



Crescenta Valley Water District

Annual Financial Report

For the Fiscal Years Ended June 30, 2015 and 2014



Mission Statement

The mission of the Crescenta Valley Water District is to provide dependable water service and wastewater collection to its constituents in La Crescenta, Montrose, and portions of Glendale, and La Canada Flintridge.

Board of Directors as of June 30, 2015

Name	Title	Elected/ Appointed	Current Term
Kenneth Putnam	President	Elected	December 2017
James Bodnar	Vice President	Elected	December 2017
Judy Tejeda	Director	Elected	December 2015
Kerry Erickson	Director	Elected	December 2017
Michael Claessens*	Director	Appointed	December 2015

* In December 2014, Michael Claessens was appointed by the Board of Directors to fill the remaining term of office vacated by Kathleen Ross.

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

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Introductory Section



Crescenta Valley Water District

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

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

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

December 9, 2015

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, 2015 and 2014, 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 (GAAP) requires that management provide a narrative introduction, overview and analysis to accompany the financial statements in the form of the Management's Discussion and Analysis (MD&A) section. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately after the Independent Auditor's Report.

District Structure and Leadership

The Crescenta Valley Water District is an independent special district, which operates under the authority of Division 12 of the California Water Code. The Crescenta Valley Water District has been providing services to area residents since 1950. The District is governed by a five-member Board of Directors, elected at-large from within the District's service area. The District General Manager administers the day-to-day operations of the District in accordance with policies and procedures established by the Board of Directors. The Crescenta Valley Water District employs a full-time staff of 34 employees. The District's Board of Directors meets on the first and third Tuesday of each month. Meetings are publicly noticed and customers are encouraged to attend.

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

The District serves an area of approximately 4 square miles in relatively steep terrain ranging from 1,200 feet to almost 3,000 feet above sea level. The customer base is primarily residential with some light commercial along Foothill Boulevard in La Crescenta and Honolulu Avenue in Montrose. The District currently provides water to over 8,000 accounts representing a population of approximately 32,000.

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 steady 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 random parcels in La Crescenta.

California's water supply continues to be a concern due to current drought conditions and population increases. This concern, in addition to State mandated reductions, has increased interest in conservation and in irrigation methods and systems.

Major Initiatives

The activities of the Board and staff of the District are driven by its Mission Statement: "The mission of the Crescenta Valley Water District is to provide dependable water service and wastewater collection to its constituents in La Crescenta, Montrose, and portions of Glendale, and La Canada Flintridge."

The mission of the Crescenta Valley Water District is 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 has the mission to provide reliable sewer service through the City of Los Angeles Sanitation Department. The Board, the staff, and all employees of Crescenta Valley Water District are committed to providing its customers with high quality, cost-effective and environmentally sensitive customer service."

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

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

Internal Control Structure

District management is responsible for the establishment and maintenance of the internal control structure that is designed to ensure 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 generally accepted accounting principles. The District's internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

Budgetary Control

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

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 objective of the Investment Policy is safety, liquidity, and yield.

Water and Sewer Rates and District Revenues

District policy direction ensures that all revenues from user charges and surcharges generated from District customers must support all District operations including capital project funding. Accordingly, water and sewer rates are reviewed periodically. Water and wastewater rates are user charges imposed on customers for services and are the primary component of the District’s revenue. Water rates are composed of a commodity (usage) charge and a fixed (readiness-to-serve) charge. Wastewater rates are a flat charge to all residential dwelling units.

Water Conservation Programs

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

- Mandatory Water Conservation Program
- Low-Flow Retrofit Program
- Hi-Efficiency Washers Program
- Turf Removal Rebate 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 Fedak & Brown LLP, has conducted the audit of the District’s financial statements. Their unmodified Independent Auditor’s Report appears in the Financial Section.

Risk Management

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

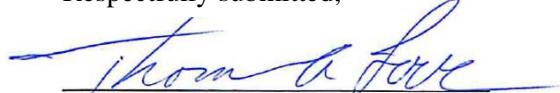
Other References

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 and especially the Finance Committee members for their continued support in planning and implementation of the Crescenza Valley Water District’s fiscal policies.

Respectfully submitted,



Thomas A. Love
General Manager



Ron Mitchell
Director of Finance

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Financial Section



Charles Z. Fedak, CPA, MBA
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Certified Public Accountants

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Independent Auditor's 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, 2015 and 2014, 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.

Auditor's Responsibility

Our responsibility is to express opinions 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; and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the of the Crescenta Valley Water District, as of June 30, 2015 and 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Independent Auditor's Report, continued

Emphasis of a Matter

As described in Note 1 to the basic financial statements, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, and No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*, for the year ended June 30, 2015. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages 7 through 11 and pages 40 through 42, 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 opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section on pages 1 through 3, and the supplemental information schedules on pages 43 through 48, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information schedules are fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Independent Auditor's Report, continued

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2015 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 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 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. This report can be found on pages 49 and 50.

Fedak & Brown LLP

Fedak & Brown LLP

Cypress, California

December 9, 2015

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Crescenta Valley Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2015 and 2014

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, 2015 and 2014. We encourage readers to consider the information presented here in conjunction with the transmittal letter in the Introductory Section and with the basic financial statements and related notes, which follow this section.

Financial Highlights

- The District's net position decreased 8.39%, or \$4,303,070 to \$46,955,592, in fiscal year 2015, primarily due to a \$1,322,528 decrease from operations and \$2,980,542 related to the adoption of GASB 68. See note 11 for further information. In 2014, the District's net position increased 13.00%, or \$5,897,576 to \$51,258,662, primarily due to the \$6,872,846 in MTBE settlement income.
- The District's operating revenues decreased 4.09% or \$516,134, in fiscal year 2015. In 2014, the District's operating revenues increased 7.76% or \$909,686.
- The District's operating expenses decreased 3.41%, or \$470,183, in fiscal year 2015. In 2014, the District's operating expenses increased 12.29%, or \$1,506,981.

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 revenue 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 credit worthiness. The final required financial statement is the Statement of Cash Flows, which provides information about the District's cash receipts and cash payments during the reporting period. The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities, as well as providing answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Financial Analysis of the District

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District in a way that helps answer this question. These statements include all assets, deferred outflow, liabilities, and deferred inflows using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

Crescenta Valley Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2015 and 2014

Financial Analysis of the District, continued

These two statements report the District's *net position* and changes in them. One can think of the District's net position (the difference between assets and deferred outflows, and liabilities and deferred inflows), as one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position is one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, zoning and new or changed government legislation, such as changes in Federal and State water quality standards.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 16 through 39.

Statements of Net Position

Condensed Statements of Net Position

	2015	2014	Change
Assets:			
Current assets	\$ 6,122,029	8,944,882	(2,822,853)
Non-current assets	13,878,687	12,393,137	1,485,550
Capital assets, net	<u>42,820,914</u>	<u>42,545,318</u>	<u>275,596</u>
Total assets	<u>62,821,630</u>	<u>63,883,337</u>	<u>(1,061,707)</u>
Deferred outflows of resources:			
	<u>292,716</u>	<u>-</u>	<u>292,716</u>
Liabilities:			
Current liabilities	1,406,906	1,418,468	(11,562)
Non-current liabilities	<u>13,935,673</u>	<u>11,206,207</u>	<u>2,729,466</u>
Total liabilities	<u>15,342,579</u>	<u>12,624,675</u>	<u>2,717,904</u>
Deferred inflows of resources:			
	<u>816,175</u>	<u>-</u>	<u>816,175</u>
Net position:			
Net investment in capital assets	34,413,758	33,912,088	501,670
Restricted	617,090	617,099	(9)
Unrestricted	<u>11,924,744</u>	<u>16,729,475</u>	<u>(4,804,731)</u>
Total net position	\$ 46,955,592	<u>51,258,662</u>	<u>(4,303,070)</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of the District exceeded liabilities and deferred inflows by \$46,955,592 and \$51,258,662 as of June 30, 2015 and 2014, respectively.

By far the largest portion of the District's net position (73% and 66% as of June 30, 2015 and 2014, respectively) reflects the District's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are not available for future spending. See note 10 for further information.

Crescenta Valley Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2015 and 2014

Statements of Net Position, continued

At the end of fiscal year 2015 and 2014, the District showed a positive balance in its unrestricted net position of \$11,924,744 and \$16,729,475, respectively. See note 10 for the amount of spendable net position that may be utilized in future years.

