



*The artworks are from three talented Crescenta Valley Students who were finalists in MWD's "Water is Life" student art contest. Starting with the bottom painting in a clockwise rotation; Taili Sherwood, 10th Grade, Crescenta Valley High School; Olivia Hur, 6th Grade, Rosemont Middle School; Heidy Hur, 11th Grade, Crescenta Valley High School;



CRESCENTA VALLEY WATER DISTRICT

**AUDITED FINANCIAL
STATEMENTS REPORT
For the Fiscal Years Ended
June 30, 2020 and 2019**



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Mission Statement

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

Board of Directors as of June 30, 2020

Name	Title	Elected/ Appointed	Current Term
James D. Bodnar	President	Elected	Dec-22
Kerry D. Erickson	Vice President	Elected	Dec-22
Kenneth R. Putnam	Director	Elected	Dec-22
Judy L. Tejeda	Director	Elected	Dec-20
Sharon Raghavachary	Director	Appointed	Dec-20

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

CRESCENTA VALLEY WATER DISTRICT

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INTRODUCTORY SECTION

**Directors**

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

Officers

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

January 12, 2021
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, 2020 and June 30, 2019, following guidelines set forth by the Governmental Accounting Standards Board. District staff prepared this financial report. The District is ultimately responsible for both the accuracy of the data and the completeness and the fairness of presentation, including all disclosures in this financial report. We believe that the data presented is accurate in all material respects. The report is designed in a manner that we believe necessary to enhance your understanding of the District's financial position and activities.

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

District Structure and Leadership

The Crescenta Valley Water District is an independent special district, which operates under the authority of Division 12 of the California Water Code. The Crescenta Valley Water District has been providing services to area residents since 1950. The District is governed by a five-member Board of Directors, elected at-large from within the District boundaries. The District General Manager administers the day-to-day operations of the District in accordance with policies and procedures established by the Board of Directors. The Crescenta Valley Water District employs a full-time staff of 29 employees. The District's Board of Directors' regularly scheduled meetings are on the second and fourth Tuesday of each month. Meetings are publicly noticed and customers are encouraged to attend.

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

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

Economic Condition and Outlook

The District's administrative office is located in the community of La Crescenta, in Los Angeles County. The economic outlook for the area is expected to be stable, although the Crescenta Valley area is nearly built out. Residential growth is occurring through increased housing density in the multiple-unit zoned areas (primarily Montrose), as well as limited in-fill housing development on parcels in La Crescenta as they become available.

CVWD has recently emerged from a record drought that lasted from 2013 to 2019, which has resulted in State-mandated water conservation, and the resulting reduction in water sales revenue has necessitated the deferral of maintenance and infrastructure improvements. CVWD has used its rate stabilization reserve funds to mitigate rate increases in past years due to less-than-average water demands. The statewide water supply has improved with the winter storm as stated by the California Department of Water Resources (DWR), and local water supply within the Verdugo Groundwater Basin within the Crescenta Valley has also increased with local precipitation being at nearly average rainfall in FY 2019/20.

The State of CA ended the drought emergency and mandatory water conservation targets in 2019, and CVWD has also reduced its water conservation alert level to its customers. Although State-mandated reductions have been lifted, trends such as a lasting change in conservation and the increasing efficiency of household appliances and irrigation methods are expected to permanently shift long-term water demand toward less consumption. Furthermore, the State has enacted two new water efficiency laws (SB 606 & AB 1668) that focuses on using water more wisely, eliminating water waste, and strengthening local drought resilience. These new standards are planned to be implemented as early as 2023, which may further reduce water consumption.

A portion of CVWD's assets are approaching, or have already reached, the end of their useful lives. The pipes, wells, pumping plants, reservoirs, and other infrastructure necessary to provide safe, clean water are getting older, wearing out, and need to be replaced before they fail. This is especially true in a hillside community like La Crescenta where, in addition to the loss of water, the consequential damages to surrounding property owners resulting from a large water line failure could amount to millions of dollars in replacement cost.

Declining water sales combined with increasing infrastructure replacement cost has necessitated the use of the District's rate stabilization reserves to mitigate customer rate impacts in the past. The District has focused on producing net zero budgets to reduce any further use of reserves. Going forward, the District is planning to implement a Reserve Fund Policy and issue municipal bonds to address the growing portion of deferred infrastructure maintenance in the District's conveyance system.

Major Initiatives

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

Crescenza 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 Crescenza Valley Water District are committed to providing its customers with high-quality, cost-effective, and environmentally sensitive customer service. The following summarize the District’s strategic goals that translate to its major initiatives:

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

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

Internal Control Structure

District management is responsible for the establishment and maintenance of the internal control structure that ensures that the assets of the District are protected from loss, theft or misuse. The internal control structure also ensures that adequate accounting data is compiled to allow for the

preparation of financial statements in conformity with US GAAP. The District's internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that 1) the cost of a control should not exceed the benefits likely to be derived; and 2) the valuation of costs and benefits requires estimates and judgments by management. District management takes internal control seriously, and improvements based on the balance between internal control and staff resources are an ongoing conscious effort.

Budgetary Control

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

Investment Policy

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

Water and Sewer Rates and District Revenues

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

Water Conservation Programs

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

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

Audit and Financial Reporting

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

Risk Management

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

Other References

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

Acknowledgements

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

FINANCIAL SECTION



CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Crescenta Valley Water District
La Crescenta, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Crescenta Valley Water District (District) as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

Board of Directors
Crescenta Valley Water District
La Crescenta, California

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2020 and 2019 and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United

Board of Directors
Crescenta Valley Water District
La Crescenta, California

States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Glendora, California
January 12, 2021

CRESCENTA VALLEY WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Years Ended June 30, 2020 and 2019

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Crescenta Valley Water District (District) provides an introduction to the financial statements of the District for the fiscal years ended June 30, 2020 and 2019. We encourage readers to consider the information presented here in conjunction with the transmittal letter in the Introductory Section and with the basic financial statements and related notes, which follow this section.

Financial Highlights

- The District's net position increased 1.06%, or \$470K to \$45.0M in fiscal year 2020, primarily due to an increase in water sales coupled with a decrease in water related expenses from cost savings per Board directive. In 2019, the District's net position increased 0.43%, or \$189K to \$44.5M, primarily due to a moderate decrease in operations that was offset by investment earnings and capital contributions.
- The District's operating revenues increased 9.69% or \$1.4M in fiscal year 2020. In 2019, the District's operating revenues decreased 1.02% or \$147K
- The District's operating expenses increased 2.05%, or \$310K in fiscal year 2020. In 2019, the District's operating expenses increased 6.05%, or \$861K.

Required Financial Statements

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

The District's statements consist of two funds, the Water Fund and the Sewer Fund. The District's records are maintained on an enterprise basis, as it is the intent of the Board of Directors that the costs of providing water and sewer to the customers of the District are financed primarily through user charges.

The Statement of Net Position includes all of the District's investments in resources (assets), deferred outflows of resources, the obligations to creditors (liabilities), and deferred inflows of resources. It also provides the basis for computing a rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the success of the District's operations over the past year and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges. This statement can also be used to evaluate sustainability and creditworthiness. The final required financial statement is the Statement of Cash Flows, which provides information about the District's cash receipts and cash payments during the reporting period. The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operations, investing,

CRESCENTA VALLEY WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Years Ended June 30, 2020 and 2019

non-capital financing, and capital and related financing activities, as well as providing answers to such questions as the source of cash, the use of it, and the change in cash balance during the reporting period.

Financial Analysis of the District

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Position found on page 13 and the Statement of Revenues, Expenses, and Changes in Net Position on page 15 report information about the District in a manner that helps answer this question. These statements include all assets, deferred outflows, liabilities, and deferred inflows 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, and liabilities and deferred inflows), as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, zoning and new or changed government legislation, such as changes in Federal and State water quality standards.

Notes to the Basic Financial Statements

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

CRESCENTA VALLEY WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Years Ended June 30, 2020 and 2019

Condensed Statements of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of the District exceeded liabilities and deferred inflows by \$45.0M and \$44.5M as of June 30, 2020 and 2019, respectively.

