



AUDITED FINANCIAL STATEMENTS REPORT
For Fiscal Year Ended June 30, 2023

CRESCENTA VALLEY WATER DISTRICT

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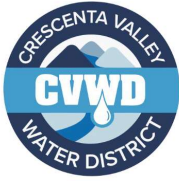
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INTRODUCTORY SECTION

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Crescenta Valley Water District

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

Directors

James D. Bodnar
Kerry D. Erickson
Jeffery W. Johnson
Sharon S. Raghavachary
Jennifer T. Valdez

General Manager

James K. Lee

April 9, 2024

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, 2023, 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's 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, and the District serves La Crescenta, and portions of Montrose and La Canada-Flintridge. 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 and La Canada-Flintridge as they become available.

In September 2020, the District refinanced existing debt at a net present value savings of \$391 and issued an additional \$5 million for infrastructure projects. Bond proceeds were used to ensure a commitment to catching up on pipeline infrastructure while smoothing rate increases over time. \$2.3 million of the bond proceeds were deployed in FY 2021, with the remaining \$2.7 million used in FY 2022.

The current drought that began in 2020 has persisted. The District enjoys a high degree of water supply sustainability based on having three primary sources of water supply – its own groundwater, imported water through the State Water Project, and imported water from the Colorado River. 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 (State Water Project), is at record-low levels. The District's other source of imported water through the Colorado River is also facing extreme drought, and the levels of its reservoirs are also at record lows. The State of CA issued water conservation mandates that have resulted in reductions in water sales revenue, and the District is expected to face continued "demand hardening" as large portions of the customer base continue to transition toward more efficient water use through low-flow toilets, drought-tolerant landscaping, etc. Staff closely monitors water consumption and sales on a monthly basis to make any necessary adjustments to revenue forecasts. 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 were implemented in 2020. That said, the District's customers have already exceeded the State's required consumption levels because of their conservation efforts, and these new mandates may have little effect on consumption patterns until after 2030. Meanwhile, the District is actively considering alternative water supply projects to increase future reliability and affordability of water supply.

City of Los Angeles wastewater treatment costs continue to represent a significant portion of the District's wastewater operating expenses. The District has begun developing a wastewater master plan that includes a wastewater treatment and disposal study to evaluate alternative sewer treatment options as a 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 SingerLewak LLP, has conducted the audit for the District's financial statements. Their unmodified Independent Auditor's Report appears in the Financial Section.

Risk Management

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

Other References

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

Acknowledgements

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

CRESCENTA VALLEY WATER DISTRICT
OFFICERS AND MEMBERS OF THE GOVERNING BODY
AS OF JUNE 30, 2023

BOARD OF DIRECTORS

Sharon Raghavachary – Board President

James Bodnar – Board Vice President

Kerry Erickson – Board Member

Judy Tejeda - Board Member

Jeffery Johnson - Board Member

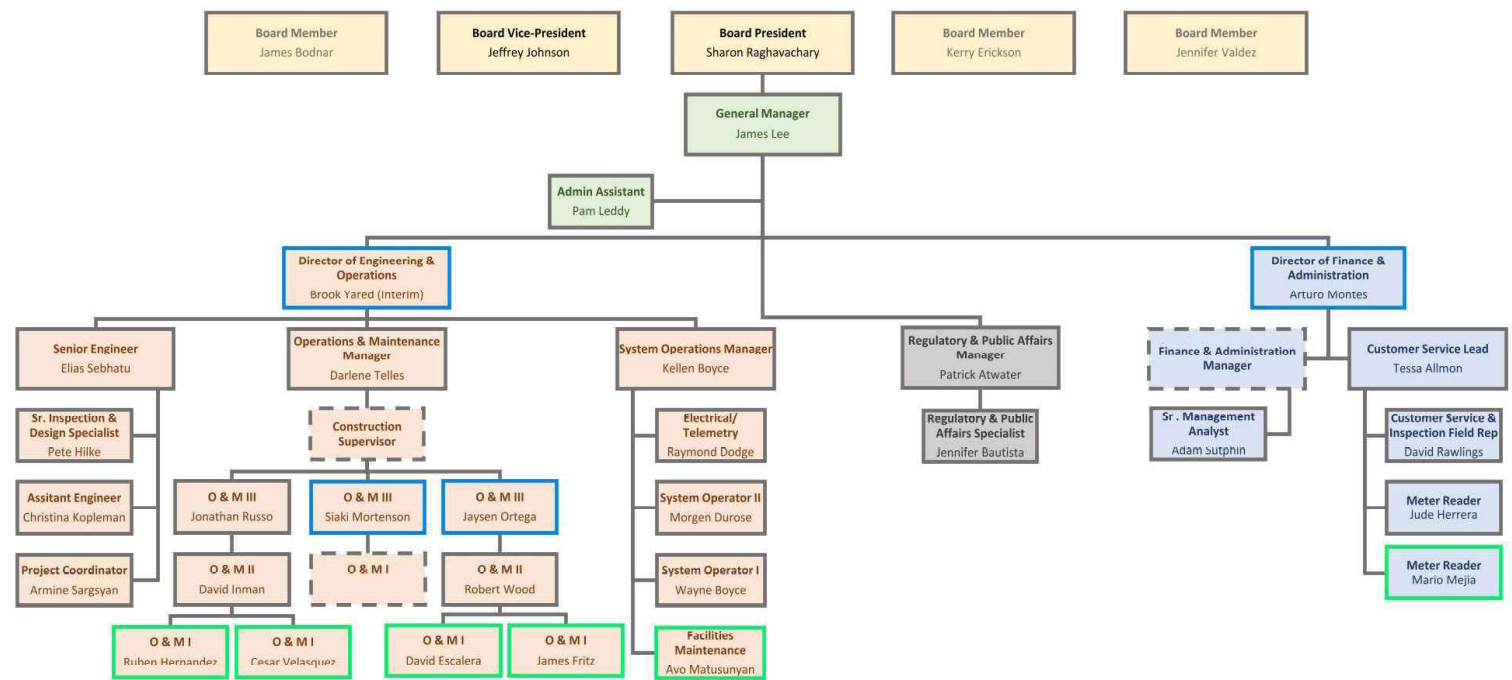
ADMINISTRATIVE OFFICIALS

James Lee, Interim General Manager / Director of Finance and Administration

Arturo Montes, Financial and Administration Manager

ADDRESS:

2700 Foothill Boulevard
La Crescenta, California 91214
(818) 248-3925 – www.cvwd.com



- Interim
- LTE (3 Year contract, renewed annually)
- Temp (6-month employee, no benefits)
- Vacant

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Crescenta Valley Water District
La Crescenta, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the of the Crescenta Valley Water District (the District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the District, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 4 to the financial statements, the District implemented the provisions of GASB Statement No. 87, Leases (GASB Statement No. 87) effective July 1, 2022. GASB Statement No. 87 requires lessees to report a "right to use" asset and a lease liability for leases with a term of more than one year. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control— related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages a - e and the pension and OPEB schedules on pages 27 - 31 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The combining schedule of net position, combining schedule of revenues, expenses and changes in net position, and the detailed schedules of revenues, expenses and changes in net position for the water and wastewater operations are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining schedule of net position, combining schedule of revenues, expenses and changes in net position, and the detailed schedules of revenues, expenses and changes in net position for the water and wastewater operations are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Crescenta Valley Water District
Independent Auditor's Report
April 9, 2024

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 9, 2024 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 District's internal control over financial reporting and compliance.

Singer Lewak LLP

April 9, 2024

By:

Orlando R. Torres

Orlando R. Torres, Partner

CRESCENTA VALLEY WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis (MD&A) of the Crescenta Valley Water District (the District) provides a narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here, in conjunction with, the transmittal letter in the Introductory Section and the basic financial statements and related notes, which follow this section. In an effort to make the MD&A more readable, all amounts have been rounded to the nearest thousand or, in some cases, the nearest million.

Financial Highlights

- The District's net position decreased 1.59%, or \$710K to \$43.9M in fiscal year 2023. The slight decrease was due to increased rates offset by lower water demand, as a result of drought messaging in the summer months, and an above average rainfall in the winter months. Other factors included a no outdoor watering period and a continued high cost of wastewater processing charges by the City of Los Angeles.
- The District's operating revenues decreased 3.70% or \$614K in fiscal year 2023.
- The District's operating expenses increased 4.28%, or \$683K in fiscal year 2023.