Statements of Revenues, Expenses, and Changes in Net Position

Condensed Statements of Revenues, Expenses and Changes in Net Position

	2015	2014	Change
Revenues:			
Operating revenues	\$ 12,112,938	12,629,072	(516,134)
Non-operating revenues	<u>211,211</u>	<u>7,328,776</u>	<u>(7,117,565)</u>
Total revenues	<u>12,324,149</u>	<u>19,957,848</u>	<u>(7,633,699)</u>
Expenses:			
Operating expenses	13,300,500	13,770,683	(470,183)
Non-operating expenses	<u>377,700</u>	<u>395,813</u>	<u>(18,113)</u>
Total expenses	<u>13,678,200</u>	<u>14,166,496</u>	<u>(488,296)</u>
Net income before capital contributions	(1,354,051)	5,791,352	(7,145,403)
Capital contributions	<u>31,523</u>	<u>106,224</u>	<u>(74,701)</u>
Change in net position	<u>(1,322,528)</u>	<u>5,897,576</u>	<u>(7,220,104)</u>
Net position – beginning of year	<u>51,258,662</u>	<u>45,361,086</u>	<u>5,897,576</u>
Prior period adjustment	<u>(2,980,542)</u>	<u>-</u>	<u>(2,980,542)</u>
Net position – beginning of year – as restated	<u>48,278,120</u>	<u>45,361,086</u>	<u>2,917,034</u>
Net position – end of year	<u>\$ 46,955,592</u>	<u>51,258,662</u>	<u>(4,303,070)</u>

The statements of revenues, expenses and changes of net position show how the District's net position changed during the fiscal years. In the case of the District, net position in fiscal year 2015 decreased by \$4,303,070 primarily due to a \$1,322,528 decrease from operations and \$2,980,542 related to the adoption of GASB 68. See note 11 for further information. In fiscal year 2014, net position increased by \$5,897,576, primarily due to the \$6,872,846 in MTBE settlement income.

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

In 2015, the District's total revenues decreased by 38.25%, or \$7,633,699, primarily due to a decrease in non-operating revenues of \$7,117,565, as the result of decreases in legal settlements of \$6,872,846 and investment earnings of \$255,611. Operating revenues decreased by \$516,134 due to decreases of \$638,302 in water operation consumption charges and \$80,097 in water operations other charges, that was offset by increases in wastewater operations user and standby charges of \$100,107 and water operations service charges of \$97,158.

In 2014, the District's total revenues increased by 10.70%, or \$1,929,053, primarily due to an increase in non-operating revenues of \$1,019,367, related to an increase in investment earnings of \$738,960, and payment on a legal settlement of \$6,872,846. Operating revenues increased by \$909,686 due an increase of \$597,077 in water operation consumption charges, and \$312,609 increase in wastewater user and standby charges

Crescenta Valley Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2015 and 2014

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

In 2015, the District's total expenses decreased by 3.45%, or \$488,296. The District's operating expenses decreased by \$470,183 as follows: a \$409,767 decrease in source of supply expenses, a \$239,164 decrease in costs associated with the discharge of treated water into the City of Los Angeles wastewater system, a \$123,852 decrease in distribution system expenses. Offsetting these decreases were increases, of \$175,561 in general and administrative expenses and \$175,852 in plant operations expenses.

In 2015, non-operating expenses decreased by 4.58%, or \$18,113, primarily due to a \$9,325 decrease in other expenses and a \$9,034 decrease in interest expense.

In 2014, the District's total expenses increased by 10.82%, or \$1,383,085. The District's operating expenses increased by \$1,506,981 as follows: a \$917,132 increase in source of supply expenses, a \$291,720 increase in distribution system expenses, a \$49,125 increase in costs associated with the discharge of wastewater into the City of Los Angeles wastewater system, an \$112,355 increase in collection system expenses, and a \$128,361 increase in general and administrative expenses. Offsetting these increases were decreases in plant operating expenses of \$8,278.

In 2014, non-operating expenses decreased by 23.84%, or \$123,896, primarily due to a \$76,351 decrease in other expenses and a \$40,786 decrease in interest expense.

In 2015 and 2014, capital contributions amounted to \$31,523 and \$106,224, respectively as the result of construction activity within the District's service area.

Capital Asset Administration

At the end of fiscal years 2015 and 2014, the District's investment in capital assets amounted to \$42,820,914 and \$42,545,318, respectively, (net of accumulated depreciation). This investment in capital assets includes land, transmission and distribution systems, collection systems, buildings and structures, equipment, and vehicles, etc. Major capital assets additions during the year included upgrades to the District's water operations production and transmission and distribution systems.

Changes in capital asset amounts for 2015 are as follows:

	Balance 2014	Additions	Transfers/ Deletions	Balance 2015
Capital assets:				
Non-depreciable assets	\$ 3,219,979	2,089,149	(2,375,209)	2,933,919
Depreciable assets	76,155,151	2,525,451	(805,484)	77,875,118
Accumulated depreciation	<u>(36,829,812)</u>	<u>(1,925,786)</u>	<u>767,475</u>	<u>(37,988,123)</u>
Total capital assets, net	<u>\$ 42,545,318</u>	<u>2,688,814</u>	<u>(2,413,218)</u>	<u>42,820,914</u>

Changes in capital asset amounts for 2014 are as follows:

	Balance 2013	Additions	Transfers/ Deletions	Balance 2014
Capital assets:				
Non-depreciable assets	\$ 2,024,915	1,430,603	(235,539)	3,219,979
Depreciable assets	75,857,888	361,476	(64,213)	76,155,151
Accumulated depreciation	<u>(34,939,555)</u>	<u>(1,954,470)</u>	<u>64,213</u>	<u>(36,829,812)</u>
Total capital assets, net	<u>\$ 42,943,248</u>	<u>(162,391)</u>	<u>(235,539)</u>	<u>42,545,318</u>

(See note 4 for further discussion)

Crescenta Valley Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2015 and 2014

Debt Administration

Long-term debt at June 30, 2015, is summarized as follows:

	2014	Additions	Payments	2015
2007 Series COP	\$ 8,835,000	-	(235,000)	8,600,000
Less: current portion	(235,000)			(245,000)
Discount on debt	(201,770)			(192,844)
Long-term portion	<u>\$ 8,398,230</u>			<u>8,162,156</u>

Long-term debt at June 30, 2014, is summarized as follows:

	2013	Additions	Payments	2014
2007 Series COP	\$ 9,060,000	-	(225,000)	8,835,000
Less: current portion	(225,000)			(235,000)
Discount on debt	(210,697)			(201,770)
Long-term portion	<u>\$ 8,624,303</u>			<u>8,398,230</u>

(See note 6 for further discussion)

Conditions Affecting Current Financial Position

Management is unaware of any conditions at June 30, 2015, 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 Thomas A. Love, General Manager of Crescenta Valley Water District, 2700 Foothill Blvd., La Crescenta, California, 91214.

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Basic Financial Statements

Crescenta Valley Water District
Statements of Net Position
June 30, 2015 and 2014

	2015	2014
Current assets:		
Cash and cash equivalents (note 2)	\$ 3,747,138	6,350,755
Accrued interest receivable	75,152	47,810
Accounts receivable – water and wastewater, net (note 3)	1,896,423	2,240,323
Accounts receivable – other	53,199	5,492
Materials and supplies inventory	310,638	258,300
Prepaid expenses and other deposits	39,479	42,202
Total current assets	<u>6,122,029</u>	<u>8,944,882</u>
Non-current assets:		
Investments (note 2)	13,261,597	11,776,032
Investments – restricted (note 2)	617,090	617,105
Capital assets – not being depreciated (note 4)	2,933,919	3,219,979
Depreciable capital assets (note 4)	39,886,995	39,325,339
Total non-current assets	<u>56,699,601</u>	<u>54,938,455</u>
Total assets	<u>62,821,630</u>	<u>63,883,337</u>
Deferred outflows of resources:		
Deferred pension outflows (note 8)	<u>292,716</u>	<u>-</u>
Total deferred outflows of resources	<u>292,716</u>	<u>-</u>
Current liabilities:		
Accounts payable and accrued expenses	782,171	840,241
Accrued wages and related payables	32,365	23,215
Customer deposits	238,147	204,728
Accrued interest expense	30,736	31,520
Long-term liabilities – due within one year:		
Compensated absences (note 5)	78,487	83,764
Certificates of participation (note 6)	245,000	235,000
Total current liabilities	<u>1,406,906</u>	<u>1,418,468</u>
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (note 5)	235,460	251,292
Certificates of participation, net (note 6)	8,162,156	8,398,230
Other post employment benefits payable (note 7)	3,122,832	2,556,685
Net pension liability (note 8)	2,415,225	-
Total non-current liabilities	<u>13,935,673</u>	<u>11,206,207</u>
Total liabilities	<u>15,342,579</u>	<u>12,624,675</u>
Deferred inflows of resources:		
Deferred pension inflows (note 8)	<u>816,175</u>	<u>-</u>
Total deferred inflows of resources	<u>816,175</u>	<u>-</u>
Net position: (note 10)		
Net Investment in capital assets	34,413,758	33,912,088
Restricted for debt service	617,090	617,099
Unrestricted	11,924,744	16,729,475
Total net position	<u>\$ 46,955,592</u>	<u>51,258,662</u>

See accompanying notes to the basic financial statements

Crescenta Valley Water District
Statements of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years Ended June 30, 2015 and 2014