	2020	2019	Change	2018	Change
Assets:					
Current assets	\$ 10,823,263	\$ 4,287,463	\$ 6,535,800	\$ 3,488,857	\$ 798,606
Non-Current Assets	4,056,060	10,422,237	(6,366,177)	11,170,682	(748,445)
Capital assets, net	<u>50,078,068</u>	<u>49,011,292</u>	<u>1,066,776</u>	<u>47,912,488</u>	<u>1,098,804</u>
Total assets	<u>64,957,391</u>	<u>63,720,992</u>	<u>1,236,399</u>	<u>62,572,027</u>	<u>1,148,965</u>
Deferred outflows of resources:	<u>1,476,186</u>	<u>1,603,290</u>	<u>(127,104)</u>	<u>1,713,370</u>	<u>(110,080)</u>
Liabilities:					
Current liabilities	2,264,829	1,912,235	352,594	1,468,628	443,607
Non-current liabilities	<u>18,388,029</u>	<u>18,286,234</u>	<u>101,795</u>	<u>18,078,676</u>	<u>207,558</u>
Total liabilities	<u>20,652,858</u>	<u>20,198,469</u>	<u>454,389</u>	<u>19,547,304</u>	<u>651,165</u>
Deferred inflows of resources:	<u>799,209</u>	<u>614,135</u>	<u>185,074</u>	<u>415,324</u>	<u>198,811</u>
Net position:					
Net investment in capital assets	42,610,380	41,249,830	1,360,550	39,915,268	1,334,562
Unrestricted	<u>2,371,130</u>	<u>3,261,848</u>	<u>(890,718)</u>	<u>4,407,501</u>	<u>(1,145,653)</u>
	<u>\$ 44,981,510</u>	<u>\$ 44,511,678</u>	<u>\$ 469,832</u>	<u>\$ 44,322,769</u>	<u>\$ 188,909</u>

By far, the largest portion of the District's net position (94.73% and 92.67% as of June 30, 2020 and 2019, respectively) reflects the District's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to customers within the District boundaries; consequently, these assets are not available for future spending. See note 10 for further information.

At the end of fiscal year 2020 and 2019, the District showed a positive balance in its unrestricted net position of \$2.4M and \$3.3M respectively. See note 10 for the amount of unrestricted net position that may be utilized in future years.

CRESCENTA VALLEY WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Years Ended June 30, 2020 and 2019

Condensed Statements of Revenues, Expenses and Changes in Net Position

	2020	2019	Change	2018*	Change
Revenues:					
Operating revenues	\$ 15,603,162	\$ 14,225,014	\$ 1,378,148	\$ 14,371,576	\$ (146,562)
Non-operating revenues	488,212	864,118	(375,906)	87,530	776,588
Total revenues	<u>16,091,374</u>	<u>15,089,132</u>	<u>1,002,242</u>	<u>14,459,106</u>	<u>630,026</u>
Expenses:					
Operating expenses	15,406,468	15,096,778	309,690	14,235,818	860,960
Non-operating expenses	242,948	456,755	(213,807)	394,445	62,310
Total Expenses	<u>15,649,416</u>	<u>15,553,533</u>	<u>95,883</u>	<u>14,630,263</u>	<u>923,270</u>
Net income(loss) before capital contributions	441,958	(464,401)	906,359	(171,157)	(293,244)
Capital Contributions	<u>27,874</u>	<u>653,310</u>	<u>(625,436)</u>	<u>643,050</u>	<u>10,260</u>
Change in net position	<u>469,832</u>	<u>188,909</u>	<u>280,923</u>	<u>471,893</u>	<u>(282,984)</u>
Net Position beginning of year	<u>44,511,678</u>	<u>44,322,769</u>	<u>188,909</u>	<u>43,850,876</u>	<u>471,893</u>
Net Position, ending of year	<u><u>\$ 44,981,510</u></u>	<u><u>\$ 44,511,678</u></u>	<u><u>\$ 469,832</u></u>	<u><u>\$ 44,322,769</u></u>	<u><u>\$ 188,909</u></u>

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

The Statements of Revenues, Expenses and Changes in Net Position show how the District's net position changed during the reported fiscal years. In the case of the District, net position in fiscal year 2020 increased 1.06%, or \$470K to \$45.0M due to a decrease in operations that was offset by investment earnings and capital contributions. In fiscal year 2019, net position increased 0.43%, or \$189K to \$44.5M.

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

In 2020, the District's total revenues increased by 6.64%, or \$1M. Revenues from metered sales increased slightly from 2019. Above-average rainfall in the winter resulted in decreased water consumption at the beginning of the fiscal year, but a dry spring and stay-at-home orders related to the COVID-19 pandemic caused an increase in residential water use the last two quarters of the year. In 2020, development activity rebounded, increasing water operations from other charges by \$586K.

In 2019, the District's total revenues increased by 4.36%, or \$630K. Revenues from metered sales decreased slightly from 2018 even amidst continued economic growth due to an above-average rainfall winter that resulted in decreased water consumption. However, these decreases were offset by higher investment earnings and recorded grant revenue. In 2019, development activity slowed slightly, reducing water operations from other charges by \$290K.

CRESCENTA VALLEY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Years Ended June 30, 2020 and 2019

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

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

In 2019, the District's total expenses increased by \$923K, or 6.31%. The increase was driven by general inflationary pressures that increased most operating expenses – e.g., international tariffs increased cost of steel that led to an increase in pipe costs of 18%. Wastewater system treatment expenses charged by the City of Los Angeles represent a significant cost for the wastewater system, and they increased by \$97K.

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

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

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

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

Capital Asset Administration

At the end of fiscal years 2020 and 2019, the District's capital assets amounted to \$50.1M and \$49.0M respectively (net of accumulated depreciation). This investment in capital assets includes land, transmission and distribution systems, collection systems, buildings and structures, equipment, and vehicles, etc. Major capital assets additions during the year included upgrades to the District's water production system and transmission and distribution systems.

CRESCENTA VALLEY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Years Ended June 30, 2020 and 2019

Capital Asset Administration, continued

Changes in capital asset amounts for 2020 are as follows:

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

Changes in capital asset amounts for 2019 are as follows:

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

(See note 4 for further discussion)

Debt Administration

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

	Balance 2019	Additions/ Transfers	Payments/ Discount Amortization	Balance 2020	Amount due within one year
Long-term debt:					
Total loans payable	\$ 8,017,784	\$ -	\$ (332,917)	\$ 7,684,867	\$ 345,917
Total long-term debt	<u>\$ 8,017,784</u>	<u>\$ -</u>	<u>\$ (332,917)</u>	<u>\$ 7,684,867</u>	<u>\$ 345,917</u>

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

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

(See note 6 for further discussion)

CRESCENTA VALLEY WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Years Ended June 30, 2020 and 2019

Conditions Affecting Current Financial Position

Management is unaware of any conditions at June 30, 2020, that would have a significant impact on the District's financial position, net position, or operating results in terms of past, present and future.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

CRESCENTA VALLEY WATER DISTRICT

STATEMENTS OF NET POSITION
June 30, 2020 and 2019

	2020	2019
Assets		
Current Assets:		
Cash and cash equivalents (note 2)	\$ 7,266,490	\$ 867,708
Accrued interest receivable	63,289	63,289
Accounts receivable- water and wastewater	2,549,933	2,369,021
Accounts receivable- other	535,918	587,965
Material and supplies inventory	367,996	370,673
Prepaid expenses and other deposits	<u>39,637</u>	<u>28,807</u>
Total Current Assets	<u>10,823,263</u>	<u>4,287,463</u>
Non-current assets:		
Investments (note 2)	4,056,060	10,422,237
Capital assets- not being depreciated (note 4)	4,331,763	6,261,291
Depreciable capital assets (note 4)	<u>45,746,305</u>	<u>42,750,001</u>
Total Non-Current Assets	<u>54,134,128</u>	<u>59,433,529</u>
Total Assets	<u>64,957,391</u>	<u>63,720,992</u>
Deferred outflows of resources:		
Deferred outflows on bond refunding (note 6)	240,302	256,322
Deferred other post-employment benefits outflows (note 7)	457,142	454,111
Deferred pension outflows (note 8)	<u>778,742</u>	<u>892,857</u>
Total Deferred Outflows of Resources	<u>1,476,186</u>	<u>1,603,290</u>

Continued on next page

CRESCENTA VALLEY WATER DISTRICT

STATEMENTS OF NET POSITION

June 30, 2020 and 2019

	2020	2019
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,097,225	\$ 822,221
Accrued wages and related payables	198,301	227,086
Customer deposits	516,584	389,664
Accrued interest expense	18,242	48,771
Long-term liabilities- due within one year:		
Compensated absences (note 5)	88,560	91,576
Loan payable (note 6)	<u>345,917</u>	<u>332,917</u>
Total Current Liabilities	<u><u>2,264,829</u></u>	<u><u>1,912,235</u></u>
Non-current liabilities:		
Long-term liabilities-due in more than one year:		
Compensated absences (note 5)	265,678	274,727
Loan payable (note 6)	7,338,950	7,684,867
Other postemployment benefits obligation (note 7)	6,454,152	6,416,323
Net pension liability (note 8)	<u>4,329,249</u>	<u>3,910,317</u>
Total Non-current Liabilities	<u><u>18,388,029</u></u>	<u><u>18,286,234</u></u>
Total Liabilities	<u><u>20,652,858</u></u>	<u><u>20,198,469</u></u>
Deferred inflows of resources:		
Deferred other postemployment benefits inflows (note 7)	143,766	123,342
Deferred pension inflows (note 8)	<u>655,443</u>	<u>490,793</u>
Total Deferred Inflows of Resources	<u><u>799,209</u></u>	<u><u>614,135</u></u>
Net position: (note 10)		
Net investment in capital assets	42,610,380	41,249,830
Unrestricted	<u>2,371,130</u>	<u>3,261,848</u>
Total Net Position	<u><u>\$ 44,981,510</u></u>	<u><u>\$ 44,511,678</u></u>