Overview of the Financial Statements

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

The District's statements consist of two operations, the Water Operation and the Wastewater Operation. 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 wastewater services 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, noncapital financing activities, capital and related financing activities and investing 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

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 following the Statement of Cash Flows.

Financial Analysis of the District

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Position found on page 1 and the Statements of Revenues, Expenses, and Changes in Net Position on page 2 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.

Table 1 – District's Net Position

	2023	2022	Change
Current and other assets	\$ 17,168,726	\$ 18,152,538	\$ (983,812)
Capital assets, net	54,581,519	52,994,862	1,586,657
Total assets	71,750,245	71,147,400	602,845
Deferred outflow of resources	3,303,787	1,711,486	1,592,301
Long-term liabilities	24,081,034	22,407,697	1,673,337
Other liabilities	4,513,752	2,700,960	1,812,792
Total liabilities	28,594,786	25,108,657	3,486,129
Deferred inflow of resources	2,535,537	3,116,949	(581,412)
Net position:			
Net investment in capital assets	41,984,990	40,458,844	1,526,146
Unrestricted	1,938,719	4,174,436	(2,235,717)
Total net position	\$ 43,923,709	\$ 44,633,280	\$ (709,571)

As noted earlier, net position may serve over time as a useful indicator of an entity'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 \$43.9M as of June 30, 2023.

CRESCENTA VALLEY WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

By far, the largest portion of the District's net position consists of the District's net investment in capital assets at 95.59% as of June 30, 2023. The District uses the 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.

Table 2 – District's Changes in Net Position

	2023	2022	Total
Revenues			
Operating revenues	\$ 15,974,614	\$ 16,588,466	\$ (613,852)
Nonoperating revenues	180,731	(270,733)	451,464
Total revenues	<u>16,155,345</u>	<u>16,317,733</u>	<u>(162,388)</u>
Expenses			
Operating expenses	16,634,562	15,952,006	682,556
Nonoperating expenses	361,727	348,409	13,318
Total expenses	<u>16,996,289</u>	<u>16,300,415</u>	<u>695,874</u>
Net income(loss) before capital contributions	(840,944)	17,318	(858,262)
Capital contributions	<u>131,373</u>	<u>124,257</u>	<u>7,116</u>
Change in net position	<u>(709,571)</u>	<u>141,575</u>	<u>(851,146)</u>
Net position, beginning	<u>44,633,280</u>	<u>44,491,705</u>	<u>141,575</u>
Net position, ending	<u>\$ 43,923,709</u>	<u>\$ 44,633,280</u>	<u>\$ (709,571)</u>

Table 2 presents how the District's net position changed during the reported fiscal years. In the case of the District, net position in fiscal year 2023 decreased by \$710K, or 1.59%, to \$43.9M. The slight decrease was a result of increased rates offset by lower water demand and an increase in operating costs as a result of economic inflation.

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

In 2023, the District's total revenues decreased by \$162K or 1.00%. Revenues from metered water sales decreased significantly from 2022. The ongoing drought prompted significant conservation efforts during the summer and fall months. The situation is further compounded by an outdoor watering ban that was put in place by Metropolitan Water District (MWD) to allow for repairs on one of their main water supply lines. This was followed by above-average rainfall in the winter and spring, leading to a substantial decrease in residential water usage.

In 2023, the District's total expenses increased by \$696K, or 4.27%. The increase was driven by above average inflation affecting costs of materials and a rate increase for purchased water and wastewater processing costs.

CRESCENTA VALLEY WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

In 2023, nonoperating expenses increased by \$13K or 3.82%, due primarily to a increase in interest expense

In 2023, capital contributions increased by \$7K, or 5.73%, due primarily to an increase in new construction, home expansions and ADU permits.

Capital Asset and Debt Administration

Capital Assets

The District's investment in capital assets (net of related debt), as of June 30, 2023, amounts to \$42.0M. This investment in capital assets includes land, construction in process, buildings and building improvements, vehicles and equipment, infrastructure and right to use lease assets. Major capital assets additions during the year included upgrades to the District's water production system and transmission and distribution systems. Overall, capital assets, net of accumulated depreciation/amortization increased \$1.6M, or 2.99%.

The District implemented GASB Statement 87, *Leases*, for the fiscal year 2022-23. GASB 87 establishes a single model for lease accounting based in the foundational principal that leases are financings of the right to use an underlying asset. The District's leases are considered capital assets and are included as such in the Notes to the Financial Statements, in Note 4. The District's net value of the right to use assets at June 30, 2023 are \$342,772.

The following table summarizes the District's capital assets, net of accumulated depreciation as of June 30:

	2023	2022
Land	\$ 1,158,526	\$ 1,158,526
Construction in process	4,603,787	7,448,272
Buildings and building improvements	459,002	478,247
Vehicles and equipment	589,870	511,959
Infrastructure	47,427,562	43,397,858
Right to use - lease infrastructure	318,229	337,323
Right to use - lease equipment	24,543	73,628
Capital assets, net of accumulated depreciation	<u>\$ 54,581,519</u>	<u>\$ 53,405,813</u>

Long-Term Debt

At June 30, 2023, the District had a total of \$12.7M in long-term debt, which includes \$359K in leases payable. The District implemented GASB Statement 87, *Leases* during the fiscal year 2022-23. Leases are considered to be long-term debt for lease terms greater than one year and are included as such in the Notes to the Financial Statements, in Note 5.

CRESCENTA VALLEY WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table summarizes the District's long-term debt as of June 30:

	2023	2022
Direct placements	\$ 10,670,000	\$ 10,890,000
Unamortized premium	772,990	844,955
Direct borrowings	935,116	957,033
Leases	358,577	410,951
Total long-term debt	<u>\$ 12,736,683</u>	<u>\$ 13,102,939</u>

The District's did not issue any new debt in the 2022-2023 fiscal year. Principal payments of the long-term debt, including leases, totaled of \$294K and premiums were amortized \$72K during fiscal year 2022-2023.

Conditions Affecting Current Financial Position

Management is unaware of any conditions at June 30, 2023, 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 James Lee, Interim General Manager of Crescenta Valley Water District, at 2700 Foothill Blvd., La Crescenta, California, 91214.

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BASIC FINANCIAL STATEMENTS

CRESCENTA VALLEY WATER DISTRICT

STATEMENT OF NET POSITION

June 30, 2023

Assets

Current assets	
Cash and cash equivalents	\$ 5,069,774
Accounts receivable:	
Water and wastewater, net	2,967,015
Other	1,471
Interest receivable	20,679
Prepaid expenses	53,446
Inventory	656,275
Total current assets	<u>8,768,660</u>

Noncurrent assets	
Investments	8,400,066
Capital assets:	
Capital assets, nondepreciable	5,762,313
Capital assets, net of accumulated depreciation	<u>48,819,206</u>
Total noncurrent assets	<u>62,981,585</u>
Total assets	<u>71,750,245</u>

Deferred outflows of resources

Deferred outflows on bond refunding	192,242
Pension related items	2,595,744
Other post employment benefits related items	<u>515,801</u>
Total deferred outflows of resources	<u>3,303,787</u>

Liabilities

Current liabilities	
Accounts payable	3,312,976
Accrued payroll liabilities	215,888
Retainage payable	52,087
Customer deposits	807,229
Accrued interest expense	125,572
Compensated absences - current portion	71,736
Lease payable - current portion	36,984
Loan payable - current portion	<u>296,847</u>
Total current liabilities	<u>4,919,319</u>

Noncurrent liabilities	
Lease payable	321,593
Net pension liability	5,749,196
Net other postemployment benefits liability	5,257,740
Compensated absences	265,679
Loan payable	<u>12,081,259</u>
Total noncurrent liabilities	<u>23,675,467</u>
Total liabilities	<u>28,594,786</u>

Deferred inflows of resources

Pension related items	503,322
Other post employment benefits related items	<u>2,032,215</u>
Total deferred inflows of resources	<u>2,535,537</u>

Net position

Net investment in capital assets	41,984,990
Unrestricted	<u>1,938,719</u>
Total net position	<u>\$ 43,923,709</u>

See notes to financial statements

CRESCENTA VALLEY WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2023

Operating revenues

Water operations - consumption sales	\$ 7,935,623
Water operations - service charges	3,609,799
Water operations - other charges	686,023
Wastewater operations - user and standby charges	<u>3,743,169</u>
Total operating revenues	<u>15,974,614</u>