	2015	2014
Operating revenues:		
Water operations – consumption sales	\$ 6,388,564	7,026,866
Water operations – service charge	1,828,481	1,731,323
Water operations – other charges	548,296	628,393
Wastewater operations – user and standby charges	3,341,597	3,241,490
Wastewater operations – other charges	6,000	1,000
Total operating revenues	12,112,938	12,629,072
Operating expenses:		
Source of supply – water purchases	2,741,033	3,150,800
Plant operations	2,245,576	2,069,724
Distribution system	1,239,463	1,363,315
City of Los Angeles wastewater system	675,013	914,177
Collection system	282,983	303,112
General and administrative expenses	4,190,646	4,015,085
Total operating expenses before depreciation	11,374,714	11,816,213
Operating income before depreciation	738,224	812,859
Depreciation expense	(1,925,786)	(1,954,470)
Operating loss	(1,187,562)	(1,141,611)
Non-operating revenues (expenses):		
Investment earnings	167,195	422,806
Gain/(loss) on sale of capital assets	(246)	4,360
Interest expense	(377,454)	(386,488)
Rental income	29,600	28,764
MTBE settlement, net (note 12)	-	6,872,846
Other income (expense), net	14,416	(9,325)
Total non-operating expenses, net	(166,489)	6,932,963
Net income before capital contributions	(1,354,051)	5,791,352
Capital contributions		
Capital grants – State	-	76,409
Assessments	31,523	29,815
Total capital contributions	31,523	106,224
Changes in net position	(1,322,528)	5,897,576
Net position – beginning of year	51,258,662	45,361,086
Prior period adjustment (note 11)	(2,980,542)	-
Net position – beginning of year – as restated	48,278,120	45,361,086
Net position – end of year	\$ 46,955,592	51,258,662

See accompanying notes to the basic financial statements

Crescenta Valley Water District
Statements of Cash Flows
For the Fiscal Years Ended June 30, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Cash receipts from customers for water sales and services	\$ 12,409,131	12,452,624
Cash paid to employees for salaries and wages	(2,895,941)	(2,662,165)
Cash paid to vendors and suppliers for materials and services	<u>(8,053,433)</u>	<u>(8,382,918)</u>
Net cash provided by operating activities	<u>1,459,757</u>	<u>1,407,541</u>
Cash flows from non-capital financing activities:		
Proceeds from settlement	-	6,872,846
Net cash provided by non-capital financing activities	<u>-</u>	<u>6,872,846</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(2,239,391)	(1,537,457)
Proceeds from property owner assessments	31,523	29,815
Principal paid on long-term debt	(235,000)	(225,000)
Interest paid on long-term debt	<u>(346,718)</u>	<u>(354,968)</u>
Net cash used in capital and related financing activities	<u>(2,789,586)</u>	<u>(2,087,610)</u>
Cash flows from investing activities:		
Purchases of investments	(29,822,178)	(48,056,164)
Proceeds from sale of investments	28,352,021	43,159,932
Interest earnings	<u>196,369</u>	<u>199,456</u>
Net cash used in investing activities	<u>(1,273,788)</u>	<u>(4,696,776)</u>
Net increase(decrease) in cash and cash equivalents	(2,603,617)	1,496,001
Cash and cash equivalents, beginning of year	<u>6,350,755</u>	<u>4,854,754</u>
Cash and cash equivalents, end of year	<u>\$ 3,747,138</u>	<u>6,350,755</u>

Continued on next page

See accompanying notes to the basic financial statements

Crescenta Valley Water District
Statements of Cash Flows, continued
For the Fiscal Years Ended June 30, 2015 and 2014

	2015	2014
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (1,187,562)	<u>(1,141,611)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Deprecation	1,925,786	1,954,470
Non-operating, net	40,894	20,923
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:		
(Increase)Decrease in assets:		
Accounts receivable – water and wastewater, net	343,900	(184,466)
Accounts receivable – other	(47,707)	8,018
Materials and supplies inventory	(52,338)	39,835
Prepaid expenses and other deposits	2,723	(1,334)
Increase in deferred outflows of resources	(26,809)	-
Increase(Decrease) in liabilities:		
Accounts payable and accrued expenses	(58,070)	169,744
Accrued wages and related payables	9,150	4,048
Customer deposits	33,419	24,781
Compensated absences	(21,109)	(98,507)
Other post employment benefits payable	566,147	611,640
Net pension liability	(884,842)	-
Increase in deferred inflows of resources	<u>816,175</u>	-
Total adjustments	<u>2,647,319</u>	<u>2,549,152</u>
Net cash provided by operating activities	<u>\$ 1,459,757</u>	<u>1,407,541</u>
Non-cash investing, capital and financing transactions:		
Change in fair-market value of funds deposited with LAIF	<u>\$ (968)</u>	<u>(204)</u>

See accompanying notes to the basic financial statements

Crescenta Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2015 and 2014

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

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

B. 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 and sewer services to its customers on a continuing basis be financed or recovered primarily through user charges (water and sewer service fees). 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 purchases, 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 expenses 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.

C. 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.

The District has adopted the following GASB pronouncements in the current year:

Governmental Accounting Standards Board Statement No. 68 – Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

Governmental Accounting Standards Board Statement No. 69 – Government Combinations and Disposals of Government Operations. The objective of this Statement is to provide new accounting and financial reporting standards for government mergers and acquisitions and for government operations that have been transferred or sold. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2013. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Crescenta Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2015 and 2014

(1) Reporting Entity and Summary of Significant Accounting Policies

C. Financial Reporting, continued

Governmental Accounting Standards Board Statement No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment to GASB Statement No. 68. The objective of this statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The requirements of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement No. 68 in the accrual-basis financial statements of employers and non-employer contributing entities. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68.

Prior Year Financial Data Presentation

The District has determined to present the annual financial statements with prior year data for comparative purposes, but not restate with regard to GASB 68 and 71, as all information available to restate prior year amounts was not readily available.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position

1. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in net position during the reporting period.

2. 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.

3. 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.

4. Accounts Receivable

The District extends credit to customers in the normal course of operations. When Management deems a customer account uncollectable, the District uses the allowance method for the reservation and write-off of those accounts.

5. Prepaid Expenses

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

6. Inventory

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

Crescenta Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2015 and 2014

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position, continued

7. Capital Assets

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

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

8. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of resources applicable to future periods.

9. 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.

10. Pensions

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

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

- Valuation Date: June 30, 2013
- Measurement Date: June 30, 2014
- Measurement Period: July 1, 2013 to June 30, 2014

11. Deferred Inflows of Resources

Deferred inflows of resources represent the acquisition of resources applicable to future periods.

Crescenta Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2015 and 2014

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position, continued

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

13. Deposit Connection Fees

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

14. 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.

15. 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.

16. 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.

17. Reclassification

The District has reclassified certain prior year information to conform with current year presentations.

Crescenta Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2015 and 2014

(2) Cash and Investments

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

	2015	2014
Cash and cash equivalents	\$ 3,747,138	6,350,755
Investments	13,261,597	11,776,032
Investments – restricted	<u>617,090</u>	<u>617,105</u>
Total cash and investments	<u>\$ 17,625,825</u>	<u>18,743,892</u>

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

	2015	2014
Cash on hand	\$ 800	800
Deposits with financial institutions	1,073,361	3,719,597
Investments	<u>16,551,664</u>	<u>15,023,495</u>
Total cash and investments	<u>\$ 17,625,825</u>	<u>18,743,892</u>

Custodial Credit Risk

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

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

California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Of the bank balances, up to \$250,000 is federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

Investment in State Investment Pool

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

Crescenta Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2015 and 2014

(2) Cash and Investments, continued

Interest Rate Risk

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

Maturities of investments at June 30, 2015 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	\$ 8,345,827	-	-	1,004,605	7,341,222
Federal Farm Credit Bank Bonds	4,915,770	-	-	2,972,650	1,943,120
Local Agency Investment Fund	2,574,523	2,574,523	-	-	-
Money Market Funds	715,544	715,544	-	-	-
Total	\$ 16,551,664	3,290,067	-	3,977,255	9,284,342

Maturities of investments at June 30, 2014 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	\$ 3,887,970	-	-	995,000	2,892,970
Federal Farm Credit Bank Bonds	7,887,661	-	-	1,988,180	5,899,481
Local Agency Investment Fund	2,568,046	2,568,046	-	-	-
Money Market Funds	679,818	679,818	-	-	-
Total	\$ 15,023,495	3,247,864	-	2,983,180	8,792,451

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 ratings of investments as of June 30, 2015, were as follows:

Investment Types	Total	Minimum Legal Rating	Rating as of Year End		
			AAA	AA+	Not Rated
U.S Treasury Notes	\$ 8,345,827	A	\$ -	8,345,827	-
Federal Farm Credit Bank Bonds	4,915,770	A	-	4,915,770	-
Local Agency Investment Fund	2,574,523	N/A	-	-	2,574,523
Money Market Funds	715,544	AAA	715,544	-	-
Total	\$ 16,551,664		\$ 715,544	13,261,597	2,574,523

Crescenta Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2015 and 2014

(2) Cash and Investments, continued

Credit Risk, continued

Credit ratings of investments as of June 30, 2014, were as follows:

Investment Types	Total	Minimum Legal Rating	Rating as of Year End		
			AAA	AA+	Not Rated
U.S Treasury Notes	\$ 3,887,970	A	\$ -	3,887,970	-
Federal Farm Credit Bank Bonds	7,887,661	A	-	7,887,661	-
Local Agency Investment Fund	2,568,046	N/A	-	-	2,568,046
Money Market Funds	<u>679,818</u>	AAA	<u>679,818</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 15,023,495</u>		<u>\$ 679,818</u>	<u>11,775,631</u>	<u>2,568,046</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.