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

CRESCENTA VALLEY WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Fiscal Years Ended June 30, 2020 and 2019

	2020	2019
Operating revenues:		
Water operations- consumption sales	\$ 7,952,859	\$ 7,262,227
Water operations- service charge	2,985,239	2,780,253
Water operations- other charges	1,477,804	891,420
Wastewater operations- user and standby charges	3,187,260	3,291,114
Total operating revenues	<u>15,603,162</u>	<u>14,225,014</u>
Operating expenses:		
Source of supply	3,175,446	3,262,503
Plant operations	2,173,063	2,363,289
Distribution system	910,095	1,107,293
City of Los Angeles wastewater system	1,520,287	1,194,533
Collection system	222,129	239,907
General and administrative expenses	5,443,304	5,062,560
Total operating expenses before depreciation	<u>13,444,324</u>	<u>13,230,085</u>
Operating income before depreciation	2,158,838	994,929
Depreciation expense	(1,962,144)	(1,866,693)
Operating income(loss)	<u>196,694</u>	<u>(871,764)</u>
Non-operating revenues(expenses):		
Investment earnings(losses)	450,100	826,918
Interest expense	(241,135)	(353,774)
Rental income	38,112	37,200
Other income(expense), net	(1,813)	(102,981)
Total non-operating income, net	<u>245,264</u>	<u>407,363</u>
Net income(loss) before capital contributions	<u>441,958</u>	<u>(464,401)</u>
Capital contributions:		
Capital grants- state	-	581,463
Assessments	27,874	71,847
Total capital contributions	<u>27,874</u>	<u>653,310</u>
Change in net position	<u>469,832</u>	<u>188,909</u>
Net Position, Beginning of Fiscal Year	<u>44,511,678</u>	<u>44,322,769</u>
Net Position, End of Fiscal Year	<u>\$ 44,981,510</u>	<u>\$ 44,511,678</u>

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

CRESCENTA VALLEY WATER DISTRICT
STATEMENTS OF CASH FLOWS
For the Fiscal Years Ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Cash receipts from customers for water sales and services	\$ 15,419,336	\$ 14,195,757
Cash paid to employees for salaries and wages	(4,741,132)	(3,718,500)
Cash paid to vendors and suppliers for materials and services	<u>(7,724,272)</u>	<u>(8,334,221)</u>
Net cash provided by operating activities	<u>2,953,932</u>	<u>2,143,036</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(3,028,920)	(2,965,497)
Proceeds from grant funding	181,881	1,321
Proceeds from property owner assessments	27,874	71,847
Proceeds from loan	-	72,139
Principal paid on long-term debt	(332,917)	(323,917)
Interest paid on long-term debt	<u>(255,644)</u>	<u>(337,754)</u>
Net cash used in capital and related financing activities	<u>(3,407,726)</u>	<u>(3,481,861)</u>
Cash flows from investing activities:		
Purchases of investments	(29,039,981)	(1,988,283)
Proceeds from sale of investments	35,672,637	2,736,729
Interest earnings (expenses)	183,621	739,238
Proceeds from rental properties	36,299	36,920
Net cash provided by investing activities	<u>6,852,576</u>	<u>1,524,604</u>
Net increase in cash and cash equivalents	<u>6,398,782</u>	<u>185,779</u>
Cash and cash equivalents, beginning of year	<u>867,708</u>	<u>681,929</u>
Cash and cash equivalents, end of year	<u>\$ 7,266,490</u>	<u>\$ 867,708</u>

Continued on next page

CRESCENTA VALLEY WATER DISTRICT
STATEMENTS OF CASH FLOWS
For the Fiscal Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Reconciliation of operating income(loss) to net cash provided by operating activities		
Operating income(loss)	<u>\$ 196,694</u>	<u>\$ (871,764)</u>
Adjustments to reconcile operating gain(loss) to net cash provided(used) by operating activities		
Depreciation	1,962,144	1,866,693
Changes in operating assets and liabilities		
Accounts receivable-water and wastewater, net	(180,912)	(229,032)
Accounts receivable-other	(129,834)	(3,696)
Material and supplies inventory	2,677	165,683
Prepaid expenses and other deposits	(10,830)	19,338
Decrease in deferred outflows of resources - OPEB & pension	111,084	94,060
Accounts payable and accrued expenses	275,004	129,976
Accrued wages and related payables	(28,785)	114,284
Customer deposits	126,920	203,471
Compensated absences	(12,065)	63,882
Other post-employment benefits payable	37,829	459,237
Net pension liability	418,932	(67,907)
Increase in deferred inflows of resources - OPEB & pension	<u>185,074</u>	<u>198,811</u>
Total adjustments	<u>2,757,238</u>	<u>3,014,800</u>
Net cash provided by operating activities	<u><u>\$ 2,953,932</u></u>	<u><u>\$ 2,143,036</u></u>

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

CRESCENTA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS June 30, 2020 and 2019

NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Operations of the Reporting Entity

The Crescenza Valley Water District is an independent special district, which operates under the authority of Division 12 of the California Water Code. The Crescenza Valley Water District has been providing water and sewer service to the residents of the La Crescenta/ Montrose area since 1950. The District is governed by a five-member Board of Directors who serve overlapping four-year terms.

Basis of Accounting and Measurement Focus

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise where the intent of the District is that the costs of providing water to its service areas on a continuing basis be financed or recovered primarily through user charges (water sales), capital grants and similar funding. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

Operating revenues and expenses, such as water sales and water deliveries result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Management, administration and depreciation expenses are also considered operating expenses. Other revenues and expense not included in the above categories are reported as non-operating revenues and expenses.

The District recognizes revenue from water and sewer service charges based on cycle billings preformed bi-monthly. The District accrues revenues with respect to water and sewer service sold but not billed at the end of a fiscal period.

Financial Reporting

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

CRESCENTA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS June 30, 2020 and 2019

NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

Substantially all of the District's cash is invested in interest bearing accounts. The District considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

Investments and Investment Policy

The District has adopted an investment policy directing the Director of Finance to deposit funds in financial institutions. Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

Fair Value Measurements

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

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

Restricted Assets

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

CRESCENTA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS June 30, 2020 and 2019

NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounts Receivable and Allowance for Uncollectible Accounts

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

Inventory

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

Prepaid

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

Capital Assets

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

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

Deferred Outflows of Resources

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

CRESCENTA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS June 30, 2020 and 2019

NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Deferred Charge on Refunding

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

Other Postemployment Benefits Other than Pensions (OPEB)

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

Pension Plan

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

Compensated Absences

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

Postemployment Benefits Other than Pensions (OPEB)

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

CRESCENTA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS June 30, 2020 and 2019

NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Net Pension Obligation

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

Deferred Inflows of Resources

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

Other Postemployment Benefits Other than Pensions (OPEB)

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

Pension Plan

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

Net Position

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

- *Net Investment in Capital Assets*— This component of net position consists of capital assets, net of accumulated depreciation, and reduced by any debt outstanding against the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt is included in this component of net position.

CRESCENTA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS June 30, 2020 and 2019

NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- *Restricted Component of Net Position* – This component of net position consists of assets that have restrictions placed upon their use by external constraints imposed by either creditors (debt covenants), grantors, contributors, or laws and regulations of other governments or constraints imposed by law through enabling legislation. The District did not have a restricted net position balance at June 30, 2020 or 2019.
- *Unrestricted Component of Net Position* – This component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the net investment in capital assets or restricted component of net position.

Customer Deposits

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

Water and Sewer Service Charges

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

Capital Contributions

Capital contributions represent cash and capital asset additions contributed to the District by property owners or real estate developers desiring services that require capital expenditures or capacity commitment.

Budgetary Policies

The District adopts a one year non-appropriated budget for planning, control, and evaluation purposes. Budgetary control and evaluation are affected by comparisons of actual revenues and expenses with planned revenues and expenses for the period. Encumbrance accounting is not used to account for commitments related to unperformed contracts for construction and services.

Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the

CRESCENTA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS June 30, 2020 and 2019

NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Risks and Uncertainties

The Coronavirus Disease 2019 (COVID-19) has recently affected global markets, supply chains, employees of companies and our communities. Management is taking appropriate actions to mitigate the impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of June 30, 2020.

NOTE 2: CASH AND INVESTMENTS

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

	2020	2019
Cash and cash equivalents	\$ 7,266,490	\$ 867,708
Investments	<u>4,056,060</u>	<u>10,422,237</u>
Total cash and investments	<u><u>\$ 11,322,550</u></u>	<u><u>\$ 11,289,945</u></u>

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

	2020	2019
Cash on hand	\$ 800	\$ 800
Deposits with financial institutions	6,841,739	380,531
Investments	<u>4,480,011</u>	<u>10,908,614</u>
Total cash and investments	<u><u>\$ 11,322,550</u></u>	<u><u>\$ 11,289,945</u></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).