Operating expenses

Source of supply	2,924,787
Plant operations	1,863,728
Distribution system	1,834,099
City of Los Angeles wastewater system	2,394,509
Collection system	407,526
General and administrative expenses	4,996,486
Depreciation and amortization	<u>2,213,427</u>
Total operating expenses	<u>16,634,562</u>

Operating income (loss) (659,948)

Nonoperating revenues (expenses)

Investment income (loss)	95,923
Rental income	79,806
Interest expense	(359,782)
Other income (expense), net	<u>3,057</u>
Total nonoperating revenues (expenses)	<u>(180,996)</u>

Income (loss) before capital contributions (840,944)

Capital contributions

Capital grants - State	92,046
Assessments	<u>39,327</u>
Total capital contributions	<u>131,373</u>

Change in net position (709,571)

Net position - beginning of year 44,633,280

Net position - end of year \$ 43,923,709

See notes to financial statements

CRESCENTA VALLEY WATER DISTRICT

STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2023

Cash flows from operating activities

Cash received from customers	\$ 16,086,944
Cash paid to employees for services	(5,234,992)
Cash paid to suppliers and others	(8,207,694)
Net cash provided by (used in) operating activities	<u>2,644,258</u>

Cash flows from noncapital financing activities

Other receipts	<u>5,002</u>
Net cash provided by (used in) noncapital financing activities	<u>5,002</u>

Cash flows from capital and related financing activities

Acquisition and construction of capital assets	(3,405,358)
Proceeds from grants	92,046
Proceeds from property owner assessments	39,327
Principal payments on Leases	(52,374)
Principal payments on long-term debt	(241,917)
Interest paid	(274,135)
Net cash provided by (used in) capital and related financing activities	<u>(3,842,411)</u>

Cash flows from investing activities

Purchase of investments	(1,999,708)
Proceeds from sale of investments	1,924,859
Interest earned	220,383
Proceeds from rental properties	79,806
Cash paid for rentals	(1,945)
Net cash provided by (used in) investing activities	<u>223,395</u>

Net increase (decrease) in cash and cash equivalents (969,756)

Cash and cash equivalents, beginning of year 6,039,530

Cash and cash equivalents, end of year \$ 5,069,774

Reconciliation of operating income (loss) to net cash provided by (used in) operating activities

Operating income (loss)	\$ (659,948)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation and amortization	2,213,427
(Increase) decrease in assets and deferred outflows	
Accounts receivable	105,218
Prepaid expenses	50,285
Inventory	(191,058)
Deferred outflows - pension related	(1,609,356)
Deferred outflows - OPEB related	(14,985)
Increase (decrease) in liabilities and deferred inflows	
Accounts payable	1,687,266
Accrued payroll liabilities	9,067
Compensated absences liability	(28,372)
Customer deposits	7,112
Net pension liability	3,218,579
Net OPEB liability	(1,561,565)
Deferred inflows - pension related	(2,106,921)
Deferred inflows - OPEB related	<u>1,525,509</u>
Net cash provided by (used in) operating activities	<u>\$ 2,644,258</u>

See notes to financial statements

CRESCENTA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – REPORTING ENTITY

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.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

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 THE FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and Investment Policy

The District has adopted an investment policy directing the Treasurer 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, 2023, the District did not have restricted assets.

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 uncollectible 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 and supplies used in construction and maintenance of the water and sewer system and is stated at cost using the average-cost method.

CRESCENTA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prepaid expenses

Certain payments to vendors reflect 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 expense is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

<u>Asset Type</u>	<u>Useful Life</u>
Sewer Facilities	40 to 50 Years
Water Facilities	40 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

Lease assets are assets which the District leases for term of more than one year. The value of the leases is determined by the net value of the leases using the interest rate implicit in the lease or, if not determinable, at the District's incremental borrowing rate at the time of the lease agreement and are amortized over the term of the agreement.

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.

Long-term Liabilities

Long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Premiums and discounts on a refunding are amortized over the life of the related debt. Loan payable is reported net of unamortized premiums or discounts. Debt payments are reported as a reduction of the related liability.

A deferred outflow from a loss 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.

CRESCENTA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to the pension, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans (the Plans) and additions to/deductions from the Plan's 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.

Postemployment Benefits Other than Pensions (OPEB)

The District participates in an agent multiple-employer defined benefit postemployment healthcare plan. 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.

Deferred outflow / inflows of resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The District reports deferred outflows of resources related to deferred charges related to loss on refunding, pensions and OPEB.

In addition to liabilities the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District reports deferred inflows of resources related to pensions and OPEB.

CRESCENTA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

The District classified equity as net position and it can be displayed in three components:

- *Net investment in capital assets* – consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of debt that are attributable to 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 net position* – consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- *Unrestricted net position* – is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Sometimes the District will fund outlays for particular purpose from both restricted and unrestricted resources. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

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.

CRESCENTA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2023 are as follows:

Deposits with financial institutions	\$	1,623,285
Local District Investment Fund		3,445,689
Cash on hand		<u>800</u>
Total cash and cash equivalents	\$	<u>5,069,774</u>

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral 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 THE FINANCIAL STATEMENTS

NOTE 3 – CASH AND CASH EQUIVALENTS (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.

NOTE 4 – INVESTMENTS

Investments and future maturities at June 30, 2023 were as follows:

Investment Type	Total	Remaining Maturity (in months)			
		12 months or less	13 to 24 months	25 to 60 months	61 to 120 months
U.S. Treasury	\$ 3,920,040	\$ 525,877	\$ 1,662,401	\$ 1,731,762	\$ -
U.S. Government agencies	762,086	195,540	295,289	271,257	-
Corporate notes	3,717,940	574,535	965,721	2,177,684	-
Total	<u>\$ 8,400,066</u>	<u>\$ 1,295,952</u>	<u>\$ 2,923,411</u>	<u>\$ 4,180,703</u>	<u>\$ -</u>

Credit Risk

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

CRESCENTA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 – INVESTMENTS (Continued)

Credit rating of investments as of June 30, 2023, were as follows:

Investment Type	Total	Minimum Legal Rating	Rating at Yearend			
			AAA	AA+	A	Not Rated
U.S. Treasury	\$ 3,920,040	A	\$ -	\$ 3,920,040	\$ -	\$ -
U.S. Government agencies	762,086	A	-	762,086	-	322,156
Corporate notes	3,717,940	A	967,152	506,459	1,922,173	-
Total	<u>\$ 8,400,066</u>		<u>\$ 967,152</u>	<u>\$ 5,188,585</u>	<u>\$ 1,922,173</u>	<u>\$ 322,156</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, 2023 none of the Districts investments in any one issuer exceeded 5%.

Fair Value Measurements

Investments measured at fair value on a recurring and nonrecurring basis at June 30, 2023:

Investment Type	Total	Rating at Yearend		
		Level 1	Level 2	Level 3
U.S. Treasury	\$ 3,920,040	\$ 3,920,040	\$ -	\$ -
U.S. Government agencies	762,086	-	762,086	-
Corporate notes	3,717,940	-	3,717,940	-
Total	<u>\$ 8,400,066</u>	<u>\$ 3,920,040</u>	<u>\$ 4,480,026</u>	<u>\$ -</u>

NOTE 5 – ACCOUNTS RECEIVABLE – WATER AND WASTEWATER, NET

Accounts receivable – water and wastewater, net consisted of the following at June 30, 2023:

Accounts Receivable:	
Water user charges	\$ 2,282,754
Wastewater user charges	754,717
Allowance for uncollectible accounts	<u>(70,456)</u>
Total accounts receivable - water and wastewater, net	<u>\$ 2,967,015</u>

CRESCENTA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 is as follows:

	Balance at July 1, 2022	Additions	Deletions	Balance at June 30, 2023
Capital assets, not being depreciated:				
Land	\$ 1,158,526	\$ -	\$ -	\$ 1,158,526
Construction in process	7,448,272	3,389,133	6,233,618	4,603,787
Totals capital assets, not being depreciated	8,606,798	3,389,133	6,233,618	5,762,313
Capital assets, being depreciated:				
Buildings and building improvements	1,222,921	-	-	1,222,921
Vehicles and equipment	3,812,273	233,295	-	4,045,568
Infrastructure	90,440,357	6,000,323	-	96,440,680
Right to use - lease infrastructure	356,417	-	-	356,417
Right to use - lease equipment	122,713	-	-	122,713
Totals capital assets, being depreciated	95,954,681	6,233,618	-	102,188,299
Less accumulated depreciation:				
Buildings and building improvements	744,674	19,245	-	763,919
Vehicles and equipment	3,300,314	155,384	-	3,455,698
Infrastructure	47,042,499	1,970,619	-	49,013,118
Right to use - lease infrastructure	19,094	19,094	-	38,188
Right to use - lease equipment	49,085	49,085	-	98,170
Totals accumulated depreciation	51,155,666	2,213,427	-	53,369,093
Totals capital assets, being depreciated	44,799,015	4,020,191	-	48,819,206
Capital assets, net	\$ 53,405,813	\$ 7,409,324	\$ 6,233,618	\$ 54,581,519