(3) Accounts Receivable – Water and Wastewater, net

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

	2015	2014
Accounts receivable – water and wastewater	\$ 1,901,936	2,245,836
Allowance for doubtful accounts	<u>(5,513)</u>	<u>(5,513)</u>
Accounts receivable – water and wastewater, net	<u>\$ 1,896,423</u>	<u>2,240,323</u>

(4) Capital Assets

Capital assets at June 30, 2015, are summarized as follows:

	Balance 2014	Additions/Transfers	Deletions/Transfers	Balance 2015
Non-depreciable assets:				
Water operations	\$ 3,213,817	1,980,606	(2,269,725)	2,924,698
Wastewater operations	<u>6,162</u>	<u>108,543</u>	<u>(105,484)</u>	<u>9,221</u>
Total non-depreciable assets	<u>3,219,979</u>	<u>2,089,149</u>	<u>(2,375,209)</u>	<u>2,933,919</u>
Depreciable assets, net:				
Water operations	19,467,168	1,273,854	(35,324)	20,705,698
Wastewater operations	<u>19,858,171</u>	<u>(674,189)</u>	<u>(2,685)</u>	<u>19,181,297</u>
Total depreciable capital assets, net	<u>39,325,339</u>	<u>599,665</u>	<u>(38,009)</u>	<u>39,886,995</u>
Total capital assets, net	<u>\$ 42,545,318</u>			<u>42,820,914</u>

Crescenta Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2015 and 2014

(4) Capital Assets, continued

Changes for water operations capital assets in 2015, were as follows:

	Balance 2014	Additions/ Transfers	Deletions/ Transfers	Balance 2015
Non-depreciable assets:				
Land	\$ 1,158,526	-	-	1,158,526
Construction-in progress	2,055,291	1,980,606	(2,269,725)	1,766,172
Total non-depreciable assets	3,213,817	1,980,606	(2,269,725)	2,924,698
Depreciable assets:				
Production equipment	7,135,547	347,318	(467,598)	7,015,267
Distribution equipment	27,564,574	1,911,029	(151,139)	29,324,464
Groundwater reclamation plant	2,642,127	-	-	2,642,127
Autos and trucks	894,475	142,521	(97,298)	939,698
Office equipment	633,186	19,099	(53,067)	599,218
Office building	548,360	-	-	548,360
Total depreciable assets	39,418,269	2,419,967	(769,102)	41,069,134
Accumulated depreciation:				
Production equipment	(3,663,801)	(316,829)	432,413	(3,548,217)
Distribution equipment	(12,682,346)	(612,595)	151,139	(13,143,802)
Groundwater reclamation plant	(2,182,811)	(63,388)	-	(2,246,199)
Autos and trucks	(722,716)	(84,503)	97,298	(709,921)
Office equipment	(488,223)	(57,749)	52,928	(493,044)
Office building	(211,204)	(11,049)	-	(222,253)
Total accumulated depreciation	(19,951,101)	(1,146,113)	733,778	(20,363,436)
Total depreciable assets, net	19,467,168	1,273,854	(35,324)	20,705,698
Total capital assets, net	\$ 22,680,985			23,630,396

Changes in 2015, for water operations capital assets consisted primarily in additions of \$1,980,606 in construction-in-progress, \$347,318 in water production equipment, \$1,911,029 in water distribution equipment, \$142,521 in autos and trucks, and \$19,099 in office equipment. Transfers in 2015 include \$2,269,725 in construction-in-progress transferred to depreciable assets. Deletions in 2015 include, \$467,598 in water production equipment, \$151,139 in water distribution equipment, \$97,298 in autos and trucks, and \$53,067 in office equipment.

Crescenta Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2015 and 2014

(4) Capital Assets, continued

Changes for wastewater operations capital assets in 2015, were as follows:

	<u>Balance 2014</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2015</u>
Non-depreciable assets:				
Construction-in progress	\$ 6,162	108,543	(105,484)	9,221
Total non-depreciable assets	<u>6,162</u>	<u>108,543</u>	<u>(105,484)</u>	<u>9,221</u>
Depreciable assets:				
Wastewater collection system				
Interceptor	4,958,842	9,183	-	4,968,025
Unit 1	11,277,326	96,301	-	11,373,627
Unit 2	19,891,101	-	-	19,891,101
Tools and lab equipment	30,381	-	-	30,381
Autos and trucks	483,228	-	(28,823)	454,405
Safety equipment	6,569	-	-	6,569
Booster building	69,160	-	(2,695)	66,465
Office equipment	20,275	-	(4,864)	15,411
Total depreciable assets	<u>36,736,882</u>	<u>105,484</u>	<u>(36,382)</u>	<u>36,805,984</u>
Accumulated depreciation:				
Wastewater collection system				
Interceptor	(2,250,763)	(99,641)	-	(2,350,404)
Unit 1	(5,139,933)	(265,401)	-	(5,405,334)
Unit 2	(8,951,240)	(406,530)	-	(9,357,770)
Tools and lab equipment	(28,882)	(1,000)	-	(29,882)
Autos and trucks	(481,376)	(1,852)	28,823	(454,405)
Safety equipment	(4,288)	(657)	-	(4,945)
Booster building	(12,410)	(2,260)	629	(14,041)
Office equipment	(9,819)	(2,332)	4,245	(7,906)
Total accumulated depreciation	<u>(16,878,711)</u>	<u>(779,673)</u>	<u>33,697</u>	<u>(17,624,687)</u>
Total depreciable capital assets, net	<u>19,858,171</u>	<u>(674,189)</u>	<u>(2,685)</u>	<u>19,181,297</u>
Total capital assets, net	<u>\$ 19,864,333</u>			<u>19,190,518</u>

Changes in 2015, for wastewater operations capital assets consisted of \$108,543 in construction-in-progress, \$9,183 in interceptor additions \$96,301 in interceptor unit 1 upgrades. Deletions in 2015 include \$28,823 in autos and trucks, \$2,695 in booster building, and \$4,864 in office equipment.

Crescenta Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2015 and 2014

(4) Capital Assets, continued

Capital assets at June 30, 2014, are summarized as follows:

	Balance 2013	Additions/ Transfers	Deletions/ Transfers	Balance 2014
Non-depreciable assets:				
Water operations	\$ 2,012,203	1,411,521	(209,907)	3,213,817
Wastewater operations	<u>12,712</u>	<u>19,082</u>	<u>(25,632)</u>	<u>6,162</u>
Total non-depreciable assets	<u>2,024,915</u>	<u>1,430,603</u>	<u>(235,539)</u>	<u>3,219,979</u>
Depreciable assets, net:				
Water operations	20,308,484	(841,316)	-	19,467,168
Wastewater operations	<u>20,609,849</u>	<u>(751,678)</u>	<u>-</u>	<u>19,858,171</u>
Total depreciable capital assets, net	<u>40,918,333</u>	<u>(1,592,994)</u>	<u>-</u>	<u>39,325,339</u>
Total capital assets, net	<u>\$ 42,943,248</u>			<u>42,545,318</u>

Changes for water operations capital assets in 2014, were as follows:

	Balance 2013	Additions/ Transfers	Deletions/ Transfers	Balance 2014
Non-depreciable assets:				
Land	\$ 1,158,526	-	-	1,158,526
Construction-in progress	<u>853,677</u>	<u>1,411,521</u>	<u>(209,907)</u>	<u>2,055,291</u>
Total non-depreciable assets	<u>2,012,203</u>	<u>1,411,521</u>	<u>(209,907)</u>	<u>3,213,817</u>
Depreciable assets:				
Production equipment	7,006,012	129,535	-	7,135,547
Distribution equipment	27,513,231	51,343	-	27,564,574
Groundwater reclamation plant	2,642,127	-	-	2,642,127
Autos and trucks	849,195	93,440	(48,160)	894,475
Office equipment	571,660	61,526	-	633,186
Office building	<u>548,360</u>	<u>-</u>	<u>-</u>	<u>548,360</u>
Total depreciable assets	<u>39,130,585</u>	<u>335,844</u>	<u>(48,160)</u>	<u>39,418,269</u>
Accumulated depreciation:				
Production equipment	(3,332,687)	(331,114)	-	(3,663,801)
Distribution equipment	(12,091,877)	(590,469)	-	(12,682,346)
Groundwater reclamation plant	(2,077,126)	(105,685)	-	(2,182,811)
Autos and trucks	(698,227)	(72,649)	48,160	(722,716)
Office equipment	(422,030)	(66,193)	-	(488,223)
Office building	<u>(200,154)</u>	<u>(11,050)</u>	<u>-</u>	<u>(211,204)</u>
Total accumulated depreciation	<u>(18,822,101)</u>	<u>(1,177,160)</u>	<u>48,160</u>	<u>(19,951,101)</u>
Total depreciable assets, net	<u>20,308,484</u>	<u>(841,316)</u>	<u>-</u>	<u>19,467,168</u>
Total capital assets, net	<u>\$ 22,320,687</u>			<u>22,680,985</u>

Changes in 2014, for water operations capital assets consisted primarily in additions of \$1,411,521 in construction-in-progress, \$129,535 in water production equipment, \$51,343 in water distribution equipment, \$93,439 in autos and trucks, and \$61,526 in office equipment. Transfers in 2014 include \$209,907 in construction-in-progress transferred to depreciable assets. Deletions in 2014 include \$48,160 in autos and trucks.

