

CRESCENTA VALLEY WATER DISTRICT
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2022 AND 2021

MISSION STATEMENT

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

Board of Directors as of June 30, 2022

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

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

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INTRODUCTORY SECTION

**Directors**

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

Officers

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

March 21, 2023

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, 2022 and June 30, 2021, following guidelines set forth by the Governmental Accounting Standards Board. District staff prepared this financial report. The District is ultimately responsible for both the accuracy of the data and the completeness and the fairness of presentation, including all disclosures in this financial report. We believe that the data presented is accurate in all material respects. The report is designed in a manner that we believe necessary to enhance your understanding of the District's financial position and activities.

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

District Structure and Leadership

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

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

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

Economic Condition and Outlook

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

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

The current drought that began in 2020 has persisted. The District enjoys a high degree of water supply sustainability based on having three primary sources of water supply – its own groundwater, imported water through the State Water Project, and imported water from the Colorado River. Although local water supplies within the Verdugo Groundwater Basin in La Crescenta and Montrose are expected to withstand the current drought, statewide water supply, specifically in Northern California (State Water Project), is at record-low levels. The District's other source of imported water through the Colorado River is also facing extreme drought, and the levels of its reservoirs are also at record lows. The State of CA has issued water conservation mandates that have resulted in reductions in water sales revenue, and the District is expected to face continued "demand hardening" as large portions of the customer base continue to transition toward more efficient water use through low-flow toilets, drought-tolerant landscaping, etc. Staff closely monitors water consumption and sales on a monthly basis to make any necessary adjustments to revenue forecasts. Additionally, the State enacted two water efficiency laws (SB 606 & AB 1668) in 2018 that focus on using water more wisely, eliminating water waste, and strengthening local drought resilience. These new standards are planned to be implemented as early as 2023. That said, the District's customers have already exceeded the State's required consumption levels because of their conservation efforts, and these new mandates may have little effect on consumption patterns. Meanwhile, the District is actively considering alternative water supply projects to increase future reliability and affordability of water supply.

City of Los Angeles wastewater treatment costs continue to represent a significant portion of the District's wastewater operating expenses. The District has begun developing a wastewater master plan that includes a wastewater treatment and disposal study to evaluate alternative sewer treatment options as a strategy for mitigating the rising costs of wastewater treatment.

Major Initiatives

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

Crescenta Valley Water District works to provide a stable supply of high-quality, safe drinking water at a fair price to all customers of the District. In addition, the District aims to provide reliable sewer service that is collected through the District's wastewater collection system and treated through the City of Los

Angeles Sanitation Department. The board, the staff, and all employees of Crescenta Valley Water District are committed to providing its customers with high-quality, cost-effective, and environmentally sensitive customer service. The following summarize the District's strategic goals that translate to its major initiatives:

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

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

Internal Control Structure

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

Budgetary Control

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

Investment Policy

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

Water and Sewer Rates and District Revenues

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

Water Conservation Programs

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

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

Audit and Financial Reporting

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

Risk Management

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

Other References

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

Acknowledgements

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

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Board of Directors
Crescenta Valley Water District
La Crescenta, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Crescenta Valley Water District (District), as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2022 and 2021, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

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

The introductory section, which is the responsibility of management, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

March 21, 2023
Glendora, California

**CRESCENTA VALLEY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2022 AND 2021**

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, 2022 and 2021. We encourage readers to consider the information presented here in conjunction with the transmittal letter in the Introductory Section and with the basic financial statements and related notes, which follow this section.

Financial Highlights

- The District's net position increased 0.32%, or \$142K to \$44.6M in fiscal year 2022, the slight increase was a result of increased rates offset by lower water demand as a result of drought messaging, a no outdoor watering period and a continued high cost of wastewater processing charges by the City of Los Angeles. In 2021, the District's net position decreased 1.09%, or \$489K to \$44.5M, primarily due to an increase in wastewater processing charges by the City of Los Angeles coupled with a freeze on rate increases.
- The District's operating revenues increased 0.37% or \$60K in fiscal year 2022. In 2021, the District's operating revenues increased 5.93% or \$925K.
- The District's operating expenses decreased 4.19%, or \$697K in fiscal year 2022. In 2021, the District's operating expenses increased 8.07%, or \$1.24M.