Implementation of the Standard for Leases

The District implemented the provisions of GASB Statement No. 87, *Leases* (GASB Statement No. 87) effective July 1, 2022. GASB Statement No. 87 was effective for fiscal years ended June 30, 2022, but the provisions of this guidance were deemed immaterial for those financial statements. GASB Statement No. 87 requires lessees to report a “right to use” asset and a lease liability for leases with a term of more than one year. The District implemented the provisions of GASB Statement No. 87 by recording right to use assets as of July 1, 2022, with equal amounts of lease liabilities, with no impact to the beginning net position. Refer also the effect on long-term liabilities in Note 7.

CRESCENTA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 – LONG-TERM LIABILITIES

Changes in long-term liability amounts as of June 30, 2023 were as follows:

	Balance at July 1, 2022	Additions	Deletions	Balance at June 30, 2023	Due Within One Year
Long-term debt					
Direct borrowing and placements:					
Certificates of participation	\$ 10,890,000	\$ -	\$ 220,000	\$ 10,670,000	\$ 225,000
Premium	844,955	-	71,965	772,990	49,930
	11,734,955	-	291,965	11,442,990	274,930
Infrastructure loan	957,033	-	21,917	935,116	21,917
Total direct borrowing and and placements	12,691,988	-	313,882	12,378,106	296,847
Leases	410,951	-	52,374	358,577	36,984
Total long-term debt	13,102,939	-	366,256	12,736,683	333,831
Compensated absences	365,787	359,620	387,992	337,415	71,736
Net pension liability	2,530,617	3,218,579	-	5,749,196	-
Net OPEB liability	6,819,305	-	1,561,565	5,257,740	-
Totals long-term liabilities	\$ 22,818,648	\$ 3,578,199	\$ 2,315,813	\$ 24,081,034	\$ 405,567

Direct borrowing and direct placements outstanding at June 30, 2023 is as follows:

Purpose	Amount Outstanding
<u>Direct Borrowing - 2016 GWP Infrastructure Loan</u>	
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 \$540,613, at which point a new agreement will be negotiated. In the event of default, the landlord at law or in equity, landlord shall have the option to terminate the agreement and shall be entitled to immediate restraint by injunction of any violation of any of the covenants, conditions, or provisions of the agreement.	
	\$ 935,116
Less: current portion	21,917
Long-term portion	<u>\$ 913,199</u>

CRESCENTA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Direct Placement - 2020 Revenue Certificates of Participation

On September 15, 2020, 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.

	\$ 10,670,000
Less: current portion	<u>225,000</u>
Long-term portion	<u>\$ 10,445,000</u>

Future maturities of long-term debt

As of June 30, 2023, the future maturities of long-term debt are as follows:

Fiscal Year	Certificates of Participation		Infrastructure Loan		Unamortized	Total	
	Principal	Interest	Principal	Interest	Premium Amortization	Principal	Interest
2024	\$ 225,000	\$ 350,281	\$ 21,917	\$ 29,095	\$ 49,930	\$ 246,917	\$ 429,306
2025	235,000	341,081	21,917	29,095	48,619	256,917	418,795
2026	245,000	331,481	21,917	29,095	47,250	266,917	407,826
2027	255,000	321,481	21,917	29,095	45,825	276,917	396,401
2028	265,000	311,081	21,917	29,095	44,342	286,917	384,518
2029-33	1,470,000	1,408,256	109,585	145,475	200,737	1,579,585	1,754,468
2034-38	1,780,000	1,093,634	109,585	145,475	155,890	1,889,585	1,394,999
2039-43	2,070,000	803,963	606,361	87,288	114,600	2,676,361	1,005,851
2044-48	2,465,000	398,725	-	-	56,835	2,465,000	455,560
2049-51	1,660,000	62,876	-	-	8,962	1,660,000	71,838
Total	<u>\$ 10,670,000</u>	<u>\$ 5,422,859</u>	<u>\$ 935,116</u>	<u>\$ 523,713</u>	<u>\$ 772,990</u>	<u>\$ 11,605,116</u>	<u>\$ 6,719,562</u>

Leases payable

Leases payable outstanding as of June 30, 2023 are as follows:

	Original Amount	Outstanding July 1, 2022	Additions	Payments	Outstanding June 30, 2023	Due Within One Year
Copier leases						
Interest at 1.15%, monthly payments of principal and interest of \$2,073, due 2023	\$ 122,713	\$ 73,628	\$ -	\$ 48,826	\$ 24,802	\$ 24,802
Rockhaven well lease						
Interest at 2.01%, monthly payments of principal and interest of \$1,497, due 2025	\$ 356,417	337,323	-	3,548	333,775	12,182
Total leases payable		<u>\$ 410,951</u>	<u>\$ -</u>	<u>\$ 52,374</u>	<u>\$ 358,577</u>	<u>\$ 36,984</u>

CRESCENTA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Future maturities – leases payable

As of June 30, 2023, the future maturities of leases payable are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 36,984	\$ 6,682
2025	12,998	6,346
2026	13,847	6,077
2027	14,732	5,791
2028	15,652	5,486
2029-33	93,414	22,177
2034-38	122,608	11,394
2039-43	48,342	862
Total	<u>\$ 358,577</u>	<u>\$ 64,815</u>

NOTE 8 – DEFINED BENEFIT PENSION PLAN

Plan Description

The District participates in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (the Pension Plan or PERF C) serves public agencies with generally fewer than 100 active members that is administered by the California Public Employees' Retirement System (CalPERS). The Pension Plan consists of a Miscellaneous Pool and a Safety Pool (also referred to as "risk pools"), which are comprised of individual employer miscellaneous and safety valuation rate plans, respectively. The District participates in the Pension Plan as part of the Miscellaneous Risk Pool. All qualified permanent and probationary employees of the District are eligible to participate in the Pension Plan.

Benefits Provided

The Pension Plan 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. Benefit provisions under the plan are established by state statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website or may be obtained from their executive office: 400 P Street, Sacramento, CA, 95814.

CRESCENTA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)

Benefits Provided (continued)

The California Public Employees' Pension Reform Act of 2013 (PEPRA), which took effect on January 1, 2013, closed the District's CalPERS 2.0% at 55 Risk Pool Retirement Plan to new employee entrants (PEPRA Members or Tier 2). All employees hired after January 1, 2013 are eligible for the District's CalPERS 2.0% at 62 Retirement Plan under PEPRA. All members that do not fall into the definition of a PEPRA Member will generally be considered Classic Members, or Tier 1.

A summary of the plans' provision and benefits in effect at June 30, 2023 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	2.00% at 55	2.00% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50 to 55	52 to 67
Required employee contribution rates	6.91%	6.75%
Required employer contribution rates	10.88%	7.59%

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 was required to contribute the difference between the actuarially determined rate (or 10.88%) and the contribution rate of employees. The District's contributions for the fiscal year ended June 30, 2023 were \$786,573, including \$117,605 paid by the District on behalf of the employees.

Proportionate Share of Net Pension Liability

As of the fiscal year ended June 30, the District reported \$5,749,196 for its proportionate share of the net pension liability. The net pension liability of the Pension Plan was measured as of June 30, 2022, 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, 2021, rolled forward to June 30, 2022. The allocation method utilized by CalPERS to determine the employer's proportionate share of the net pension liability considers the actuarial measurement of the future pension benefits of the plan participants by employer and the employer's share of the fiduciary net position.

CRESCENTA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)

Proportionate Share of Net Pension Liability (continued)

The District's proportionate share of the pension liability for the District's plan as of the June 30, 2022 valuation was 0.122886%, which is an increase of 0.010338% from June 30, 2021.

