,485	0.08
Legal	125,560	1.22	96,901	1.01
Administrative Consultant - Water System	279,692	2.71	196,408	2.05
Insurance - Group	308,226	2.99	397,997	4.15
Maintenance	45,241	0.44	50,719	0.53
Computer and Supplies	171,400	1.66	108,841	1.13
Utilities	1,418	0.01	-	-
Telephone	72,206	0.70	81,448	0.85
Printing and Postage	35,484	0.34	41,446	0.43
Water System Fees	76,116	0.74	47,054	0.49
Water Conservation	26,748	0.26	18,168	0.19
Training	18,532	0.18	22,308	0.23
Other	361,742	3.50	101,965	1.06
Total General and Administrative	<u>3,848,152</u>	37.27	<u>3,509,462</u>	36.57
Total Operating Expenses	<u>10,325,462</u>	100.00	<u>9,595,854</u>	100.00
Operating Income Before Depreciation	2,777,290	100.00	2,820,048	100.00
Depreciation Expense	<u>(1,487,496)</u>	100.00	<u>(1,296,686)</u>	100.00
Operating Income	1,289,794	100.00	1,523,362	100.00
Nonoperating Revenues (Expense):				
Investment Earnings (Expenses)	(220,569)	42.57	448,903	190.81
Interest Expense	(352,154)	67.96	(241,135)	(102.50)
Rental Income	60,050	(11.59)	29,446	12.52
Other Income (Expense), Net	<u>(5,492)</u>	1.06	<u>(1,950)</u>	(0.83)
Total Nonoperating Revenues (Expense), Net	(518,165)	100.00	235,264	100.00
NET INCOME BEFORE CAPITAL CONTRIBUTIONS	771,629	100.00	1,758,626	100.00
CAPITAL CONTRIBUTIONS				
Capital Grants - State	98,745	-	-	100.00
Total Capital Contributions	<u>98,745</u>	-	<u>-</u>	100.00
CHANGE IN NET POSITION	<u>\$ 870,374</u>	100.00	<u>\$ 1,758,626</u>	100.00

**CRESCENTA VALLEY WATER DISTRICT
 DETAILED SCHEDULES OF REVENUES, EXPENSES, AND
 CHANGES IN FUND NET POSITION
 WASTEWATER OPERATIONS
 YEAR ENDED JUNE 30, 2021**

	2021		2020	
	Amount	Percent	Amount	Percent
OPERATING REVENUES				
User and Standby Charges	\$ 3,425,173	100.00 %	\$ 3,187,260	100.00 %
Total Operating Revenues	<u>3,425,173</u>	100.00	<u>3,187,260</u>	100.00
OPERATING EXPENSES				
City of Los Angeles Wastewater System Expense	1,930,797	46.15	1,520,287	39.50
Plant Operations:				
Power	574	0.01	496	0.01
Plant Wages	50,032	1.20	54,530	1.42
Utilities	2,842	0.07	3,555	0.09
Maintenance	16,501	0.39	14,766	0.38
Insurance - General	79,537	1.90	78,549	2.04
Signal System	4,552	0.11	972	0.03
Other Expense	23,720	0.57	19,344	0.50
Total Plant Operations	<u>177,758</u>	4.25	<u>172,212</u>	4.47
Collection System:				
Maintenance	236,683	5.66	170,083	4.42
Auto and Truck Expense	34,612	0.83	47,666	1.24
Inspection	4,127	0.10	4,380	0.11
Total Collection System	<u>275,422</u>	6.58	<u>222,129</u>	5.77

**CRESCENTA VALLEY WATER DISTRICT
DETAILED SCHEDULES OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION (CONTINUED)
WASTEWATER OPERATIONS
YEAR ENDED JUNE 30, 2021**

	2021		2020	
	Amount	Percent	Amount	Percent
OPERATING EXPENSES, CONTINUED				
General and Administrative:				
Directors' Fees	\$ 8,325	0.20 %	\$ 8,010	0.21 %
Salaries - Statutory Officers	208,198	4.98	174,110	4.52
Salaries - General Office	319,495	7.64	454,687	11.81
Retirement (CalPERS)	616,645	14.74	613,362	15.94
Payroll Taxes	65,276	1.56	65,940	1.71
Engineering and Drafting	114,545	2.74	99,868	2.60
Accounting	11,594	0.28	8,440	0.22
Legal	27,562	0.66	23,034	0.60
Administrative	26,294	0.63	24,004	0.62
Insurance - General	3,755	0.09	5,765	0.15
Insurance - Group	204,294	4.88	264,768	6.88
Maintenance	4,271	0.10	6,785	0.18
Computer and Supplies	27,494	0.66	26,540	0.69
Utilities	7,158	0.17	6,666	0.17
Telephone	27,840	0.67	29,483	0.77
Printing and Postage	34,161	0.82	33,914	0.88
Training	3,114	0.07	3,666	0.10
Other	89,372	2.14	84,800	2.20
Total General and Administrative	<u>1,799,393</u>	43.01	<u>1,933,842</u>	50.25
 Total Operating Expenses	 <u>4,183,370</u>	 100.00	 <u>3,848,470</u>	 100.00
 Operating Income (Loss) Before Depreciation	 (758,197)	 100.00	 (661,210)	 100.00
Depreciation Expense	<u>(652,762)</u>	100.00	<u>(665,458)</u>	100.00
 Operating Loss	 (1,410,959)	 100.00	 (1,326,668)	 100.00
Nonoperating Revenues (Expense):				
Investment Earnings	1,511	7.89	1,197	11.97
Rental Income	17,643	92.11	8,666	86.66
Other Income (Expense), Net	-	-	137	1.37
Total Nonoperating Income, Net	<u>19,154</u>	100.00	<u>10,000</u>	100.00
 NET LOSS BEFORE CAPITAL CONTRIBUTIONS	 (1,391,805)	 100.00	 (1,316,668)	 100.00
 CAPITAL CONTRIBUTIONS				
Assessments	<u>31,626</u>	100.00	<u>27,874</u>	100.00
 CHANGE IN NET POSITION	 <u>\$ (1,360,179)</u>	 100.00	 <u>\$ (1,288,794)</u>	 100.00

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OTHER INDEPENDENT AUDITORS' REPORT

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**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, 2021 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 17, 2022.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

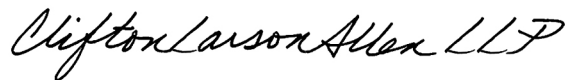
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

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
January 17, 2022