Required Financial Statements

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

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

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

**CRESCENTA VALLEY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2022 AND 2021**

Financial Analysis of the District

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Statements of Net Position found on page 13 and the Statements of Revenues, Expenses, and Changes in Net Position on page 15 report information about the District in a manner that helps answer this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, the accounting method used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

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

Notes to the Basic Financial Statements

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

**CRESCENTA VALLEY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2022 AND 2021**

Condensed Statements of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources by \$44.6M and \$44.5M as of June 30, 2022 and 2021, respectively.

	2022	2021	Change	2020	Change
Assets					
Current Assets	\$ 9,700,906	\$ 15,633,924	\$ (5,933,018)	\$ 10,823,263	\$ 4,810,661
Noncurrent Assets	8,451,632	4,407,568	4,044,064	4,056,060	351,508
Capital Assets, Net	52,994,862	51,447,478	1,547,384	50,078,068	1,369,410
Total Assets	71,147,400	71,488,970	(341,570)	64,957,391	6,531,579
Deferred Outflows of Resources	1,711,486	1,931,238	(219,752)	1,476,186	455,052
Liabilities:					
Current Liabilities	3,042,986	3,386,968	(343,982)	2,264,829	1,122,139
Noncurrent Liabilities	22,065,671	24,428,546	(2,362,875)	18,388,029	6,040,517
Total Liabilities	25,108,657	27,815,514	(2,706,857)	20,652,858	7,162,656
Deferred Inflows of Resources	3,116,949	1,112,989	2,003,960	799,209	313,780
Net Position:					
Net Investment in Capital Assets	40,458,844	40,288,262	170,582	42,610,380	(2,322,118)
Unrestricted	4,174,436	4,203,443	(29,007)	2,371,130	1,832,313
Total Net Position	<u>\$ 44,633,280</u>	<u>\$ 44,491,705</u>	<u>\$ 141,575</u>	<u>\$ 44,981,510</u>	<u>\$ (489,805)</u>

By far, the largest portion of the District's net position (90.65% and 90.55% as of June 30, 2022 and 2021, respectively) reflects the District's net investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding and added back the unspent bond proceeds. The District uses these capital assets to provide services to customers within the District boundaries; consequently, these assets are not available for future spending. See note 10 for further information.

At the end of fiscal years 2022 and 2021, the District showed a positive balance in its unrestricted net position of \$4.17M and \$4.20M respectively. See note 10 for the amount of unrestricted net position that may be utilized in future years.

**CRESCENTA VALLEY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2022 AND 2021**

Condensed Statements of Revenues, Expenses and Changes in Net Position

	2022	2021	Change	2020	Change
Revenues					
Operating Revenues	\$ 16,588,466	\$ 16,527,925	\$ 60,541	\$ 15,603,162	\$ 924,763
Nonoperating Revenues	(302,571)	(141,365)	(161,206)	488,212	(629,577)
Total Revenues	16,285,895	16,386,560	(100,665)	16,091,374	295,186
Expenses					
Operating Expenses	15,952,006	16,649,090	(697,084)	15,406,468	1,242,622
Nonoperating Expenses	316,571	357,646	(41,075)	242,948	114,698
Total Expenses	16,268,577	17,006,736	(738,159)	15,649,416	1,357,320
Net Income (Loss) Before Capital Contributions	17,318	(620,176)	637,494	441,958	(1,062,134)
Capital Contributions	124,257	130,371	(6,114)	27,874	102,497
Change in Net Position	141,575	(489,805)	631,380	469,832	(959,637)
Net Position - Beginning of Year	44,491,705	44,981,510	(489,805)	44,511,678	469,832
Net Position - End of Year	<u>\$ 44,633,280</u>	<u>\$ 44,491,705</u>	<u>\$ 141,575</u>	<u>\$ 44,981,510</u>	<u>\$ (489,805)</u>