Actuarial Methods and Assumptions

The total pension liability as of June 30, 2022 was determined using the following methods and assumptions:

Valuation date	June 30, 2021
Measurement date	June 30, 2022
Actuarial cost method	Entry age normal
Experience study	2021 CalPERS Experience Study
Actuarial assumptions:	
Discount rate	6.90%
Investment rate of return	6.90%
Inflation	2.30%
Salary increases	Varies by entry age and services
Post retirement benefit increase	The lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter

The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and postretirement mortality rates include generation mortality improvement using 80% of Scale MP-2020 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 November 2021 that can be found on the CalPERS website.

Long-Term Expected Rate of Return

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expense of 10 basis points. The expected real rates of return by asset class are as follows:

CRESCENTA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)

Long-Term Expected Rate of Return (continued)

Asset Class ¹	Assumed Asset	
	Allocation	Real Return ^{1, 2}
Global equity - cap-weighted	30.00%	4.54%
Global equity - non-cap-weighted	12.00%	3.84%
Private equity	13.00%	7.28%
Treasury	5.00%	27.00%
Mortgage-backed securities	5.00%	50.00%
Investment Grade Corporates	10.00%	1.56%
High yield	5.00%	2.27%
Emerging market debt	5.00%	2.48%
Private debt	5.00%	3.57%
Real assets	15.00%	3.21%
Leverage	-5.00%	-0.59%

¹ An expected inflation of 2.30% used for this period

² Figures are based on the 2021 Asset Liability Management study

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The discount rate equals the long-term expected rate of return of the plan assets, net of investment expense, but not reduced for administrative expenses. 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.

Discount Rate Sensitivity Analysis

	1% Decrease	Current Discount Rate	1% Increase
District's Net OPEB Liability	\$ 8,910,049	\$ 5,749,196	\$ 3,148,599

CRESCENTA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)

Pension Expense and Deferred Outflows (Inflows) of Resources

During the year ended June 30, 2023, the District recognized pension benefit of \$497,698.

As of the fiscal year ended June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 115,455	\$ 77,327
Changes in assumptions or inputs	589,125	-
Net difference between projected and actual earnings	1,053,100	-
Difference between employer's contributions and proportionate share of contributions	-	425,995
Change in employer's proportion	169,096	-
Contributions subsequent to the measurement date	668,968	-
Total	<u>\$ 2,595,744</u>	<u>\$ 503,322</u>

As of June 30, 2023, employer pension contributions of \$668,968 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal years ending June 30, 2024. Other pension related amounts will be recognized as pension expense as follows:

<u>Year Ending June 30,</u>	
2024	\$ 306,656
2025	304,578
2026	168,109
2027	644,111
2028	-
Thereafter	-
Total	<u>\$ 1,423,454</u>

Pension Plan Fiduciary Net Position

The Pension Plan's fiduciary net position has been determined on the same basis used by the Pension Plan. The Pension Plan is accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Contributions to the Pension Plan are recognized in the period in which the contributions are due pursuant to legal requirements. Benefits and refunds are recognized by the Pension Plan when due and payable in accordance with the terms of the Pension Plan.

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

CRESCENTA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 – OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description

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" or "OPEB Plan"), an agent multiple-employer plan administered by CalPERS.

Benefits Provided

District employees who retire from the District at age 55 or older with 10 or more consecutive years of service with the District, and District managers who retire from the District at age 50 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.

The District pays the cost to continue current medical/hospitalization for a retired employee and eligible spouse, but not other dependents. A retiree may opt for any Association of California Water Agencies (ACWA) medical plan offered by the District; however, District payment shall not exceed the cap. The cap is ACWA's Blue Cross HMO Plan (i.e. California Care) for two-party coverage. Coverage for a higher-cost plan or additional eligible dependents may be provided at the retiree's expense. Coverage will be maintained under its group benefit until the retiree elects to discontinue coverage. Coverage is continued for the lifetime of the retiree and could further continue for the lifetime of a surviving spouse, if eligible.

For retired employees whose date of hire is prior to July 1, 2008 shall be subject to the following retiree medical vesting schedule:

Years of Service	0-9	10	11	12	13	14	15	16	17	18	19	20+
Coverage percentage	0%	50%	55%	60%	65%	70%	75%	80%	85%	90%	95%	100%

Retirees whose hire date of hire is on or after July 1, 2019 are not eligible for retiree medical benefits.

Membership in the OPEB Plan consisted of the following members as of June 30, 2023:

Participant Type	Number of Participants
Active participants	22
Retired participants and beneficiaries	26
Inactive participants with deferred benefits	-
	<u>48</u>

CRESCENTA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 – OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

Funding Policy

Contributions to the OPEB Plan are voluntarily determined by the District's own funding schedule, and there are no long-term contracts for contributions to the plan. The Districts' intends to contribute the pay-as-you-go amount with a fixed dollar trust contribution. The fixed dollar trust contribution may be up to \$400,000. For the measurement period ended June 30, 2022, the actuarially determined contributions were \$696,699 and the District contributed \$324,542 to the OPEB Plan, including trust contributions and the implicit rate subsidy.

Actuarial Methods and Assumptions

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.

Valuation date	June 30, 2022
Measurement date	June 30, 2022
Actuarial cost method	Entry age normal
Inflation	2.30%
Salary increases	2.80%
Discount rate	7.00%
Expected rate of return	7.00%
Healthcare trend rate	7.45 2023 to 5.00% 2033 and later
Retirement and Mortality	2021 CalPERS Experience Study
Bond Buyer 20-Bond GO Index	3.54%

Long-Term Expected Rate of Return

The long-term expected rate of return was based upon the CERBT strategy 1 investment allocation. The following tables shows the target allocation for each asset class as well as the corresponding long-term expected rate of return. This along with an assumed 2.30% inflation rate was used to measure the reasonableness of the plans expected rate of return on assets of 7.00%.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	60%	2.85%
Fixed income	32%	70.00%
REITs	8%	3.40%
Cash	0%	1.30%

CRESCENTA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 – OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

Long-Term Expected Rate of Return (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.

Discount Rate

The discount rate used to measure the total OPEB liability was 7.00%. 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.

Changes in Assumptions

The discount rate, capital market assumptions, and inflation rate were updated to reflect the change in economic outlook. The trend rate was updated based on a survey of expectations of health insurers. The mortality, retirement, withdrawal assumptions and morbidity factors were updated to the most recent CalPERS experience study. And the claims costs were updated to reflect current ACWA premiums.

There have been no other changes in the assumptions since the last measurement date.

Changes in Plan Provisions

Effective July 1, 2022, the plan was amended to homogenize eligibility to age 50 and 10 years of service for all employees. This plan amendment increased the Total OPEB Liability by \$128,769. Since this change occurred after the June 30, 2022 measurement date, it is considered a post-measurement date event and is not reflected in any of the costs shown in this report.

There have been no changes in plan provisions since the last measurement date.

CRESCENTA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 – OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

Changes in the Net OPEB Liability

The District's changes in net OPEB liability as of the June 30, 2023 fiscal year was follows:

	Total OPEB Liability (Asset) (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a) - (b)
Balance at June 30, 2021	\$ 7,617,638	\$ 798,333	\$ 6,819,305
Changes for the year:			
Service cost	144,886	-	144,886
Interest	553,506	-	553,506
Difference between expected and actual experience	(291,937)	-	(291,937)
Changes in assumptions	(1,750,524)	-	(1,750,524)
Contributions - employer	-	324,542	(324,542)
Net investment income	-	(106,844)	106,844
Benefit payments	(324,542)	(324,542)	-
Administrative expense	-	(202)	202
Balance at June 30, 2022	<u>\$ 5,949,027</u>	<u>\$ 691,287</u>	<u>\$ 5,257,740</u>

Discount Rate Sensitivity Analysis

The following table presents the District's net OPEB liability calculated using the current discount rate as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Net OPEB Liability	\$ 6,125,827	\$ 5,257,740	\$ 4,552,006

Healthcare Cost Trend Sensitivity Analysis

The following table presents the District's net OPEB liability calculated using the current healthcare cost trend rate as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Healthcare Trend Rate	1% Increase
Net OPEB Liability	\$ 4,486,900	\$ 5,257,740	\$ 6,226,505

CRESCENTA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 – OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

OPEB Expense and Deferred Outflows (Inflows) of Resources

For the year ended June 30, 2023, the District recognized OPEB expense of \$257,498. As of June 30, 2023, the District reported deferred outflows and inflows of resources related to the OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 130,767	\$ 379,031
Changes in assumptions or inputs	-	1,653,184
Net difference between projected and actual earnings	76,495	-
Contributions subsequent to the measurement date	308,539	-
Total	<u>\$ 515,801</u>	<u>\$ 2,032,215</u>

As of June 30, 2023, employer contributions of \$308,539 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, 2024. Other 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>	
2024	\$ (383,563)
2025	(383,845)
2026	(397,452)
2027	(382,422)
2028	(278,067)
Thereafter	396
Total	<u>\$ (1,824,953)</u>

OPEB Plan Fiduciary Net Position

The OPEB Plan's fiduciary net position has been determined on the same basis used by the OPEB Plan. The OPEB Plan is accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Contributions to the OPEB Plan are recognized when received. Benefits and refunds are recognized when due and payable in accordance with the terms of the OPEB Plan.