Crescenta Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2015 and 2014

(4) Capital Assets, continued

Changes for wastewater operations capital assets in 2014, were as follows:

	Balance 2013	Additions/ Transfers	Deletions/ Transfers	Balance 2014
Non-depreciable assets:				
Construction-in progress	\$ 12,712	19,082	(25,632)	6,162
Total non-depreciable assets	<u>12,712</u>	<u>19,082</u>	<u>(25,632)</u>	<u>6,162</u>
Depreciable assets:				
Wastewater collection system				
Interceptor	4,958,842	-	-	4,958,842
Unit 1	11,262,414	14,912	-	11,277,326
Unit 2	19,891,101	-	-	19,891,101
Tools and lab equipment	30,381	-	-	30,381
Autos and trucks	499,281	-	(16,053)	483,228
Safety equipment	6,569	-	-	6,569
Booster building	69,160	-	-	69,160
Office equipment	9,555	10,720	-	20,275
Total depreciable assets	<u>36,727,303</u>	<u>25,632</u>	<u>(16,053)</u>	<u>36,736,882</u>
Accumulated depreciation:				
Wastewater collection system				
Interceptor	(2,151,581)	(99,182)	-	(2,250,763)
Unit 1	(4,880,093)	(259,840)	-	(5,139,933)
Unit 2	(8,544,710)	(406,530)	-	(8,951,240)
Tools and lab equipment	(27,882)	(1,000)	-	(28,882)
Autos and trucks	(491,105)	(6,324)	16,053	(481,376)
Safety equipment	(3,631)	(657)	-	(4,288)
Booster building	(10,105)	(2,305)	-	(12,410)
Office equipment	(8,347)	(1,472)	-	(9,819)
Total accumulated depreciation	<u>(16,117,454)</u>	<u>(777,310)</u>	<u>16,053</u>	<u>(16,878,711)</u>
Total depreciable capital assets, net	<u>20,609,849</u>	<u>(751,678)</u>	<u>-</u>	<u>19,858,171</u>
Total capital assets, net	<u>\$ 20,622,561</u>			<u>19,864,333</u>

Changes in 2014, for wastewater operations capital assets consisted of \$19,082 in construction-in-progress, \$14,912 in interceptor unit 1 upgrades. Transfers in 2014 include \$25,632 in construction-in-progress transferred to depreciable assets. Deletions in 2014 include \$16,053 in autos and trucks.

(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 changes to compensated absences balances at June 30, were as follows:

Balance 2013	Additions	Deletions	Balance 2014	Due Within One Year	Due in More Than One Year
\$ 335,056	171,362	(192,471)	313,947	78,487	235,460
Balance 2013	Additions	Deletions	Balance 2014	Due Within One Year	Due in More Than One Year
\$ 433,563	160,302	(258,809)	335,056	83,764	251,292

Crescenta Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2015 and 2014

(6) Long-Term Debt

Long-term debt at June 30, 2015, is summarized as follows:

	2014	Additions	Payments	2015
2007 Series COP	\$ 8,835,000	-	(235,000)	8,600,000
Less: current portion	(235,000)			(245,000)
Discount on debt	(201,770)			(192,844)
Long-term portion	<u>\$ 8,398,230</u>			<u>8,162,156</u>

Long-term debt at June 30, 2014, is summarized as follows:

	2013	Additions	Payments	2014
2007 Series COP	\$ 9,060,000	-	(225,000)	8,835,000
Less: current portion	(220,000)			(235,000)
Discount on debt	(210,697)			(201,770)
Long-term portion	<u>\$ 8,629,303</u>			<u>8,398,230</u>

2007 Series Certificates of Participation

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

Future annual debt service requirements are as follows:

Fiscal Year	Principal	Interest	Total
2016	\$ 245,000	368,838	613,838
2017	255,000	359,038	614,038
2018	265,000	348,838	613,838
2019	275,000	338,238	613,238
2020	285,000	327,238	612,238
2021-2025	1,630,000	1,447,469	3,077,469
2026-2030	2,005,000	1,067,063	3,072,063
2031-2035	2,485,000	588,219	3,073,219
2036-2037	<u>1,155,000</u>	<u>76,344</u>	<u>1,231,344</u>
Total	<u>8,600,000</u>	<u>4,921,282</u>	<u>13,521,282</u>
Less current portion	(245,000)		
Discount on debt	(192,844)		
Total non-current	<u>\$ 8,162,156</u>		

Crescenta Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2015 and 2014

(7) Other Post-Employment Benefits Payable

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

Plan Description – Eligibility

A retired employee and dependent spouse, or spouse of a deceased employee or retiree must satisfy the following requirements in order to be eligible for post-employment medical and dental benefits:

- Employee is a minimum of 55 years of age with at least 10 years of continuous service.

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

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

	2015	2014	2013
Active plan members	34	34	33
Retirees and beneficiaries receiving benefits	21	22	23
Separated plan members entitled to but not yet receiving benefits	-	-	-
Total plan membership	55	56	56

Plan Description – Benefits

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

Funding Policy

The District is required to accrue the *Annual Required Contribution (ARC) of the Employer*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC rate is 24.12% of the annual covered payroll.

Crescenta Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2015 and 2014

(7) Other Post-Employment Benefits Payable, continued

Annual Cost

For the year ended June 30, 2015, the District's ARC cost is \$698,496. The District's net OPEB payable obligation amounted to \$3,122,832 for the year ended June 30, 2015. The District contributed \$124,392 in age adjusted contributions for current retiree OPEB premiums for the year ended June 30, 2015.

The balance at June 30, consists of the following:

	2015	2014	2013
Annual OPEB expense:			
Annual required contribution (ARC)	\$ 698,496	758,500	703,265
Interest on net OPEB obligation	115,051	86,924	61,545
Adjustment to annual required contribution	<u>(123,008)</u>	<u>(89,874)</u>	<u>(61,626)</u>
Total annual OPEB expense	690,539	755,550	703,184
Change in net OPEB payable obligation:			
Age adjusted contributions made	<u>(124,392)</u>	<u>(143,910)</u>	<u>(130,928)</u>
Total change in net OPEB payable obligation	566,147	611,640	572,256
OPEB payable – beginning of year	<u>2,556,685</u>	<u>1,945,045</u>	<u>1,372,789</u>
OPEB payable – end of year	<u>\$ 3,122,832</u>	<u>2,556,685</u>	<u>1,945,045</u>

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2015 and the three preceding years were as follows:

<i>Three-Year History of Net OPEB Obligation</i>					
Fiscal Year Ended	Annual OPEB Cost	Age Adjusted Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation Payable	
2015	\$ 690,539	124,392	18.01%	\$ 3,122,832	
2014	755,550	143,910	19.05%	2,556,685	
2013	653,752	124,841	19.10%	1,945,045	

Funded Status and Funding Progress of the Plan

The most recent valuation (dated July 1, 2014) includes an Actuarial Accrued Liability and Unfunded Actuarial Accrued Liability of \$8,390,044. The covered payroll (annual payroll of active employees covered by the plan) for the year ended June 30, 2015 was \$2,895,941. The ratio of the unfunded actuarial accrued liability to annual covered payroll is 289.72%.

See the Schedule of Funding Status of the District's Other Post-Employment Benefits Obligation in the Required Supplementary Information Section on page 42.

Crescenta Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2015 and 2014

(7) Other Post-Employment Benefits Payable, continued

Actuarial Methods and Assumptions

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

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

Valuation date	July 1, 2014
Actuarial cost method	Entry age normal cost method
Amortization method	30 Year level percent of payroll Amortization
Remaining amortization period	Closed, 30 Years as of the valuation date
Actuarial assumptions:	
Investment rate of return	4.50%
Projected salary increase	3.25%
Inflation - discount rate	4.50%

(8) Defined Benefit Pension Plan

Plan Description

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

Benefits Provided

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

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

Crescenta Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2015 and 2014

(8) Defined Benefit Pension Plan, continued

The Plans' provision and benefits in effect at June 30, 2015 are summarized as follows:

	Miscellaneous Plan	
	Tier 1	Tier 2
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates	7.00%	6.25%
Required employer contribution rates	11.522%	6.25%

As of June 30, 2015, an actuarial report was not prepared by CalPERS for the District's PEPRA tier. CalPERS made this determination as a result of the District not having PEPRA eligible employees between the period January 1, 2013 and June 30, 2013, the valuation date of the actuarial report provided.

