

Board of Directors  
Crescenta Valley Water District  
La Crescenta, California

We have audited the financial statements of the Crescenta Valley Water District (the District) as of and for the year ended June 30, 2018, and have issued our report thereon dated December 14, 2018. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

## **Significant Audit Findings**

### ***Qualitative Aspects of Accounting Practices***

#### **Accounting policies**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Crescenta Valley Water District are described in Note 1 to the financial statements.

In 2017-18, the District adopted new accounting guidance:

- As discussed in Note 1 to the financial statements, the District implemented GASB Statements No. 89 *Accounting for Interest Cost Incurred before the End of a Construction Period* and No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As a result of the implementation of GASB No. 75, the beginning net position of the financial statements has been decreased \$1,139,076 to recognize the beginning balance of the net OPEB liability of \$5,668,516 and deferred outflows of resources of \$234,956. Our opinion was not modified with respect to these matters.

Other than as described above, no other new accounting policies were adopted and the application of existing policies was not changed during 2017-18.

We noted no transactions entered into by the entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

#### **Accounting estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive accounting estimates affecting the financial statements were:

- Management's estimate of the useful lives of its capital assets and the related period of depreciation which is based on historic knowledge of the assets and the frequency with which capital assets must be replaced;
- Management's estimate of the fair value of investments based upon relevant information about similar investments held in managed portfolios and used to determine the probable market value of the investments;
- Management's estimate of pension liabilities and postemployment benefits based upon actuarial assumptions; and
- Management's estimate of unbilled revenues which is based on the revenue cycle of the water system and expected usage of water using historic information.

We evaluated the key factors and assumptions used to develop the sensitive accounting estimates described above in determining that they are reasonable in relation to the financial statements taken as a whole.

#### *Financial statement disclosures*

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

#### ***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### ***Uncorrected Misstatements***

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

#### ***Corrected Misstatements***

The attached schedule (Attachment A) summarizes all misstatements (material and immaterial) detected as a result of audit procedures that were corrected by management.

***Disagreements with Management***

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated December 14, 2018.

***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

***Significant Issues Discussed With Management Prior To Engagement***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the entity's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

***Other Information in Documents Containing Audited Financial Statements***

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

With respect to the supplementary information accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period or the reasons for such changes, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated December 14, 2018.

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The introductory section accompanying the financial statements, which is the responsibility of management, was prepared for purposes of additional analysis and is not a required part of the financial statements. Such information was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we did not express an opinion or provide any assurance on it.

This communication is intended solely for the information and use of the Board of Directors and management of Crescenta Valley Water District and is not intended to be, and should not be, used by anyone other than these specified parties.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Glendora, California

December 14, 2018

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**Attachment A**  
**Adjusting Journal Entry Summary**  
**June 30, 2018**

Account	Description	Debit	Credit	(Increase) / Decrease Net Position
<b>Adjusting Journal Entries JE # 1</b>				
To record deferred refunding on 2007 COP balance and write off loan costs in				
01-00-1601-000	Deferred Outflows -Refunding	\$ 288,362	\$	\$
01-00-2001-000	Current Maturity of L-T-D	265,000		
01-01-5900-002	Loan Costs	72,195		
01-01-5910-000	Interest Expense - Notes	14,406		
01-00-1601-000	Deferred Outflow - Refunding		67,933	
01-00-1601-000	Deferred Outflow - Refunding		14,533	
01-00-2447-000	2007 Bond Discount		173,503	
01-01-5900-000	Amortization of Intangibles		4,135	
01-01-5910-000	Interest Expense - Notes		113,372	
01-03-2449-000	Current Maturity Offset - COPS		265,000	
<b>Total</b>		<b>438,503</b>	<b>438,503</b>	<b>(30,906)</b>

**Adjusting Journal Entries JE # 2**  
 To adjust fair value of investment balance as  
 of June 30, 2018 based on investment

01-00-1055-000	Fair Value Adjustment - Invest	107,643		
01-00-4265-000	Fair Value Adjustment		107,643	
<b>Total</b>		<b>107,643</b>	<b>107,643</b>	<b>(107,643)</b>

**Adjusting Journal Entries JE # 3**  
 To record current year activity to Pension under GASB 68 per actuarial study.

01-00-1600-000	Deferred Pension Outflows	155,729		
01-01-5052-000	GASB 68 Adjustment - Water	227,173		
02-00-1600-000	Deferred Pension Outflows	103,820		
02-01-5052-000	GASB 68 Adjustment - Wastewater	151,449		
01-00-2470-000	Net Pension Liability		368,387	
01-00-2490-000	Deferred Pension Inflows		14,515	
02-00-2470-000	Net Pension Liability		245,592	
02-00-2490-000	Deferred Pension Inflows		9,677	
<b>Total</b>		<b>638,171</b>	<b>638,171</b>	<b>378,622</b>

**Adjusting Journal Entries JE # 4**  
 To move overstated inventory true up adjustment from expense to CIP

01-00-1400-000	CIP	130,400		
01-02-5425-000	Meter Maintenance		130,400	
<b>Total</b>		<b>130,400</b>	<b>130,400</b>	<b>(130,400)</b>

01-00-1602-000	Deferred Outflow - OPEB	129,562		
01-00-2552-000	Water Fund Balance	683,446		
01-01-5053-000	GASB 75 Adjustment - Water	194,728		
02-00-1602-000	Deferred Outflow - OPEB	86,374		
02-00-2552-000	Wastewater Fund Balance	455,630		
02-01-5053-000	GASB 75 Adjustment - Wastewater	129,819		
01-00-2010-000	OPEB Liability		997,561	
01-00-2491-000	Deferred Inflow - OPEB		10,174	
02-00-2010-000	OPEB Liability		665,041	
02-00-2491-000	Deferred Inflow - OPEB		6,783	
<b>Total</b>		<b>1,670,550</b>	<b>1,670,550</b>	<b>324,547</b>

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