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

CRESCENTA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10 – 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, 2023, the District participated in the liability, property programs, and workers' compensation programs of the ACWA/JPIA as follows:

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

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

- Employee dishonesty coverage from the ACWA/JPIA provides self-insurance up to \$100,000 subject to a \$1,000 deductible per loss. The District has purchased excess coverage up to \$1,000,000 per loss, subject to a \$100,000 deductible. Coverage includes public employee dishonesty, forgery or alteration, computer fraud, and faithful performance.
- Property loss is paid at the replacement cost for property on file, if replaced within two years after the loss, otherwise paid on an actual cash value basis, up to a policy limit of \$500 million per occurrence, subject to a \$2,500 deductible per occurrence. Scheduled 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 at the replacement cost for property on file up to \$100 million per occurrence, subject to various deductibles depending on the type of equipment.
- Workers' compensation insurance up to California statutory limits for all work-related injuries/illnesses covered by California law.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the years ending June 30, 2022 and 2021. 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, 2023, 2022, and 2021, respectively.

CRESCENTA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 – JOINTLY GOVERNED ORGANIZATION (JOINT POWERS AGREEMENT)

The District participates in a jointly governed under a joint powers agreement (JPA) with the Association of California Water Agencies Joint Powers Insurance Authority (JPIA). The relationship between the District and the JPIA is such that the JPIA is not a component unit of the District for financial reporting purposes. Audited financial statements are available by contacting the JPIA at 2100 Professional Drive, Roseville, California 95661.

The JPIA arranges for and provides insurance coverage for its nearly 370 member districts. JPIA is governed by a board of directors and each member agency is required to designate one representative from its local board of directors to participate in the JPIA board. Refer to Note 8.

NOTE 12 – NEWLY ISSUED ACCOUNTING STANDARDS

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (GASB 94). The statement improves financial reporting by addressing issues related to public-private partnership arrangements (PPPs) by requiring governments to report assets and liabilities related to PPPs consistently and disclose important information about PPP transactions. It also provides guidance for accounting and financial reporting for availability payment arrangements (APAs) by requiring governments engaged in APAs that contain multiple components to recognize each component as a separate arrangement, and when related to operating or maintaining a nonfinancial asset, to report an outflow of resources in the period to which payments relate. Implementation of this standard had no impact on the District's financial statements.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96). This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users, including defining a SBITA, establishing that a SBITA results in an intangible right-to-use subscription asset and a corresponding liability, provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA, and requires note disclosures regarding a SBITA. Implementation of this standard had no impact on the District's financial statements.

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.

NOTE 14 – SUBSEQUENT EVENTS

On February 1, 2024, the District issued revenue certificates of participation, series 2024, in the amount of \$12,090,000 for water system improvement projects.

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REQUIRED SUPPLEMENTARY INFORMATION

CRESCENTA VALLEY WATER DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Last 10 Fiscal Years

Year Ended June 30,	District's proportion of the net pension liability (asset)	District's proportionate share of the net pension liability (asset)	District's covered payroll based on related measurement date of the net pension liability (asset)	District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2023	0.12287%	\$ 5,749,196	\$ 2,635,277	218.16%	78.19%
2022	0.13327%	2,530,617	2,777,559	91.11%	76.06%
2021	0.11275%	4,755,999	2,853,255	166.69%	76.06%
2020	0.10811%	4,329,249	2,966,432	145.94%	76.87%
2019	0.10376%	3,910,317	3,305,507	118.30%	77.79%
2018	0.10092%	3,910,317	2,906,241	134.55%	75.39%
2017	0.09684%	3,364,245	2,715,807	123.88%	75.87%
2016	0.09156%	2,512,020	2,388,479	105.17%	81.15%
2015	0.09037%	2,415,225	2,296,444	105.17%	77.88%

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

CRESCENTA VALLEY WATER DISTRICT

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS - PENSION PLAN

Last 10 Fiscal Years

	Year Ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	
Contractually required contribution	\$ 668,968	\$ 546,030	\$ 573,759	\$ 271,620	\$ 266,500	\$ 350,982	\$ 381,098	\$ 308,670	\$ 292,716	
Contributions in relation to the contractually required contribution	668,968	546,030	573,759	271,620	266,500	350,982	381,098	308,670	292,716	
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Covered payroll	\$ 2,859,717	\$ 2,635,277	\$ 2,777,559	\$ 2,853,255	\$ 2,966,432	\$ 3,305,507	\$ 2,906,241	\$ 2,715,807	\$ 2,388,479	
Contribution as a percent of covered payroll	23.39%	20.72%	20.66%	9.52%	8.98%	10.62%	13.11%	11.37%	12.26%	

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 however this schedule reports covered payroll based on the fiscal year.

CRESCENTA VALLEY WATER DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S NET OTHER
POSTEMPLOYMENT BENEFITS LIABILITY AND RELATED RATIOS
Last 10 Fiscal Years

	Years Ended June 30,					
	2023	2022	2021	2020	2019	2018
Total OPEB Liability						
Service cost	\$ 144,886	\$ 137,987	\$ 130,710	\$ 124,486	\$ 132,270	\$ 125,970
Interest	553,506	524,812	509,267	484,045	444,552	417,013
Change in benefit terms	-	-	329,497	-	-	-
Differences between expected and actual experience	(291,937)	51,587	(194,307)	(45,954)	284,776	(19,457)
Changes of assumptions	(1,750,524)	-	(283,714)	-	(125,750)	-
Benefit payments	(324,542)	(329,643)	(242,284)	(203,075)	(168,710)	(134,956)
Net change in total OPEB liability	(1,668,611)	384,743	249,169	359,502	567,138	388,570
Total OPEB liability - Beginning	7,617,638	7,232,895	6,983,726	6,624,224	6,057,086	5,668,516
Total OPEB liability - Ending (a)	\$ 5,949,027	\$ 7,617,638	\$ 7,232,895	\$ 6,983,726	\$ 6,624,224	\$ 6,057,086
Plan Fiduciary Net Position						
Contributions - employer	\$ 324,542	\$ 429,643	\$ 242,284	\$ 503,075	\$ 268,711	\$ 234,956
Member contributions	-	-	-	-	-	-
Net investment income	(106,844)	150,518	18,708	21,727	7,968	-
Benefit payments	(324,542)	(329,643)	(242,284)	(203,075)	(168,711)	(134,956)
Administrative expenses	(202)	(208)	(259)	(54)	(67)	-
Net change in plan fiduciary net position	\$ (107,046)	\$ 250,310	\$ 18,449	\$ 321,673	\$ 107,901	\$ 100,000
Plan Fiduciary Net Position - Beginning	798,333	548,023	529,574	207,901	100,000	-
Plan Fiduciary Net Position - Ending (b)	\$ 691,287	\$ 798,333	\$ 548,023	\$ 529,574	\$ 207,901	\$ 100,000
Net OPEB Liability (Asset) - Ending (a - b)	\$ 5,257,740	\$ 6,819,305	\$ 6,684,872	\$ 6,454,152	\$ 6,416,323	\$ 5,957,086
Plan Fiduciary Net Position as a percentage of the total OPEB liability	11.62%	10.48%	7.58%	7.58%	3.14%	1.65%
Covered-employee payroll	\$ 2,357,750	\$ 2,731,105	\$ 2,856,902	\$ 2,965,045	\$ 2,595,864	\$ 3,305,507
District's net OPEB liability as a percentage of covered-employee payroll	223.00%	249.69%	233.99%	217.67%	247.17%	180.22%

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

CRESCENTA VALLEY WATER DISTRICT

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS - NET OTHER POSTEMPLOYMENT BENEFITS LIABILITY

Last 10 Fiscal Years

	Year Ended June 30,					
	2023	2022	2021	2020	2019	2018
Actuarially determined contribution	\$ 696,699	\$ 669,236	\$ 618,255	\$ 601,567	\$ 525,315	\$ 525,315
Contributions in relation to the actuarially determined contribution	324,542	429,643	242,284	503,075	268,711	234,956
Contribution deficiency (excess)	\$ 372,157	\$ 239,593	\$ 375,971	\$ 98,492	\$ 256,604	\$ 290,359
District's covered-employee payroll	\$ 2,357,750	\$ 2,731,105	\$ 2,856,902	\$ 2,965,045	\$ 2,595,864	\$ 3,305,507
Contribution as a percentage of covered-employee payroll	13.76%	15.73%	8.48%	16.97%	10.35%	7.11%

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.