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 is 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 2015	
Contributions – employer	\$ 292,716
Contributions – employee (paid by employer)	<u>166,690</u>
Total employer paid contributions	<u>\$ 459,406</u>

Net Pension Liability

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

Proportionate Share of Pension Liability 2015	
Miscellaneous Plan	<u>\$ 2,415,225</u>

Crescenta Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2015 and 2014

(8) Defined Benefit Pension Plan, continued

Net Pension Liability, continued

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, 2014, 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, 2013, rolled forward to June 30, 2014, 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, 2013 and June 30, 2014, was as follows:

	Miscellaneous Plan
Proportion – June 30, 2013	0.04094%
Proportion – June 30, 2014	<u>0.03881%</u>
Change – Increase (Decrease)	<u>-0.00213%</u>

As a result of the implementation of the GASB 68 pronouncement, the District recognized pension expense of \$250,858 at June 30, 2015.

Deferred Pension Outflows (Inflows) of Resources

As of the fiscal year ended June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 292,716	-
Net differences between projected and actual earnings on plan investments of net pension liability	-	(811,627)
Adjustment due to differences in proportions of net pension liability	-	(4,548)
Total	\$ 292,716	(816,175)

As of June 30 2015, employer pension contributions reported as deferred outflows of resources related to contributions subsequent to the measurement date of \$292,716 will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016.

As a result of the implementation of the GASB 68 at June 30, 2015, the District recognized other amounts reported by the Plan actuarial as deferred outflows of resources and deferred inflows of resources related to the pension liability. Pension related amounts will be recognized as pension expense as follows.

Fiscal Year Ending June 30:	Deferred Outflows/(Inflows) of Resources	
2016	\$	(204,531)
2017		(204,531)
2018		(204,207)
2019		(202,906)
2020		-
Thereafter		-

Crescenta Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2015 and 2014

(8) Defined Benefit Pension Plan, continued

Actuarial Assumptions

The total pension liability in the June 30, 2013 actuarial valuation report was determined using the following actuarial assumptions:

Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumptions:	
Discount rate	7.50%
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Investment Rate of Return	7.50 % Net of Pension Plan Investment and Administrative Expenses; includes inflation
Mortality Rate Table*	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

* The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 Experience Study report. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate

The Discount rate used to measure the total pension liability was 7.50% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50% will be applied to all plans in the Public Employees' Retirement Fund (PERF). The stress test results are presented in a detailed report which can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS confirmed the materiality threshold for the difference in the calculation and did not find it to be a material difference.

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

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

Crescenta Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2015 and 2014

(8) Defined Benefit Pension Plan, continued

Discount Rate, continued

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

Asset Class	New Strategic Allocation	Real Return Years 1–10*	Real Return Year 11+**
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	12.0	6.83	6.95
Real Estate	11.0	4.50	5.13
Infrastructure and Forestland	3.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)
Total	100.0%		

* An expected inflation of 2.5% used for this period

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

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

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

	Discount Rate	Current	Discount Rate
	– 1%	Discount Rate	+ 1%
	(6.50%)	(7.50%)	(8.50%)
District's Net Pension Liability	\$ 4,303,185	2,415,225	848,398

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in separately issued CalPERS financial reports. See pages 40 through 41 for the Required Supplementary Schedules.

Crescenta Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2015 and 2014

(9) Deferred Compensation Plan

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

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District's general creditors. Market value of all plan assets held in trust by the District plan amounted to \$1,426,057 and \$1,314,870 in fiscal years 2015 and 2014, 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.

(10) Net Position

Calculation of net position as of June 30, is as follows:

	2015	2014
Net investment in capital assets:		
Capital assets – not being depreciated	\$ 2,933,919	3,219,979
Depreciable capital assets, net	39,886,995	39,325,339
Certificates of participation payable – current	(245,000)	(235,000)
Certificates of participation payable – non-current	(8,162,156)	(8,398,230)
Total net investment in capital assets	<u>34,413,758</u>	<u>33,912,088</u>
Restricted net position:		
Investments – restricted	<u>617,090</u>	<u>617,099</u>
Unrestricted net position:		
Non-spendable net position:		
Materials and supplies inventory	310,638	258,300
Prepaid expenses and other deposits	<u>39,479</u>	<u>42,202</u>
Total non-spendable net position	<u>350,117</u>	<u>300,502</u>
Spendable net position is as follows:		
Unrestricted	<u>11,574,627</u>	<u>16,428,973</u>
Total spendable net position	<u>11,574,627</u>	<u>16,428,973</u>
Total unrestricted net position	<u>11,924,744</u>	<u>16,729,475</u>
Total net position	<u>\$ 46,955,592</u>	<u>51,258,662</u>

Crescenta Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2015 and 2014

(11) Adjustment to Net Position

Net Pension Liability – GASB 68 Implementation

In fiscal year 2015, the District implemented GASB pronouncements 68 and 71 to recognize its proportionate share of the net pension liability. As a result of the implementation, the District recognized the pension liability and recorded a prior period adjustment, a (decrease) to net position, of \$3,300,067 at July 1, 2014. The District recorded a prior period adjustment, increase to net position, to reclassify from expense to deferred outflows of resources, the prior year's proportionate share of employer pension of \$319,525 at July 1, 2014.

The adjustment to net position is as follows:

Net position at June 30, 2014, as previously stated	\$ <u>51,258,662</u>
Effect of adjustment to record net pension liability	\$ <u>(3,300,067)</u>
Effect of adjustment to record deferred pension outflows	<u>319,525</u>
	<u>(2,980,542)</u>
Net position at July 1, 2014, as previously stated	<u>\$ 48,278,120</u>

(12) MTBE Settlements

In fiscal year 2014, the District approved and authorized a Methyl Tertiary Butyl Ether (MTBE) water contamination settlement agreement with various petroleum and chemical companies. Net proceeds from the settlement agreement are as follows: Lyondell Chemical Company \$547,071, Shell Oil Company \$3,000,000, Chevron Corporation \$733,333, Ultramar Inc. \$2,565,542 and Miller & Axline \$26,899. At June 30, 2014, total proceeds received, net of legal expenses, amounted to \$6,872,846. At June 30, 2014, all legal settlement proceeds were received-in-full.

In fiscal year 2013, the District approved and authorized a Methyl Tertiary Butyl Ether (MTBE) water contamination settlement agreement with Exxon Mobil. Net proceeds from the settlement totaled \$1,386,187. In addition, the District approved and authorized a gross MTBE water contamination settlement agreement with two parties ConocoPhillips and Arco-BP. Net proceeds from the agreement with ConocoPhillips and Arco-BP totaled \$2,677,296 and \$2,697,851, respectively. At June 30, 2013, total proceeds received, net of legal expenses, amounted to \$6,595,563.

The District has determined to designate funds received as part of the MTBE Settlement for use in approved projects. As a result, these funds are not included in general operating reserves as designated by the Board of Directors. At June 30, designated MTBE funds are as follows:

	<u>2015</u>	<u>2014</u>
MTBE designated funds	<u>\$ -</u>	<u>9,908,656</u>

Crescenta Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2015 and 2014

(13) 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, 2015, the District participated in the liability and property programs of the ACWA/JPIA as follows:

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

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

- Employee dishonesty coverage up to \$1,000,000 per loss, subject to a \$100,000 deductible, 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 \$100 million per occurrence, 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 \$100 million per occurrence, subject to various deductibles depending on the type of equipment.
- Workers' compensation insurance up to California statutory limits for all work related injuries/illnesses covered by California law.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the years ending June 30, 2015, 2014 and 2013. 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, 2015, 2014, and 2013, respectively.

(14) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2015, that has effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 72

In February 2015, the GASB issued Statement No. 72 – *Fair Value Measurement and Application*. The objective of this Statement is to enhance comparability of financial statements among governments by measurement of certain assets and liabilities at their fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2015. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Crescenta Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2015 and 2014

(14) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

Governmental Accounting Standards Board Statement No. 73

In June 2015, the GASB issued Statement No. 73 – *Accounting and Financial Reporting for Pensions*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement establishes requirements for defined benefit pensions that are not within the Scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans as pensions that are within their respective scopes.

The requirements of this statement that address accounting and financial reporting by employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after December 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement No. 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 74

In June 2015, the GASB issued Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness or information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2016. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 75

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

Crescenta Valley Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2015 and 2014

(14) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

Governmental Accounting Standards Board Statement No. 75, continued

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

Governmental Accounting Standards Board Statement No. 76

In June 2015, the GASB issued Statement No. 76 – *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within the source of authoritative GAAP.

This Statement replaces the requirements of Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2015, and should be applied retroactively.

Governmental Accounting Standards Board Statement No. 77

In August 2015, the GASB issued Statement No. 77 – *Tax Abatement Disclosures*. The objective of this Statement is to improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Financial statement users need information about certain limitations on a government's ability to raise resources. This includes limitations on revenue-raising capacity resulting from governmental programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens. Tax abatements are widely used by state and local governments, particularly to encourage economic development. This Statement is effective for financial statements for periods beginning after December 15, 2015. It is believed that the implementation of this Statement will not have a material effect to the District's financial statements.

(15) 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.