CRESCENTA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS June 30, 2020 and 2019

NOTE 2: CASH AND INVESTMENTS

The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Of the bank balances, up to \$250,000 is federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

Investment in State Investment Pool

The District is a voluntary participant in the Local District Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio matures or comes close to maturity evenly over time as necessary to provide requirements for cash flow and liquidity needed for operations. Information about the sensitivity of the fair values of the

CRESCENTA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS June 30, 2020 and 2019

NOTE 2: CASH AND INVESTMENTS

District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity date:

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

Investment Type	Total	Remaining Maturity (in Months)			
		12 Months Or less	13 to 24 Months	25-60 Months	61-120 Months
Federal Farm Credit Bank Bonds	\$ 4,030,652	\$ -	\$ 1,059,750	\$ -	\$ 2,970,902
Local Agency Investment Funds	449,359	449,359	-	-	-
Total	\$ 4,480,011	\$ 449,359	\$ 1,059,750	\$ -	\$ 2,970,902

Maturities of investments at June 30, 2019 were as follows:

Investment Type	Total	Remaining Maturity (in Months)			
		12 Months Or less	13 to 24 Months	25-60 Months	61-120 Months
U.S. Treasury Notes	\$ 3,939,770	\$ -	\$ -	\$ 987,110	\$ 2,952,660
Federal Farm Credit Bank Bonds	6,482,467	2,244,977	993,630	1,076,900	2,166,960
Local Agency Investment Funds	486,377	486,377	-	-	-
Total	\$ 10,908,614	\$ 2,731,354	\$ 993,630	\$ 2,064,010	\$ 5,119,620

Credit Risk

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

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

Investment Type	Total	Minimum			Rating as of Year End		
		Legal Rating	Rating as of Year End		Not Rated		
			AAA	AA+			
Federal Farm Credit Bank Bonds	\$ 4,030,652	A	\$ -	\$ 4,030,652	\$ -		
Local Agency Investment Funds	449,359	N/A	-	-	-	449,359	
Total	\$ 4,480,011		\$ -	\$ 4,030,652	\$ 449,359		

CRESCENTA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS June 30, 2020 and 2019

NOTE 2: CASH AND INVESTMENTS

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

Investment Type	Total	Minimum			Rating as of Year End
		Legal Rating	AAA	AA+	
			-	-	
U.S. Treasury Notes	\$ 3,939,770	A	\$ -	\$ 3,939,770	\$ -
Federal Farm Credit Bank Bonds	6,482,467	A	-	6,482,467	-
Local Agency Investment Funds	486,377	N/A	-	-	486,377
Total	<u>\$ 10,908,614</u>		<u>\$ -</u>	<u>\$ 10,422,237</u>	<u>\$ 486,377</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, 2020, more than 5% of the District's investments are in Federal Farm Credit Bank (Federal-sponsored enterprises) debt securities. As of June 30, 2019, more than 5% of the District's investments are in U.S. Treasury Notes and Federal Farm Credit Bank (Federal-sponsored enterprises) debt securities.

Fair Value Measurements

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

Investment Type	Total	Fair Value Measurements		
		(Level 1)	(Level 2)	(Level 3)
Government sponsored entities securities	\$ 4,030,652	\$ -	\$ 4,030,652	\$ -
Total investments measured at fair value	4,030,652	<u>\$ -</u>	<u>\$ 4,030,652</u>	<u>\$ -</u>
Investments measured at amortized cost:				
Local Agency Investment Fund (LAIF)	449,359			
Total	<u>\$ 4,480,011</u>			

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

CRESCENTA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 2: CASH AND INVESTMENTS

Investment Type	Total	Fair Value Measurements		
		(Level 1)	(Level 2)	(Level 3)
Government sponsored entities securities	\$ 3,939,770	\$ -	\$ 3,939,770	\$ -
U.S. Treasury notes	6,482,467	6,482,467	-	-
Total investments measured at fair value	10,422,237	\$ 6,482,467	\$ 3,939,770	\$ -
Investments measured at amortized cost:				
Local Agency Investment Fund (LAIF)	486,377			
Total	<u>\$ 10,908,614</u>			

NOTE 3: ACCOUNTS RECEIVABLE-WATER AND WASTEWATER, NET

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

	2020	2019
Account receivable- water and wastewater	\$ 2,567,399	\$ 2,376,048
Allowance for doubtful accounts	(17,466)	(7,027)
Account receivable- water and wastewater, net	<u>\$ 2,549,933</u>	<u>\$ 2,369,021</u>

NOTE 4: CAPITAL ASSETS

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

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

CRESCENTA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 4: CAPITAL ASSETS

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

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

CRESCENTA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 4: CAPITAL ASSETS

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

	Balance 2019	Additions/ Transfers	Deletions / Transfers	Balance 2020
Non-depreciable assets:				
Construction-in progress	\$ 25,710	\$ 51,105	\$ (4,991)	\$ 71,824
Total non-depreciable assets	<u>25,710</u>	<u>51,105</u>	<u>(4,991)</u>	<u>71,824</u>
Depreciable assets:				
Wastewater collection system				
Interceptor	4,988,812	-	-	4,988,812
Unit 1	11,421,644	-	-	11,421,644
Unit 2	19,891,101	-	-	19,891,101
Tools and lab equipment	30,381	-	-	30,381
Autos and trucks	735,406	-	-	735,406
Safety equipment	6,569	-	-	6,569
Booster building	66,465	-	-	66,465
Office equipment	51,027	4,994	-	56,021
Total depreciable assets	<u>37,191,405</u>	<u>4,994</u>	<u>-</u>	<u>37,196,399</u>
Accumulated depreciation:				
Wastewater collection system				
Interceptor	(2,721,446)	(77,140)	-	(2,798,586)
Unit 1	(6,319,505)	(220,456)	-	(6,539,961)
Unit 2	(10,601,363)	(286,795)	-	(10,888,158)
Tools and lab equipment	(30,381)	-	-	(30,381)
Autos and trucks	(599,413)	(71,651)	-	(671,064)
Safety equipment	(6,569)	-	-	(6,569)
Booster building	(22,969)	(2,294)	-	(25,263)
Office building	(26,702)	(7,124)	-	(33,826)
Total accumulated depreciation	<u>(20,328,348)</u>	<u>(665,460)</u>	<u>-</u>	<u>(20,993,808)</u>
Total depreciable assets, net	<u>16,863,057</u>	<u>(660,466)</u>	<u>-</u>	<u>16,202,591</u>
Total capital assets, net	<u>\$ 16,888,767</u>	<u>\$ (609,361)</u>	<u>\$ (4,991)</u>	<u>\$ 16,274,415</u>

CRESCENTA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS June 30, 2020 and 2019

NOTE 4: CAPITAL ASSETS

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

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

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

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

CRESCENTA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS June 30, 2020 and 2019

NOTE 4: CAPITAL ASSETS

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

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

CRESCENTA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS June 30, 2020 and 2019

NOTE 5: COMPENSATED ABSENCES

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

Balance 2019			Balance 2020	Due Within One Year	Due in More than One Year
	Additions	Deletions			
\$ 366,303	\$ 293,958	\$ (306,023)	\$ 354,238	\$ 88,560	\$ 265,678
Balance 2018	Additions	Deletions	Balance 2019	Due Within One Year	Due in More than One Year
\$ 302,421	\$ 292,335	\$ (228,453)	\$ 366,303	\$ 91,576	\$ 274,727

NOTE 6: LONG-TERM DEBT

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

Long-term debt:	Balance 2019	Payments/			Amount due within one year
		Additions	Discount	Balance 2020	
	Balance	Amortization	Balance	Balance	Balance
Direct Borrowing:					
2016 GWP infrastructure loan	\$ 1,022,784	\$ -	\$ (21,917)	\$ 1,000,867	\$ 21,917
2017 Pacific Western loan	6,995,000	—	(311,000)	6,684,000	324,000
Total loans payable	8,017,784	—	(332,917)	7,684,867	345,917
Total long-term debt	\$ 8,017,784	\$ -	\$ (332,917)	\$ 7,684,867	\$ 345,917

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

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

2016 GWP Infrastructure Loan

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

CRESCENTA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS June 30, 2020 and 2019

NOTE 6: LONG-TERM DEBT

\$547,920.50, at which point a new agreement will be negotiated. Future annual debt service requirements are as follows:

Fiscal Year	Principal	Interest
2021	\$ 21,917	29,095
2022	21,917	29,095
2023	21,917	29,095
2024	21,917	29,095
2025	21,917	29,095
2026-2030	109,584	145,476
2031-2035	109,584	145,476
2036-2040	109,584	145,476
2041	14,609	19,398
Total	452,946	\$ 601,301
Principal remaining at maturity date	547,921	
Less current portion	(21,917)	
Total non-current	\$ 978,950	

2017 Pacific Western Infrastructure Loan

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

CRESCENTA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS June 30, 2020 and 2019

NOTE 6: LONG-TERM DEBT

Fiscal Year	Principal	Interest
2021	\$ 324,000	\$ 216,248
2022	333,000	205,555
2023	346,000	194,568
2024	358,000	183,122
2025	371,000	171,299
2026-2030	2,033,000	665,496
2031-2035	2,391,000	306,982
2036-2040	528,000	12,969
Total	6,684,000	\$ 1,956,239
Less current portion	(324,000)	
Total non-current	\$ 6,360,000	

NOTE 7: OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS

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

Plan Description and Eligibility

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

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

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

CRESCENTA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 7: OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS

Membership in the OPEB plan consisted of the following members as of June 30, 2020 and 2019 respectively.