Notes to RSI:

Actuarial valuation date:	June 30, 2022	June 30, 2020	June 30, 2020	June 30, 2018	June 30, 2018	June 30, 2017
Measurement date:	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Actuarial assumptions:						
Inflation rate	2.30%	2.26%	2.26%	2.26%	2.26%	2.00%
Salary increases	2.80%	3.25%	3.25%	3.25%	3.25%	3.25%
Discount rate	7.00%	7.28%	7.28%	7.28%	7.28%	7.28%
Expected rate of return	7.00%	7.28%	7.28%	7.28%	7.28%	7.28%
Experience study	2021 CalPERS	2017 CalPERS	2017 CalPERS	2017 CalPERS	2017 CalPERS	2014 CalPERS

CRESCENTA VALLEY WATER DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2023

NOTE 1 – PENSION INFORMATION

The schedule of the District's proportionate share of the net pension liability and the schedule of the District's contributions are intended to show data for 10 year. Additional years will be displayed as data becomes available.

Changes in Benefit Terms and Plan Provisions

There were no changes to benefit terms or plan provisions that applied to all members of the plan since the last measurement date.

Changes in Assumptions

Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.

NOTE 2 – OTHER POSTEMPLOYMENT BENEFIT INFORMATION

The schedule of the District's net OPEB liability and related ratios and the schedule of the District's contributions are intended to show data for 10 year. Additional years will be displayed as data becomes available.

Changes in Benefit Terms and Plan Provisions

Effective July 1, 2022 the plan was amended to homogenize eligibility to age 50 and 10 years of service for all employees.

The discount rate, capital market assumptions, and inflation rate were updated to reflect the change in economic outlook. The trend rate was updated based on a survey of expectations of health insurers. The mortality, retirement, withdrawal assumptions and morbidity factors were updated to the most recent 2021 CalPERS experience study. And the claims costs were updated to reflect current ACWA premiums.

Changes in Assumptions

There have been no other changes in the assumptions since the last measurement date.

SUPPLEMENTAL INFORMATION

CRESCENTA VALLEY WATER DISTRICT
COMBINING STATEMENT OF NET POSITION
June 30, 2023

	Water	Wastewater	Eliminations	Total
Assets				
Current assets				
Cash and cash equivalents	\$ 5,069,774	\$ -	\$ -	\$ 5,069,774
Accounts receivable:				
Water and wastewater, net	2,228,798	738,217	-	2,967,015
Other	1,471	-	-	1,471
Interest receivable	20,679	-	-	20,679
Due from other funds	-	1,626,543	(1,626,543)	-
Prepaid expenses	68,065	(14,619)	-	53,446
Inventory	642,480	13,795	-	656,275
Total current assets	<u>8,031,267</u>	<u>2,363,936</u>	<u>(1,626,543)</u>	<u>8,768,660</u>
Noncurrent assets				
Investments	8,400,066	-	-	8,400,066
Capital assets:				
Capital assets, nondepreciable	5,242,376	519,937	-	5,762,313
Capital assets, net of accumulated depreciation	34,147,158	14,672,048	-	48,819,206
Total noncurrent assets	<u>47,789,600</u>	<u>15,191,985</u>	<u>-</u>	<u>62,981,585</u>
Total assets	<u>55,820,867</u>	<u>17,555,921</u>	<u>(1,626,543)</u>	<u>71,750,245</u>
Deferred outflows of resources				
Deferred outflows on bond refunding	192,242	-	-	192,242
Pension related items	1,557,447	1,038,297	-	2,595,744
Other post employment benefits related items	309,481	206,320	-	515,801
Total deferred outflows of resources	<u>2,059,170</u>	<u>1,244,617</u>	<u>-</u>	<u>3,303,787</u>
Total assets and deferred outflows of resources	<u>\$ 57,880,037</u>	<u>\$ 18,800,538</u>	<u>\$ (1,626,543)</u>	<u>\$ 75,054,032</u>
Liabilities				
Current liabilities				
Accounts payable	\$ 849,742	\$ 2,463,234	\$ -	\$ 3,312,976
Accrued payroll liabilities	134,745	81,143	-	215,888
Retainage payable	42,577	9,510	-	52,087
Customer deposits	732,474	74,755	-	807,229
Due to other funds	1,626,543	-	(1,626,543)	-
Accrued interest expense	125,572	-	-	125,572
Compensated absences - current portion	49,558	22,178	-	71,736
Lease payable - current portion	24,583	12,401	-	36,984
Loan payable - current portion	296,847	-	-	296,847
Total current liabilities	<u>3,882,641</u>	<u>2,663,221</u>	<u>(1,626,543)</u>	<u>4,919,319</u>
Noncurrent liabilities				
Lease payable	321,593	-	-	321,593
Net pension liability	3,449,516	2,299,680	-	5,749,196
Net other postemployment benefits liability	3,194,758	2,062,982	-	5,257,740
Compensated absences	192,425	73,254	-	265,679
Loan payable	12,081,259	-	-	12,081,259
Total noncurrent liabilities	<u>19,239,551</u>	<u>4,435,916</u>	<u>-</u>	<u>23,675,467</u>
Total liabilities	<u>23,122,192</u>	<u>7,099,137</u>	<u>(1,626,543)</u>	<u>28,594,786</u>
Deferred inflows of resources				
Pension related items	301,993	201,329	-	503,322
Other post employment benefits related items	1,219,328	812,887	-	2,032,215
Total deferred inflows of resources	<u>1,521,321</u>	<u>1,014,216</u>	<u>-</u>	<u>2,535,537</u>
Net position				
Net investment in capital assets	26,814,916	15,170,074	-	41,984,990
Unrestricted	6,421,608	(4,482,889)	-	1,938,719
Total net position	<u>33,236,524</u>	<u>10,687,185</u>	<u>-</u>	<u>43,923,709</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 57,880,037</u>	<u>\$ 18,800,538</u>	<u>\$ (1,626,543)</u>	<u>\$ 75,054,032</u>

CRESCENTA VALLEY WATER DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2023

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Operating revenues			
Water operations - consumption sales	\$ 7,935,623	\$ -	\$ 7,935,623
Water operations - service charges	3,609,799	-	3,609,799
Water operations - other charges	686,023	-	686,023
Wastewater operations - user and standby charges	<u>-</u>	<u>3,743,169</u>	<u>3,743,169</u>
Total operating revenues	<u>12,231,445</u>	<u>3,743,169</u>	<u>15,974,614</u>
Operating expenses			
Source of supply	2,924,787	-	2,924,787
Plant operations	1,684,843	178,885	1,863,728
Distribution system	1,834,099	-	1,834,099
City of Los Angeles wastewater system	-	2,394,509	2,394,509
Collection system	-	407,526	407,526
General and administrative expenses	3,463,856	1,532,630	4,996,486
Depreciation	<u>1,598,346</u>	<u>615,081</u>	<u>2,213,427</u>
Total operating expenses	<u>11,505,931</u>	<u>5,128,631</u>	<u>16,634,562</u>
Operating income (loss)	<u>725,514</u>	<u>(1,385,462)</u>	<u>(659,948)</u>
Nonoperating revenues (expenses)			
Investment income (loss)	95,923	-	95,923
Rental income	52,620	27,186	79,806
Interest expense	(359,486)	(296)	(359,782)
Other income (expense), net	<u>(1,459)</u>	<u>4,516</u>	<u>3,057</u>
Total nonoperating revenues (expenses)	<u>(212,402)</u>	<u>31,406</u>	<u>(180,996)</u>
Income (loss) before capital contributions	513,112	(1,354,056)	(840,944)
Capital contributions			
Capital grants - State	92,046	-	92,046
Assessments	<u>-</u>	<u>39,327</u>	<u>39,327</u>
Total capital contributions	<u>92,046</u>	<u>39,327</u>	<u>131,373</u>
Change in net position	605,158	(1,314,729)	(709,571)
Net position - beginning of year	<u>32,631,366</u>	<u>12,001,914</u>	<u>44,633,280</u>
Net position - end of year	<u>\$ 33,236,524</u>	<u>\$ 10,687,185</u>	<u>\$ 43,923,709</u>