(16) Subsequent Events

Events occurring after June 30, 2015, have been evaluated for possible adjustment to the financial statements or disclosure as of December 9, 2015, which is the date the financial statements were available to be issued. The District is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

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Required Supplementary Information

Cresenta Valley Water District
Schedule of the District's Proportionate Share of the Net Pension Liability
As of June 30, 2015
Last Ten Years*

Description	Measurement Date
District's Proportion of the Net Pension Liability	<u>6/30/2014 (a)</u>
District's Proportionate Share of the Net Pension Liability	\$ <u>0.03881%</u>
District's Covered-Employee Payroll (b)	\$ <u>2,415,225</u>
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	<u>101.12%</u>
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	<u>81.15%</u>

Notes:

- (a) Historical information is required only for measurement periods for which GASB 68 is applicable.
 - (b) Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll related ratios.
- * Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.

Cresenta Valley Water District
Schedule of Pension Plan Contributions
As of June 30, 2015
Last Ten Years*

Schedule of Pension Plan Contributions (a):	Fiscal Year 2013-2014
Actuarially Determined Contribution (b)	\$ 262,967
Contributions in Relation to the Actuarially Determined Contribution (b)	<u>(262,967)</u>
Contribution Deficiency (Excess)	\$ <u>-</u>
Covered Payroll (c), (d)	\$ <u>2,388,479</u>
Contribution's as a percentage of Covered-employee Payroll (c)	<u>11.01%</u>

Notes:

- (a) Historical information is required only for measurement periods for which GASB 68 is applicable.
- (b) Employers are assumed to make contributions equal to the actuarially determined contributions (which is the actuarially determined contribution). However, some employer's may choose to make additional contributions towards their side fund or unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions. CalPERS has determined that employer obligations referred to as "side funds" do not conform to the circumstances described in paragraph 120 of GASB 68, therefore are not considered separately financed specific liabilities.
- (c) Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.
- (d) Payroll from prior year (\$651,021) was assumed to increase by the 3.00 percent payroll growth assumption.

* Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.

Cresenta Valley Water District
Schedule of Funding Status – Other Post-Employment Benefits Payable
For the Fiscal Years Ended June 30, 2015 and 2014

Required Supplemental Information – Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2014	\$ -	8,390,044	8,390,044	0.00%	\$ 2,895,941	289.72%
7/1/2011	-	7,116,527	7,116,527	0.00%	\$ 2,662,165	267.32%
7/1/2008	-	5,407,674	5,407,674	0.00%	3,007,857	179.78%

Funding progress is presented for the years that an actuarial study has been prepared since the effective date of GASB Statement 45. Actuarial review and analysis of the post-employment benefits liability and funding status is performed every three years or annually if there are significant changes in the plan. The next scheduled actuarial review and analysis of the post-employment benefits liability and funding status will be performed in fiscal year 2017 based on the year ending June 30, 2018.

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Supplemental Information

Crescenta Valley Water District
Combining Schedule of Statements of Net Position
For the Fiscal Year Ended June 30, 2015

	<u>Enterprise Funds</u>		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Current assets:			
Cash and cash equivalents	\$ 3,638,378	108,760	3,747,138
Accrued interest receivable	75,152	-	75,152
Accounts receivable – water and wastewater, net	1,349,282	547,141	1,896,423
Accounts receivable – other	53,199	-	53,199
Materials and supplies inventory	304,176	6,462	310,638
Prepaid expenses and other deposits	25,035	14,444	39,479
Total current assets	<u>5,445,222</u>	<u>676,807</u>	<u>6,122,029</u>
Non-current assets:			
Investments	13,261,597	-	13,261,597
Investments – restricted	617,090	-	617,090
Internal balances	(1,608,449)	1,608,449	-
Capital assets – not being depreciated	2,924,698	9,221	2,933,919
Depreciable capital assets	20,705,698	19,181,297	39,886,995
Total non-current assets	<u>35,900,634</u>	<u>20,798,967</u>	<u>56,699,601</u>
Total assets	<u>41,345,856</u>	<u>21,475,774</u>	<u>62,821,630</u>
Deferred outflows of resources: (note 6)			
Deferred pension outflows	<u>175,630</u>	<u>117,086</u>	<u>292,716</u>
Total deferred outflows of resources	<u>175,630</u>	<u>117,086</u>	<u>292,716</u>
Current liabilities:			
Accounts payable and accrued expenses	707,934	74,237	782,171
Accrued wages and related payables	21,607	10,758	32,365
Customer deposits	232,167	5,980	238,147
Accrued interest expense	30,736	-	30,736
Long-term liabilities – due within one year:			
Compensated absences	58,865	19,622	78,487
Certificates of participation	245,000	-	245,000
Total current liabilities	<u>1,296,309</u>	<u>110,597</u>	<u>1,406,906</u>
Non-current liabilities:			
Long-term liabilities – due in more than one year:			
Compensated absences	176,595	58,865	235,460
Certificates of participation	8,162,156	-	8,162,156
Other post employment benefits payable	1,873,699	1,249,133	3,122,832
Net pension liability	1,449,135	966,090	2,415,225
Total non-current liabilities	<u>11,661,585</u>	<u>2,274,088</u>	<u>13,935,673</u>
Total liabilities	<u>12,957,894</u>	<u>2,384,685</u>	<u>15,342,579</u>
Deferred inflows of resources: (note 6)			
Deferred pension inflows	<u>489,705</u>	<u>326,470</u>	<u>816,175</u>
Total deferred outflows of resources	<u>489,705</u>	<u>326,470</u>	<u>816,175</u>
Net position:			
Net Investment in capital assets	15,223,240	19,190,518	34,413,758
Restricted	617,090	-	617,090
Unrestricted	12,233,557	(308,813)	11,924,744
Total net position	<u>\$ 28,073,887</u>	<u>18,881,705</u>	<u>46,955,592</u>

See accompanying notes to the basic financial statements

Crescenta Valley Water District
Combining Schedule of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2015

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
Operating revenues:			
Water operations – consumption sales	\$ 6,388,564	-	6,388,564
Water operations – service charge	1,828,481	-	1,828,481
Water operations – other charges	548,296	-	548,296
Wastewater operations – user and standby charges	-	3,341,597	3,341,597
Wastewater operations – other charges	-	6,000	6,000
Total operating revenues	<u>8,765,341</u>	<u>3,347,597</u>	<u>12,112,938</u>
Operating expenses:			
Source of supply – water purchases	2,741,033	-	2,741,033
Plant operations	2,031,545	214,031	2,245,576
Distribution system	1,239,463	-	1,239,463
City of Los Angeles wastewater system	-	675,013	675,013
Collection system	-	282,983	282,983
General and administrative expenses	<u>2,675,531</u>	<u>1,515,115</u>	<u>4,190,646</u>
Total operating expenses before depreciation	<u>8,687,572</u>	<u>2,687,142</u>	<u>11,374,714</u>
Operating income before depreciation	<u>77,769</u>	<u>660,455</u>	<u>738,224</u>
Depreciation expense	<u>(1,146,113)</u>	<u>(779,673)</u>	<u>(1,925,786)</u>
Operating loss	<u>(1,068,344)</u>	<u>(119,218)</u>	<u>(1,187,562)</u>
Non-operating revenues(expenses):			
Investment earnings	167,092	103	167,195
Gain(loss) on sale of capital assets	664	(910)	(246)
Interest expense	(377,454)	-	(377,454)
Rental income	22,200	7,400	29,600
Other income(expense), net	<u>(13,489)</u>	<u>27,905</u>	<u>14,416</u>
Total non-operating revenues, net	<u>(200,987)</u>	<u>34,498</u>	<u>(166,489)</u>
Net income (loss) before capital contributions	<u>(1,269,331)</u>	<u>(84,720)</u>	<u>(1,354,051)</u>
Capital contributions:			
Assessments	<u>-</u>	<u>31,523</u>	<u>31,523</u>
Total capital contributions	<u>-</u>	<u>31,523</u>	<u>31,523</u>
Changes in net position	<u>(1,269,331)</u>	<u>(53,197)</u>	<u>(1,322,528)</u>
Net position – beginning of year	<u>31,131,543</u>	<u>20,127,119</u>	<u>51,258,662</u>
Prior period adjustment (note 11)	<u>(1,788,325)</u>	<u>(1,192,217)</u>	<u>(2,980,542)</u>
Net position – beginning of year – as restated	<u>29,343,218</u>	<u>18,934,902</u>	<u>48,278,120</u>
Net position – end of year	<u>\$ 28,073,887</u>	<u>18,881,705</u>	<u>46,955,592</u>

See accompanying notes to the basic financial statements

Crescenta Valley Water District
Detailed Schedules of Revenues, Expenses and Changes in Net Position
Water Operations
For the Fiscal Year Ended June 30, 2015 and 2014