Participant Type:	Number of Participants	
	2020	2019
Inactive participants currently receiving benefits	18	18
Inactive participants entitled to but not yet receiving benefit payments	-	-
Active employees	32	32
Total	50	50

Funding Policy

The Districts' intends to contribute the pay-as-you-go amount with a fixed dollar trust contribution. A fixed dollar trust contribution is \$400,000 in plan year 2018-19 and up to \$400,000 in 2019-20. For the measurement periods ended June 30, 2019 and 2018 and the District contributed \$503,075 and \$268,711 respectively to the plan including the implicit rate subsidy.

Net OPEB Liability (Asset)

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

	Balance	Balance
	June 30, 2020	June 30, 2019
Total OPEB liability	\$ 6,983,726	\$ 6,624,224
Plan fiduciary net position	<u>529,574</u>	<u>207,901</u>
District's net OPEB liability (asset)	<u><u>\$ 6,454,152</u></u>	<u><u>\$ 6,416,323</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	7.58%	3.14%

Investments

At June 30, 2020 and 2019, all Plan investments are held in the California Employers' Retiree Benefit Trust Program (CERBT) through CalPERS.

Actuarial Methods and Assumptions

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

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

CRESCENTA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 7: OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS

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

Mortality rates used for the 2018 valuation date are those describe in the 2017 CalPERS experience study.

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

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

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

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

	6/30/2020	6/30/2019
Discount Rate	7.28%	7.28%
Bond Buyer 20-Bond GO Index	3.50%	3.87%

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

Changes in the Net OPEB Liability

CRESCENTA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS June 30, 2020 and 2019

NOTE 7: OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS

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

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2018	\$ 6,624,224	\$ 207,901	\$ 6,416,323
Changes for the year:			
Service cost	124,486	-	124,486
Interest	484,045	-	484,045
Difference between expected and actual experience	(45,954)	-	(45,954)
Net investment income	-	21,727	(21,727)
Benefit payments	(203,075)	(203,075)	-
Contributions - employer	-	503,075	(503,075)
Administrative expense	-	(54)	54
Net changes	<u>359,502</u>	<u>321,673</u>	<u>37,829</u>
Balances at June 30, 2019	<u><u>\$ 6,983,726</u></u>	<u><u>\$ 529,574</u></u>	<u><u>\$ 6,454,152</u></u>

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

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2017	\$ 6,057,086	\$ 100,000	\$ 5,957,086
Changes for the year:			
Service cost	132,270	-	132,270
Interest	444,552	-	444,552
Difference between expected and actual experience	284,776	-	284,776
Changes of assumptions	(125,750)	-	(125,750)
Net investment income	-	7,968	(7,968)
Benefit payments	(168,710)	(168,711)	1
Contributions - employer	-	268,711	(268,711)
Implicit rate subsidy	-	(67)	67
Net changes	<u>567,138</u>	<u>107,901</u>	<u>459,237</u>
Balances at June 30, 2018	<u><u>\$ 6,624,224</u></u>	<u><u>\$ 207,901</u></u>	<u><u>\$ 6,416,323</u></u>

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

CRESCENTA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 7: OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS

	Net OPEB Liability (Asset)	
	2020	2019
Discount rate		
1% decrease (6.28%)	\$ 7,468,497	\$ 7,378,457
Current discount rate (7.28%)	6,454,152	6,416,323
1% increase (8.28%)	5,624,679	5,629,545

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

	Net OPEB	Net OPEB
	Liability (Asset)	Liability (Asset)
Healthcare trend rate	2020	2019
1% decrease (4.00%)	\$ 5,554,559	\$ 5,563,035
Current trend rate (5.00%)	6,454,152	6,416,323
1% increase (6.00%)	7,571,801	7,476,441

OPEB Expense

For the year ended June 30, 2020 and 2019, the District recognized OPEB expense of \$597,508 and \$568,155 respectively. As of fiscal year ended June 30, 2020 and 2019 the District reported deferred outflows and inflows of resources related to the OPEB from the following sources:

	2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Contribution to OPEB plan after measurement date	\$ 242,284	\$ -
Differences between expected and actual experience in the measurement of the TOL	208,388	51,748
Changes in assumptions	-	92,018
Net difference between projected and actual earnings of OPEB plan investments	6,470	-
Total	\$ 457,142	\$ 143,766

CRESCENTA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 7: OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS

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

As of June 30, 2020 and 2019 employer OPEB contributions of \$242,284 and \$203,075 respectively reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2021 and 2020 respectively.

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

<u>Fiscal Year Ended June 30,</u>	Deferred Outflows/ Inflows of Resources	
	2020	2019
2021	14,784	20,126
2022	14,785	20,126
2023	14,070	20,128
2024	13,491	19,410
2025	13,208	18,834
Thereafter	754	29,070
	\$ 71,092	\$ 127,694

NOTE 8: DEFINED BENEFIT PENSION PLAN

Plan Description

All qualified permanent and probationary employees are eligible to participate in the District's separate Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan is established by State statute and Local Government resolution.

CRESCENTA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS June 30, 2020 and 2019

NOTE 8: DEFINED BENEFIT PENSION PLAN

CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website or may be obtained from their executive office: 400 P Street, Sacramento, CA, 95814.

Benefits Provided

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

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

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

	Miscellaneous Plan	
	Tier 1	Tier 2
Hire Date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50-55	52-67
Required employee contribution rates	7.000%	6.750%
Required employer contribution rates	10.221%	6.985%

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

CRESCENTA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS June 30, 2020 and 2019

NOTE 8: DEFINED BENEFIT PENSION PLAN

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

Contributions

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

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

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

	Miscellaneous Plan	
	2020	2019
Contribution - employer	\$ 271,620	\$ 266,500
Contribution - employee (paid by employer)	<u>194,363</u>	<u>201,069</u>
Total employer paid contributions	\$ 465,983	\$ 467,569

Net Pension Liability

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

CRESCENTA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS June 30, 2020 and 2019

NOTE 8: DEFINED BENEFIT PENSION PLAN

	Proportionate Share of Net Pension Liability	
	2020	2019
Miscellaneous Plan	\$ 4,329,249	\$ 3,910,317

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2019 and 2018, 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, 2018 and 2017, rolled forward to June 30, 2019 and 2018, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

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

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

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

	Miscellaneous Plan
Proportion- June 30, 2018	0.10376%
Proportion- June 30, 2017	0.10092%
Change- Increase (Decrease)	0.00284%

Deferred Pension Outflows (Inflows) of Resources

As of June 30, 2020 and 2019, the District recognized pension expense of \$771,407 and \$609,505, respectively.

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

CRESCENTA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 8: DEFINED BENEFIT PENSION PLAN

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contributions subsequent to the measurement date	\$ 271,620	\$ -
Changes in Assumptions	206,439	73,181
Difference between expected and actual experience	300,683	23,297
Net difference between projected and actual earnings on plan investments	-	75,689
Effect of change in employer's proportion	-	139,576
Differences between actual contribution and proportional share of contribution	-	343,700
Total	<u>\$ 778,742</u>	<u>\$ 655,443</u>

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

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

As of June 30, 2020 and 2019, employer pension contributions of \$271,620 and \$266,500, respectively, reported as deferred outflows of resources related to contributions subsequent to the measurement date were and will be recognized as a reduction of the net pension liability in the fiscal year ended June 31, 2021 and 2020, respectively.

As of June 30, 2020, the District recognized other amounts reported by the Plan actuarial as deferred outflows of resources and deferred inflows of resources related to the pension liability.