CRESCENTA VALLEY WATER DISTRICT
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
WATER OPERATIONS
YEAR ENDED JUNE 30, 2023

	Water	
	Amount	Percent
Operating revenues		
Water operations - customers	\$ 7,935,623	64.88%
Water operations - others	64,524	0.53%
Service charges	3,609,799	29.51%
Meter installations	439,680	3.59%
Other revenue	181,819	1.49%
Total operating revenues	<u>12,231,445</u>	100.00%
Operating expenses		
Source of supply-water purchases	<u>2,924,787</u>	100.00%
Plant operations:		
Power	780,256	6.78%
Plant wages	443,635	3.86%
Utilities	11,574	0.10%
Maintenance	44,027	0.38%
Signal system	83,883	0.73%
Lab and treatment	168,471	1.46%
Nitrate treatment	98,527	0.86%
Insurance	3,252	0.03%
Water conservation	7,134	0.06%
Other expense	44,084	0.38%
Total plant operations	<u>1,684,843</u>	14.64%
Distribution system:		
Meter maintenance	1,096,595	9.53%
Pipeline maintenance	280,586	2.44%
Reservoir and building maintenance	139,372	1.21%
Well site maintenance	21,261	0.18%
Auto and truck expense	106,893	0.93%
Insurance	29,208	0.25%
Administrative consultant	2,239	0.02%
Water treatment	147,996	1.29%
Other expense	9,949	0.09%
Total distribution system	<u>1,834,099</u>	15.94%
General and administrative:		
Director's fees	7,811	0.07%
Salaries - statutory officers	230,074	2.00%
Salaries - general officers	683,609	5.94%
Retirement (CalPERS)	313,060	2.72%
Payroll taxes	173,231	1.51%
Engineering and drafting	310,461	2.70%
Accounting	3,445	0.03%
Legal	181,288	1.58%
Administrative consultant - water system	338,005	2.94%

CRESCENTA VALLEY WATER DISTRICT
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
WATER OPERATIONS
YEAR ENDED JUNE 30, 2023

	Water	
	Amount	Percent
General and administrative (continued):		
Insurance	\$ 450,998	3.92%
Maintenance	97,002	0.84%
Computer and supplies	200,393	1.74%
Utilities	19,453	0.17%
Telephone	56,671	0.49%
Printing and postage	16,613	0.14%
Water system fees	64,221	0.56%
Water conservation	51,267	0.45%
Training	47,639	0.41%
Property taxes	14,496	0.13%
Other expense	204,119	1.77%
Total general and administrative	<u>3,463,856</u>	30.10%
Depreciation expense	<u>1,598,346</u>	100.00%
Total operating expenses	<u>11,505,931</u>	100.00%
Operating income (loss)	725,514	100.00%
Nonoperating revenues (expenses)		
Investment income (loss)	95,923	-45.16%
Rental income	52,620	-24.77%
Interest expense	(359,486)	169.25%
Other income (expense), net	<u>(1,459)</u>	0.69%
Total nonoperating revenues (expenses)	<u>(212,402)</u>	100.00%
Income (loss) before capital contributions	513,112	100.00%
Capital contributions		
Capital grants - State	<u>92,046</u>	100.00%
Total capital contributions	<u>92,046</u>	100.00%
Change in net position	<u>\$ 605,158</u>	100.00%

CRESCENTA VALLEY WATER DISTRICT
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
WASTEWATER OPERATIONS
YEAR ENDED JUNE 30, 2023

	Wastewater	
	Amount	Percent
Operating revenues		
Wastewater operations - user and standby charges	\$ 3,743,169	100.00%
Total operating revenues	<u>3,743,169</u>	100.00%
Operating expenses		
City of Los Angeles wastewater system expense	<u>2,394,509</u>	46.69%
Plant operations:		
Power	14,818	0.29%
Plant wages	26,405	0.51%
Utilities	1,728	0.03%
Maintenance	10,584	0.21%
Signal system	2,150	0.04%
Insurance	109,446	2.13%
Other expense	<u>13,754</u>	0.27%
Total plant operations	<u>178,885</u>	3.49%
Collection system:		
Maintenance	330,734	6.45%
Auto and truck expense	37,301	0.73%
Inspection	<u>39,491</u>	0.77%
Total distribution system	<u>407,526</u>	7.95%
General and administrative:		
Director's fees	7,687	0.15%
Salaries - statutory officers	217,337	4.24%
Salaries - general officers	300,372	5.86%
Retirement (CalPERS)	177,842	3.47%
Payroll taxes	69,336	1.35%
Engineering and drafting	102,397	2.00%
Accounting	3,055	0.06%
Legal	49,183	0.96%
Administrative consultant - water system	180,164	3.51%
Insurance - group	193,414	3.77%
Insurance - general	7,392	0.14%
Maintenance	8,575	0.17%
Computer and supplies	67,573	1.32%
Utilities	7,353	0.14%
Telephone	20,815	0.41%
Printing and postage	6,396	0.12%
Training	13,602	0.27%
Other expense	<u>100,137</u>	1.95%
Total general and administrative	<u>1,532,630</u>	29.88%

CRESCENTA VALLEY WATER DISTRICT
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
WASTEWATER OPERATIONS
YEAR ENDED JUNE 30, 2023

	Wastewater	
	Amount	Percent
Depreciation expense	\$ 615,081	11.99%
Total operating expenses	<u>5,128,631</u>	100.00%
Operating income (loss)	(1,385,462)	100.00%
Nonoperating revenue (expenses)		
Rental income	27,186	86.56%
Interest expense	(296)	-0.94%
Other income (expense), net	<u>4,516</u>	14.38%
Total nonoperating revenues (expenses)	<u>31,406</u>	100.00%
Income (loss) before capital contributions	(1,354,056)	100.00%
Capital contributions		
Assessments	<u>39,327</u>	100.00%
Total capital contributions	<u>39,327</u>	100.00%
Change in net position	<u>\$ (1,314,729)</u>	100.00%

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COMPLIANCE SECTION

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**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**

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Crescenta Valley Water District
La Crescenta, California

We have audited, in accordance with the 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 (*Government Auditing Standards*), the financial statements of the Crescenta Valley Water District (the District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 9, 2024.

Report on 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2023-001 that we consider to be a significant deficiency.

Board of Directors
Crescenta Valley Water District
Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards*

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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*.

District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

The image shows a handwritten signature in black ink that reads "Singer Lewak LLP". The signature is written in a cursive, flowing style.

Riverside, California

April 9, 2024

CRESCENTA VALLEY WATER DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2023

2023-001 TIMELY RECONCILIATION AND PROPER CUTOFF

Criteria: Account activity is required to be reported in the proper period in accordance with generally accepted accounting principles.

Condition: The District did not perform timely reconciliation procedures at yearend to ensure various account balances were properly reported and activity was recorded in the proper period.

Cause: Lack of timely reconciliation of various accounts including inventory, compensated absences, accounts payable, deposits and related revenue and expense accounts.

Effect or potential effect: An audit adjustment was required to adjust accounts payable and the District had to re-evaluate the proper recognition in the account balances noted above to ensure the financial statements were not materially misstated.

Recommendation: We recommend that the District perform timely reconciliations of the balance sheet, revenue and expense activity, especially at yearend, to ensure that receipts and disbursements and any accruals are recorded in the proper period for accurate and complete financial reporting in accordance with generally accepted accounting principles.

Views of responsible officials: The District appreciates the review and findings provided in your report regarding our accounting practices. In response, the District has taken immediate action to address the identified deficiencies and prevent similar occurrences in the future. Measures implemented include revamping reconciliation processes, enhancing oversight, providing additional training to the accounting staff, improving communication channels between departments, and committing to continuous improvement of the reconciliation processes. The District is confident that these steps will strengthen overall financial reporting processes and ensure the accuracy and completeness of financial statements in accordance with GAAP.