	2015	2014		
	Amount	Percent	Amount	Percent
Operating revenues:				
Consumption sales – customers	\$ 6,388,564	72.88%	7,026,866	74.86%
Consumption sales – others	104,754	1.20%	101,939	1.09%
Service charges	1,828,481	20.86%	1,731,323	18.44%
Meter installations	148,150	1.69%	24,883	0.27%
Other revenue	295,392	3.37%	501,571	5.34%
Total operating revenues	<u>8,765,341</u>	<u>100.00%</u>	<u>9,386,582</u>	<u>100.00%</u>
Operating expenses:				
Source of supply – water purchases	2,741,033	31.29%	3,150,800	35.48%
Plant operations:				
Power	697,388	7.96%	658,340	7.41%
Plant wages	590,884	6.75%	585,966	6.60%
Utilities	17,368	0.20%	16,329	0.18%
Telephone	52,487	0.60%	46,082	0.52%
Maintenance	138,642	1.58%	142,861	1.61%
Signal system	20,300	0.23%	12,899	0.15%
Lab and treatment	211,483	2.41%	176,764	1.99%
Nitrate treatment	49,441	0.56%	39,189	0.44%
Insurance	100,590	1.15%	104,694	1.18%
Other expense	152,962	1.75%	81,620	0.92%
Total plant operations	<u>2,031,545</u>	<u>23.19%</u>	<u>1,864,744</u>	<u>21.00%</u>
Distribution system:				
Meter maintenance	937,195	10.70%	1,146,535	12.91%
Pipeline maintenance	89,534	1.02%	33,944	0.38%
Backflow operations	331	0.00%	389	0.00%
Reservoir and building maintenance	88,315	1.01%	50,773	0.57%
Auto and truck expense	111,786	1.28%	119,644	1.35%
Property taxes	12,302	0.14%	12,030	0.14%
Total distribution system	<u>\$ 1,239,463</u>	<u>14.15%</u>	<u>1,363,315</u>	<u>15.35%</u>

Continued on next page

See accompanying notes to the basic financial statements

Crescenta Valley Water District
Detailed Schedules of Revenues, Expenses and Changes in Net Position
Water Operations, continued
For the Fiscal Year Ended June 30, 2015 and 2014

	2015		2014	
	Amount	Percent	Amount	Percent
General and administrative:				
Directors' fees	\$ 9,225	0.11%	8,370	0.09%
Salaries – statutory officers	150,010	1.73%	144,628	1.63%
Salaries – general office	468,979	5.40%	386,131	4.35%
Retirement (CalPERS)	249,566	2.87%	264,073	2.97%
Payroll taxes	130,866	1.51%	126,904	1.43%
Engineering and drafting	304,542	3.51%	313,708	3.53%
Accounting	11,515	0.13%	15,079	0.17%
Legal	85,614	0.99%	42,935	0.48%
Administrative consultant - water system	73,932	0.85%	13,586	0.15%
Insurance – general	13,221	0.15%	14,131	0.16%
Insurance – group	709,991	8.17%	729,713	8.22%
Maintenance	16,282	0.19%	15,263	0.17%
Computer and supplies	86,447	1.00%	71,617	0.81%
Utilities	19,978	0.23%	17,698	0.20%
Telephone	31,133	0.36%	39,554	0.45%
Printing and postage	43,423	0.50%	41,638	0.47%
Bad debt	-	0.00%	-	0.00%
Water system fees	46,503	0.54%	47,454	0.53%
Water conservation	137,935	1.59%	82,318	0.93%
Training	23,068	0.27%	32,092	0.36%
Other	63,301	0.73%	94,845	1.07%
Total general and administrative	2,675,531	30.80%	2,501,737	28.17%
Total operating expenses	8,687,572	100.00%	8,880,596	100.00%
Operating income before depreciation	77,769	100.00%	505,986	100.00%
Depreciation expense	(1,146,113)	100.00%	(1,177,160)	100.00%
Operating loss	(1,068,344)	100.00%	(671,174)	100.00%
Non-operating revenues(expense):				
Investment earnings	167,092	-83.14%	422,599	6.10%
Gain/(loss) on sale of capital assets	664	-0.33%	4,360	0.06%
Interest expense	(377,454)	187.80%	(386,488)	-5.58%
Rental income	22,200	-11.05%	21,573	0.31%
MTBE settlement, net	-	0.00%	6,872,846	99.22%
Other income(expense), net	(13,489)	6.71%	(7,713)	-0.11%
Total non-operating revenues, net	(200,987)	100.00%	6,927,177	100.00%
Net income (loss) before capital contributions	(1,269,331)	100.00%	6,256,003	100.00%
Capital contributions:				
Capital grants – state	-	100.00%	76,409	100.00%
Change in net position	\$ (1,269,331)	100.00%	6,332,412	100.00%

See accompanying notes to the basic financial statements

Crescenta Valley Water District
Detailed Schedule of Revenues, Expenses and Changes in Net Position
Wastewater Operations
For the Fiscal Years Ended June 30, 2015 and 2014

	2015		2014	
	Amount	Percent	Amount	Percent
Operating revenues:				
User and standby charges	\$ 3,341,597	99.82%	3,241,490	99.97%
Other charges	6,000	0.18%	1,000	0.03%
Total operating revenues	<u>3,347,597</u>	<u>100.00%</u>	<u>3,242,490</u>	<u>100.00%</u>
Operating expenses:				
City of Los Angeles wastewater system expense	675,013	24.68%	914,177	31.14%
Plant operations:				
Power	723	0.02%	691	0.02%
Plant wages	86,393	2.94%	77,040	2.62%
Utilities	3,575	0.12%	3,558	0.12%
Telephone	17,495	0.60%	15,361	0.52%
Maintenance	4,994	0.17%	5,017	0.17%
Insurance - general	81,771	2.79%	85,215	2.90%
Other expense	19,080	0.65%	18,098	0.62%
Total plant operations	<u>214,031</u>	<u>7.29%</u>	<u>204,980</u>	<u>6.98%</u>
Collection system:				
Maintenance	233,755	7.96%	241,930	8.24%
Auto and truck expense	47,868	1.63%	59,939	2.04%
Inspection	1,360	0.05%	1,243	0.04%
Total collection system	<u>\$ 282,983</u>	<u>9.64%</u>	<u>303,112</u>	<u>10.33%</u>

Continued on next page

See accompanying notes to the basic financial statements

Crescenta Valley Water District
Detailed Schedule of Revenues, Expenses and Changes in Net Position
Wastewater Operations, Continued
For the Fiscal Years Ended June 30, 2015 and 2014

	2015		2014	
	Amount	Percent	Amount	Percent
General and administrative:				
Directors' fees	\$ 9,225	0.31%	8,370	0.29%
Salaries – statutory officers	150,010	5.11%	144,628	4.93%
Salaries – general office	309,570	10.55%	268,444	9.14%
Retirement (CalPERS)	168,737	5.75%	176,593	6.02%
Payroll taxes	87,244	2.97%	84,603	2.88%
Engineering and drafting	95,584	3.26%	104,254	3.55%
Accounting	11,515	0.39%	15,079	0.51%
Legal	16,163	0.55%	15,546	0.53%
Administrative	27,706	0.94%	9,519	0.32%
Insurance – general	8,815	0.30%	9,420	0.32%
Insurance – group	473,470	16.13%	485,756	16.55%
Maintenance	5,427	0.18%	5,088	0.17%
Computer and supplies	36,759	1.25%	33,669	1.15%
Utilities	6,294	0.21%	5,522	0.19%
Telephone	10,377	0.35%	13,178	0.45%
Printing and postage	43,425	1.48%	41,406	1.41%
Bad debt	-	0.00%	-	0.00%
Training	3,305	0.11%	4,860	0.17%
Other	51,489	1.75%	87,413	2.98%
Total general and administrative	<u>1,515,115</u>	<u>51.61%</u>	<u>1,513,348</u>	<u>51.55%</u>
Total operating expenses	<u>2,687,142</u>	<u>93.66%</u>	<u>2,935,617</u>	<u>100.00%</u>
Operating income before depreciation	660,455	19.73%	306,873	9.46%
Depreciation expense	(779,673)	-23.29%	(777,310)	-23.97%
Operating loss	<u>(119,218)</u>	<u>-3.56%</u>	<u>(470,437)</u>	<u>-14.51%</u>
Non-operating revenues(expense):				
Investment earnings	103	0.00%	207	3.58%
Gain(loss) on sale of capital assets	(910)	-0.03%	-	0.00%
Interest expense	-	0.00%	-	0.00%
Rental income	7,400	0.22%	7,191	124.28%
Other income(expense), net	27,905	0.83%	(1,612)	-27.86%
Total non-operating revenues, net	<u>34,498</u>	<u>1.03%</u>	<u>5,786</u>	<u>100.00%</u>
Loss before capital contributions	(84,720)	-2.53%	(464,651)	85.49%
Capital contributions:				
Assessments	<u>31,523</u>	<u>100.00%</u>	<u>29,815</u>	<u>100.00%</u>
Change in net position	<u>\$ (53,197)</u>	<u>100.00%</u>	<u>(434,836)</u>	<u>100.00%</u>

See accompanying notes to the basic financial statements

Report on Internal Controls and Compliance



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Independent Auditor's Report on Internal Controls 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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Crescenta Valley Water District (District), as of and for the years June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 9, 2015.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Independent Auditor's Report on Internal Controls Over Financial Reporting
And on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*, (continued)**

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 district'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Fedak & Brown LLP

Fedak & Brown LLP

Cypress, California

December 9, 2015