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

CRESCENTA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 8: DEFINED BENEFIT PENSION PLAN

Fiscal Year Ending June 30,	Deferred Outflows/ (Inflows) of Resources
2021	\$ 318,551
2022	(264,634)
2023	(131,064)
2024	<u>(71,174)</u>
	<u><u>\$ (148,321)</u></u>

Actuarial Methods and Assumptions

The total pension liabilities as of June 30, 2019 and 2018 were determined by applying update procedures to a financial report actuarial valuation of June 30, 2018 and 2017, and rolling forward the total pension liabilities to June 30, 2019 and 2018. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The financial reporting actuarial valuation as of June 30, 2018 and 2017 used the following methods and assumptions, applied to all prior periods included in the measurement:

	2020	2019
Valuation date	June 30, 2018	June 30, 2017
Measurement date	June 30, 2019	June 30, 2018
Experience study	June 30, 2017	June 30, 2017
Actuarial cost method	Entry age normal	Entry age normal
Actuarial assumptions:		
Discount rate	7.15%	7.15%
Investment Rate of Return	7.15%	7.15%
Consumer price inflation	2.50%	2.50%
Wage growth	Varies by entry age and services	Varies by entry age and services

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

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

CRESCENTA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS June 30, 2020 and 2019

NOTE 8: DEFINED BENEFIT PENSION PLAN

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

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

* An expected inflation of 2.00% used for this period

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

Discount Rate

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

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

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

CRESCENTA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS June 30, 2020 and 2019

NOTE 8: DEFINED BENEFIT PENSION PLAN

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

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

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

Pension Plan Fiduciary Net Position

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

NOTE 9: DEFERRED COMPENSATION PLAN

For the benefit of its employees, the District participates in a 457 Deferred Compensation Program (Program) administered by CalPERS and FTJ Fund Choice. The purpose of this program is to provide deferred compensation for public employees that elect to participate in the Program. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death, or unforeseen emergency; the District does not match or contribute any funds to the plan. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes.

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District and are not subject to claims of the District's general creditors. Market value of all plan assets held in trust by the District plan amounted to \$1,532,762 and \$1,265,604 in fiscal years 2020 and 2019, respectfully.

The District has implemented GASB Statement No. 32, Accounting for Financial Reporting for Internal Revenue code Section 457 Deferred Compensation Plans. Since the District has little administrative involvement and does not perform the investing function of this plan, the assets and related liabilities are not shown on the Statements of Net Position.

CRESCENTA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS June 30, 2020 and 2019

NOTE 10:NET POSITION

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

	2020	2019
Net investment in capital assets:		
Capital assets- not being depreciated	\$ 4,331,763	\$ 6,261,291
Depreciable capital assets, net	45,746,305	42,750,001
Retainage Payable and Construction-Related Accounts Payable	(23,123)	-
Loan payable- current	(345,917)	(332,917)
Loan payable- non-current	(7,338,950)	(7,684,867)
Deferred outflows refunding	<u>240,302</u>	<u>256,322</u>
Total net investments in capital assets	<u>42,610,380</u>	<u>41,249,830</u>
Unrestricted net position:		
Non-spendable net position:		
Materials and supplies inventory	367,996	370,673
Prepaid expenses and other deposits	<u>39,637</u>	<u>28,807</u>
Total non-spendable net position	<u>407,633</u>	<u>399,480</u>
Spendable net position is as follows:		
Unrestricted	<u>1,963,497</u>	<u>2,862,368</u>
Total spendable net position	<u>1,963,497</u>	<u>2,862,368</u>
Total unrestricted net position	<u>2,371,130</u>	<u>3,261,848</u>
Total net position	<u>\$ 44,981,510</u>	<u>\$ 44,511,678</u>

NOTE 11:RISK MANAGEMENT

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

At June 30, 2020, 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:

CRESCENTA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS June 30, 2020 and 2019

NOTE 11: RISK MANAGEMENT

- Employee dishonesty coverage from the ACWA/JPIA provides self-insurance up to \$100,000 subject to a \$1,000 deductible per loss. The District has purchased excess coverage up to \$1,000,000 per loss, subject to a \$100,000 deductible. Coverage includes public employee dishonesty, forgery or alteration, computer fraud, and faithful performance.
- Property loss is paid at the replacement cost for property on file, if replaced within two years after the loss, otherwise paid on an actual cash value basis, to a combined total of \$150 million per occurrence, subject to a \$2,500 deductible per occurrence. Mobile equipment is replaced at actual cash value subject to a \$2,500 deductible per occurrence. Scheduled vehicles covered for comprehensive and collision, actual cash value basis subject to \$1,000 deductible per occurrence.
- Boiler and machinery coverage for the replacement cost up to \$150 million per occurrence, subject to various deductibles depending on the type of equipment.
- Workers' compensation insurance up to California statutory limits for all work related injuries/illnesses covered by California law.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the years ending June 30, 2019, and 2018. 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, 2020, 2019, and 2018, respectively.

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

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2020, that has effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 84

In January 2017, the GASB issued Statement No. 84 *Fiduciary Activities*. The objective of the statement is to improve guidance regarding the recognition of fiduciary activities for accounting and financial reporting purposes by establishing criteria for identifying fiduciary activities of all state and local governments. The statement effective date has been postponed to fiscal year 2020-21.

CRESCENTA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS June 30, 2020 and 2019

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

Governmental Accounting Standards Board Statement No. 87

In June 2017, the GASB issued Statement No. 87 *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The statement effective date has been postponed to fiscal year 2021-22.

Governmental Accounting Standards Board Statement No. 90

In August 2018, the GASB issued Statement No. 90 *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*. The statement modifies previous guidance for reporting a majority equity interest in a legally separate organization and provides guidance for reporting a component unit if 100 percent equity interest is acquired in that component unit. The statement was effective date has been postponed to fiscal year 2020-21.

Governmental Accounting Standards Board Statement No. 91

In May 2019, the GASB issued Statement No. 91 *Conduit Debt Obligations*. The objective of the statement is to eliminate diversity in practice associated with commitments extended by issuer, arrangements associated with conduit obligations and related note disclosures. The statement clarifies the existing definition of a conduit debt obligation, establishing that a conduit debt obligation is not a liability of the user, and establishing standards for accounting and financial reporting. The statement effective date has been postponed to fiscal year 2022-23.

Governmental Accounting Standards Board Statement No. 92

In January 2020, the GASB issued Statement No. 92 *Omnibus*. This Statement establishes accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. The requirements of this Statement apply to the financial statements of all state and local governments. The statement effective date has been postponed to fiscal year 2022-23.

Governmental Accounting Standards Board Statement No. 96

In May 2020, the GASB issued Statement No. 96 *Subscription-based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for

CRESCENTA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS June 30, 2020 and 2019

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

subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The statement is effective for the fiscal year 2022-23.

Governmental Accounting Standards Board Statement No. 97

In June 2020, the GASB issued Statement No. 96 *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The statement is effective for the fiscal year 2021-22.

NOTE 13: COMMITMENTS AND CONTINGENCIES

Litigation

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

NOTE 14: RISKS AND UNCERTAINTIES

During the fiscal year, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. Subsequent to year end, the COVID-19 pandemic continues to have significant effects on global markets, supply chains, businesses, and communities. Specific to the District, COVID-19 may impact various parts of its 2020-21 operations and financial results, including, but not limited to, costs for increased use of technology, or potential shortages of personnel. Management believes the District is taking

CRESCENTA VALLEY WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS **June 30, 2020 and 2019**

NOTE 14: RISKS AND UNCERTAINTIES

appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

NOTE 15: SUBSEQUENT EVENT

Revenue Certificates of Participation

On September 15, 2020, Crescента Valley Water District (the District) and the Crescента Valley Water District Financing Corporation (the Corporation), have issued Crescента Valley Water District Revenue Certifications 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 will be used to pay off the 2017 Pacific Western Loan balance. The debt issuance will be binding upon the District.

REQUIRED SUPPLEMENTARY INFORMATION

CRESCENTA VALLEY WATER DISTRICT

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

Total OPEB Liability	2018	2019	2020
Service Cost	\$ 125,970	\$ 132,270	\$ 124,486
Interest	417,013	444,552	484,045
Difference between expected and actual experience	(19,457)	284,776	(45,954)
Changes of assumptions		(125,750)	
Benefit Payments	(134,956)	(168,710)	(203,075)
Net Change in Total OPEB Liability	388,570	567,138	359,502
Total OPEB Liability - beginning	5,668,516	6,057,086	6,624,224
Total OPEB Liability - ending (a)	\$ 6,057,086	\$ 6,624,224	\$ 6,983,726
Plan Fiduciary Net Position	2018	2019	2020
Contributions - Employer	\$ 234,956	\$ 268,711	\$ 503,075
Net Investment Income	-	7,968	21,727
Benefit Payments	(134,956)	(168,711)	(203,075)
Administrative Expense	-	(67)	(54)
Net Change in Plan Fiduciary Net Position	100,000	107,901	321,673
Plan Fiduciary Net Position - beginning	-	100,000	207,901
Plan Fiduciary Net Position - ending (b)	\$ 100,000	\$ 207,901	\$ 529,574
Net OPEB Liability (Asset) - ending (a) - (b)	\$ 5,957,086	\$ 6,416,323	\$ 6,454,152
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.65%	3.14%	7.58%
Covered payroll	\$ 3,305,507	\$ 2,595,864	\$ 2,965,045
Net OPEB liability (asset) as a percentage of covered payroll	180.22%	247.17%	217.67%

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

CRESCENTA VALLEY WATER DISTRICT

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

June 30,

OPEB Contributions	2018	2019	2020
Actuarially Determined Contribution (ADC)	\$ 525,315	\$ 525,315	\$ 601,567
Contributions in relation to the ADC	<u>268,711</u>	<u>503,075</u>	<u>242,284</u>
Contribution deficiency (excess)	<u><u>\$ 256,604</u></u>	<u><u>\$ 22,240</u></u>	<u><u>\$ 359,283</u></u>
District's covered payroll	\$ 3,305,507	\$ 2,595,864	\$ 2,965,045
Contributions as a percentage of covered payroll	8.13%	19.38%	8.17%

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.

CRESSENTA VALLEY WATER DISTRICT

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

June 30,

Description	2020	
District's proportion of the Net pension liability (asset)		0.10811%
District's proportion share of the net pension liability (asset)	\$ 4,329,249	
District's covered payroll as of previous fiscal year to align with the measurement date of the net pension liability	\$ 2,966,432	
District's proportion share of the net pension liability (asset) as a percentage of its covered payroll		145.94%
Plan fiduciary net position as a percentage of the total pension liability		76.87%

Description	2015	2016	2017	2018	2019
District's proportion of the Net pension liability (asset)	0.09037%	0.09156%	0.09684%	0.10092%	0.10376%
District's proportion share of the net pension liability (asset)	\$ 2,415,225	\$ 2,512,020	\$ 3,364,245	\$ 3,910,317	\$ 3,910,317
District's covered payroll as of previous fiscal year to align with the measurement date of the net pension liability	\$ 2,296,444	\$ 2,388,479	\$ 2,715,807	\$ 2,906,241	\$ 3,305,507
District's proportion share of the net pension liability (asset) as a percentage of its covered payroll	105.17%	105.17%	123.88%	134.55%	118.30%
Plan fiduciary net position as a percentage of the total pension liability	77.88%	81.15%	75.87%	75.39%	77.79%

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

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

CRESCENTA VALLEY WATER DISTRICT

SCHEDULE OF DISTRICT'S CONTRIBUTIONS -

NET PENSION LIABILITY

June 30,

2020

Contractually required contribution	\$ 271,620
Contribution's in related to the contractually required contribution	<u>(271,620)</u>
Contribution deficiency (excess)	<u>-</u>
District's covered payroll	\$ 2,853,255
Contribution's as a percentage of its covered Payroll	9.52%

	2015	2016	2017	2018	2019
Contractually required contribution	\$ 292,716	\$ 308,670	\$ 381,098	\$ 350,982	\$ 266,500
Contribution's in related to the contractually required contribution	<u>(292,716)</u>	<u>(308,670)</u>	<u>(381,098)</u>	<u>(350,982)</u>	<u>(266,500)</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered payroll	\$ 2,388,479	\$ 2,715,807	\$ 2,906,241	\$ 3,305,507	\$ 2,966,432
Contribution's as a percentage of its covered Payroll	12.26%	11.37%	13.11%	10.62%	8.98%

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

CRESCENTA VALLEY WATER DISTRICT

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION **June 30, 2020 and 2018**

NOTE 1: PURPOSE OF SCHEDULES

Schedule of Changes in Net OPEB Liability

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

Schedule of Postemployment Healthcare Contributions

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

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

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

Schedule of District's Contributions

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

SUPPLEMENTARY INFORMATION

CRESCENTA VALLEY WATER DISTRICT
COMBINING SCHEDULE OF FUND NET POSITION
June 30, 2020

	Enterprise Funds		Total	
	Water Fund	Sewer Fund		
Assets				
Current Assets:				
Cash and cash equivalents	\$ 6,882,421	\$ 384,069	\$ 7,266,490	
Cash interest receivable	63,289	-	63,289	
Accounts receivable- water and wastewater, net	2,015,187	534,746	2,549,933	
Accounts receivable- other	535,918	-	535,918	
Material and supplies inventory	367,015	981	367,996	
Prepaid expenses and other deposits	<u>21,285</u>	<u>18,352</u>	<u>39,637</u>	
Total Current Assets	<u>9,885,115</u>	<u>938,148</u>	<u>10,823,263</u>	
Noncurrent assets:				
Investments	4,056,060	-	4,056,060	
Internal balances	(1,666,197)	1,666,197	-	
Capital assets- not being depreciated	4,259,939	71,824	4,331,763	
Depreciable capital assets	<u>29,543,714</u>	<u>16,202,591</u>	<u>45,746,305</u>	
Total Non-Current Assets	<u>36,193,516</u>	<u>17,940,612</u>	<u>54,134,128</u>	
Total Assets	<u>46,078,631</u>	<u>18,878,760</u>	<u>64,957,391</u>	
Deferred outflows of resources:				
Deferred outflows on bond refunding	240,302	-	240,302	
Deferred other post-employment benefits outflows	274,286	182,856	457,142	
Deferred pension outflows	<u>467,245</u>	<u>311,497</u>	<u>778,742</u>	
Total Deferred Outflows	<u>981,833</u>	<u>494,353</u>	<u>1,476,186</u>	

Continued on next page.

CRESCENTA VALLEY WATER DISTRICT
COMBINING SCHEDULE OF FUND NET POSITION
June 30, 2020

	Enterprise Funds			Total	
	Water Fund	Sewer Fund			
Liabilities					
Current liabilities:					
Accounts payable and accrued expenses	\$ 823,577	\$ 273,648	\$ 1,097,225		
Accrued wages and related payables	124,876	73,425	198,301		
Customer deposits	451,702	64,882	516,584		
Accrued interest expense	18,242	-	18,242		
Long-term liabilities- due within one year:					
Compensated absences	64,142	24,418	88,560		
Loan payable	<u>345,917</u>	<u>-</u>	<u>345,917</u>		
Total Current Liabilities	<u>1,828,456</u>	<u>436,373</u>	<u>2,264,829</u>		
Noncurrent liabilities:					
Long-term liabilities - due in more than one year:					
Compensated absences	192,425	73,253	265,678		
Loan payable	7,338,950	-	7,338,950		
Other post employment benefits payable	3,912,605	2,541,547	6,454,152		
Net pension liability	<u>2,597,549</u>	<u>1,731,700</u>	<u>4,329,249</u>		
Total Noncurrent Liabilities	<u>14,041,529</u>	<u>4,346,500</u>	<u>18,388,029</u>		
Total Liabilities	<u>15,869,985</u>	<u>4,782,873</u>	<u>20,652,858</u>		
Deferred inflows of resources:					
Deferred other post-employment benefits inflows	86,259	57,507	143,766		
Deferred pension inflows	<u>393,266</u>	<u>262,177</u>	<u>655,443</u>		
Total Deferred Inflows of Resources	<u>479,525</u>	<u>319,684</u>	<u>799,209</u>		
Net position:					
Net investment in capital assets	26,335,965	16,274,415	42,610,380		
Unrestricted	<u>4,374,989</u>	<u>(2,003,859)</u>	<u>2,371,130</u>		
Total Net Position	<u>\$ 30,710,954</u>	<u>\$ 14,270,556</u>	<u>\$ 44,981,510</u>		

CRESCENTA VALLEY WATER DISTRICT

**COMBINING SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
For The Fiscal Year Ended June 30, 2020**

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
Operating revenues:			
Water operations- consumption sales	\$ 7,952,859	\$ -	\$ 7,952,859
Water operations- service charge	2,985,239	-	2,985,239
Water operations- other charges	1,477,804	-	1,477,804
Wastewater operations- user and standby charges	-	3,187,260	3,187,260
Total operating revenues	<u>12,415,902</u>	<u>3,187,260</u>	<u>15,603,162</u>
Operating expenses:			
Source of supply	3,175,446	-	3,175,446
Plant operations	2,000,851	172,212	2,173,063
Distribution system	910,095	-	910,095
City of Los Angeles wastewater system	-	1,520,287	1,520,287
Collection system	-	222,129	222,129
General and administrative expenses	<u>3,509,462</u>	<u>1,933,842</u>	<u>5,443,304</u>
Total operating expenses before depreciation	9,595,854	3,848,470	13,444,324
Operating income(loss) before depreciation	<u>2,820,048</u>	<u>(661,210)</u>	<u>2,158,838</u>
Depreciation expense	(1,296,686)	(665,458)	(1,962,144)
Operating income(loss)	<u>1,523,362</u>	<u>(1,326,668)</u>	<u>196,694</u>
Non-operating revenues(expenses):			
Investment earnings(losses)	448,903	1,197	450,100
Interest expense	(241,135)	-	(241,135)
Rental income	29,446	8,666	38,112
Other income(expense), net	<u>(1,950)</u>	<u>137</u>	<u>(1,813)</u>
Total non-operating income, net	235,264	10,000	245,264
Net income(loss) before capital contributions	<u>1,758,626</u>	<u>(1,316,668)</u>	<u>441,958</u>
Capital contributions:			
Assessments	-	27,874	27,874
Total capital contributions	-	27,874	27,874
Change in net position	1,758,626	(1,288,794)	469,832
Net Position, Beginning of Fiscal Year	28,952,328	15,559,350	44,511,678
Net Position, End of Fiscal Year	<u>\$ 30,710,954</u>	<u>\$ 14,270,556</u>	<u>\$ 44,981,510</u>

See independent auditors' report

CRESCENTA VALLEY WATER DISTRICT

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

For the Fiscal Years Ended June 30, 2020 and 2019

	2020		2019	
	Amount	Percent	Amount	Percent
Operating revenues:				
Water operations- customers	\$ 7,952,859	64.05%	\$ 7,262,227	66.42%
Water operations- others	143,216	1.15%	145,062	1.33%
Service charges	2,985,239	24.04%	2,780,253	25.43%
Meter installations	56,953	0.46%	53,658	0.49%
Other revenue	1,277,635	10.30%	692,700	6.33%
Total operating revenues	12,415,902	100.00%	10,933,900	100.00%
Operating expenses:				
Source of supply- water purchases	3,175,446	33.09%	3,262,503	33.55%
Plant operations:				
Power	719,330	7.50%	672,505	6.92%
Plant wages	461,792	4.81%	616,583	6.34%
Utilities	36,048	0.38%	14,919	0.15%
Maintenance	207,478	2.16%	142,931	1.47%
Signal system	35,475	0.37%	44,746	0.46%
Lab and treatment	169,007	1.76%	238,234	2.45%
Nitrate treatment	72,511	0.76%	46,529	0.48%
Insurance	95,573	1.00%	142,310	1.46%
Other expense	203,637	2.12%	241,848	2.49%
Total plant operations	2,000,851	20.86%	2,160,605	22.22%
Distribution system:				
Meter maintenance	669,791	6.98%	876,498	9.01%
Pipeline maintenance	73,477	0.77%	75,169	0.77%
Backflow operations	111	0.00%	639	0.01%
Reservoir and building maintenance	74,180	0.77%	55,716	0.57%
Auto and truck expense	78,878	0.82%	85,814	0.88%
Property taxes	13,658	0.14%	13,457	0.14%
Total distribution system	910,095	9.48%	1,107,293	11.38%

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CRESCENTA VALLEY WATER DISTRICT

**DETAILED SCHEDULES OF REVENUES, EXPENSES
AND CHANGES OF FUND NET POSITION
WATER OPERATIONS, Continued
For the Fiscal Years Ended June 30, 2020 and 2019**

	2020		2019	
	Amount	Percent	Amount	Percent
Operating expenses, continued:				
General and administrative:				
Directors' fees	\$ 8,010	0.08%	\$ 9,180	0.09%
Salaries- statutory officers	177,537	1.85%	180,510	1.86%
Salaries- general office	755,220	7.87%	482,986	4.97%
Retirement (CalPERS)	925,075	9.64%	1,080,996	11.12%
Payroll taxes	173,277	1.81%	144,660	1.49%
Engineering and drafting	299,603	3.12%	335,017	3.45%
Accounting	7,485	0.08%	8,200	0.08%
Legal	96,901	1.01%	57,922	0.60%
Administrative consultant- water system	196,408	2.05%	68,287	0.70%
Insurance- group	397,997	4.15%	318,444	3.27%
Maintenance	50,719	0.53%	24,949	0.26%
Computer and supplies	108,841	1.12%	154,272	1.59%
Utilities	0	0.00%	17,079	0.18%
Telephone	81,448	0.85%	85,633	0.88%
Printing and postage	41,446	0.43%	46,090	0.47%
Water system fees	47,054	0.49%	46,663	0.48%
Water conservation	18,168	0.19%	26,858	0.28%
Training	22,308	0.23%	36,526	0.38%
Other	101,965	1.06%	69,837	0.72%
Total general and administrative	3,509,462	36.56%	3,194,109	32.87%
Total operating expenses	9,595,854	100.00%	9,724,510	100.00%
Operating income before depreciation	2,820,048	100.00%	1,209,390	100.00%
Depreciation expense	(1,296,686)	100.00%	(1,185,410)	100.00%
Operating income	1,523,362	100.00%	23,980	100.00%
Non-operating revenues (expense):				
Investment earnings(expenses)	448,903	190.81%	826,378	207.79%
Interest expense	(241,135)	-102.50%	(353,774)	-88.95%
Rental income	29,446	12.52%	27,900	7.02%
Other income(expense), net	(1,950)	-0.83%	(102,796)	-25.85%
Total non-operating income(loss), net	235,264	100.00%	397,708	100.01%
Net income before capital contributions	1,758,626	100.00%	421,688	100.00%
Capital contributions:				
Capital grants-state	-	0.00%	581,463	100.00%
Total capital contributions	-	0.00%	581,463	100.00%
Change in net position	\$ 1,758,626	100.00%	\$ 1,003,151	100.00%

CRESCENTA VALLEY WATER DISTRICT

**DETAILED SCHEDULES OF REVENUES, EXPENSES
AND CHANGES OF FUND NET POSITION
WASTEWATER OPERATIONS,
For the Fiscal Years Ended June 30, 2020 and 2019**

	2020		2019	
	Amount	Percent	Amount	Percent
Operating revenues:				
User and standby charges	\$ 3,187,260	100.00%	\$ 3,291,114	100.00%
Total operating revenues	3,187,260	100.00%	3,291,114	100.00%
Operating expenses:				
City of Los Angeles wastewater system expense	1,520,287	39.50%	1,194,533	34.08%
Plant operations:				
Power	496	0.01%	594	0.02%
Plant wages	54,530	1.42%	95,130	2.71%
Utilities	3,555	0.09%	3,075	0.09%
Maintenance	14,766	0.38%	7,909	0.23%
Insurance- general	78,549	2.04%	98,410	2.81%
Signal system	972	0.03%	-	0.00%
Other expense	19,344	0.50%	16,519	0.47%
Total plant operations	172,212	4.47%	221,637	6.33%
Collection system:				
Maintenance	170,083	4.42%	182,598	5.21%
Auto and truck expense	47,666	1.24%	41,662	1.19%
Inspection	4,380	0.11%	15,647	0.45%
Total collection system	222,129	5.77%	239,907	6.85%

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CRESCENTA VALLEY WATER DISTRICT

**DETAILED SCHEDULES OF REVENUES, EXPENSES
AND CHANGES OF FUND NET POSITION
WASTEWATER OPERATIONS, Continued
For the Fiscal Years Ended June 30, 2020 and 2019**

	2020		2019	
	Amount	Percent	Amount	Percent
Operating expenses, continued:				
General and administrative:				
Directors' fees	\$ 8,010	0.21%	\$ 9,180	0.26%
Salaries- statutory officers	174,110	4.52%	180,510	5.15%
Salaries- general office	454,687	11.81%	339,465	9.68%
Retirement (CalPERS)	613,362	15.94%	721,103	20.57%
Payroll taxes	65,940	1.71%	96,127	2.74%
Engineering and drafting	99,868	2.60%	111,210	3.17%
Accounting	8,440	0.22%	8,200	0.23%
Legal	23,034	0.60%	15,058	0.43%
Administrative	24,004	0.62%	16,737	0.48%
Insurance- general	5,765	0.15%	12,635	0.36%
Insurance- group	264,768	6.88%	212,330	6.06%
Maintenance	6,785	0.18%	8,313	0.24%
Computer and supplies	26,540	0.69%	(34,534)	-0.99%
Utilities	6,666	0.17%	5,991	0.17%
Telephone	29,483	0.77%	28,544	0.81%
Printing and postage	33,914	0.88%	36,959	1.05%
Training	3,666	0.10%	4,629	0.13%
Other	84,800	2.20%	77,041	2.20%
Total general and administrative	1,933,842	50.25%	1,849,498	52.74%
Total operating expenses	3,848,470	100.00%	3,505,575	100.00%
Operating income(loss) before depreciation	(661,210)	100.00%	(214,461)	100.00%
Depreciation expense	(665,458)	100.00%	(681,283)	100.00%
Operating loss	(1,326,668)	100.00%	(895,744)	100.00%
Non-operating revenues (expense):				
Investment earnings	1,197	11.97%	540	5.59%
Rental income	8,666	86.66%	9,300	96.32%
Other income(expense), net	137	1.37%	(185)	-1.92%
Total non-operating income, net	10,000	100.00%	9,655	99.99%
Net loss before capital contributions	(1,316,668)	100.00%	(886,089)	100.00%
Capital contributions:				
Assessments	27,874	100.00%	71,847	100.00%
Change in net position	\$ (1,288,794)	100.00%	\$ (814,242)	100.00%

See independent auditors' report

OTHER INDEPENDENT AUDITORS' REPORT



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
Crescenta Valley Water District
La Crescenta, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Crescenta Valley Water District (the District), as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 12, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Glendora, California
January 12, 2021

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