The Statements of Revenues, Expenses and Changes in Net Position show how the District's net position changed during the reported fiscal years. In the case of the District, net position in fiscal year 2022 increased 0.32%, or \$142K to \$44.6M the slight increase was a result of increased rates offset by lower water demand as a result of drought messaging and a continued increase in wastewater processing charges by the City of Los Angeles. In fiscal year 2021, net position decreased 1.09%, or \$490K to \$44.5M.

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

In 2022, the District's total revenues decreased by 0.61%, or \$101K. Revenues from metered water sales decreased significantly from 2021. An outdoor watering ban was put in place by Metropolitan Water District (MWD) to allow for repairs on one of their main water supply lines. That coupled with the ongoing drought led to conservation resulting in a decrease in residential water use.

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

In 2022, the District's total expenses decreased by \$738K, or 4.34%. The decrease was driven by a reduction in water purchases from MWD and a focus on increasing efficiency. A large portion of the District's wastewater expenses are from the cost of treating wastewater by the City of Los Angeles.

**CRESCENTA VALLEY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2022 AND 2021**

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

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

In 2022, nonoperating expenses decreased by 11.48%, or \$41K, due primarily to a decrease in interest expense and investment premiums.

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

In 2022, capital contributions decreased by 4.69%, or \$6K, due primarily to a shortage of grant funded projects.

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

Capital Asset Administration

At the end of fiscal years 2022 and 2021, the District's capital assets amounted to \$53M and \$51.4M respectively (net of accumulated depreciation). This investment in capital assets includes land, transmission and distribution systems, collection systems, buildings and structures, equipment, and vehicles, etc. Major capital assets additions during the year included upgrades to the District's water production system and transmission and distribution systems.

Changes in capital asset amounts for 2022 are as follows:

	Balance 2021	Additions/ Transfers	Deletions/ Transfers	Balance 2022
Capital Assets:				
Nondepreciable Assets	\$ 7,288,727	\$ 3,731,978	\$ (2,413,907)	\$ 8,606,798
Depreciable Assets	93,277,375	2,307,899	(109,722)	95,475,552
Accumulated Depreciation	(49,118,624)	(2,078,586)	109,722	(51,087,488)
Total Capital Assets, Net	<u>\$ 51,447,478</u>	<u>\$ 3,961,291</u>	<u>\$ (2,413,907)</u>	<u>\$ 52,994,862</u>

Changes in capital asset amounts for 2021 are as follows:

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

**CRESCENTA VALLEY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2022 AND 2021**

Debt Administration

Changes in long-term debt amounts at 2022 are as follows:

	Balance 2021	Additions/ Transfers	Payments/ Discount Amortization	Balance 2022	Amount Due Within One Year
Long-Term Debt:					
Total Loans Payable	\$ 12,948,914	\$ -	\$ (256,926)	\$ 12,691,988	\$ 241,917
Total Long-Term Debt	<u>\$ 12,948,914</u>	<u>\$ -</u>	<u>\$ (256,926)</u>	<u>\$ 12,691,988</u>	<u>\$ 241,917</u>

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

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

Conditions Affecting Current Financial Position

Management is unaware of any conditions at June 30, 2022, that would have a significant impact on the District's financial position, net position, or operating results in terms of past, present and future.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

CRESCENTA VALLEY WATER DISTRICT
STATEMENTS OF NET POSITION
JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents (Note 2)	\$ 6,039,530	\$ 12,496,407
Accrued Interest Receivable	18,724	26,326
Accounts Receivable, Net - Water and Wastewater	3,072,233	2,682,257
Accounts Receivable - Other	1,471	9,028
Material and Supplies Inventory	465,217	381,057
Prepaid Expenses and Other Deposits	103,731	38,849
Total Current Assets	<u>9,700,906</u>	<u>15,633,924</u>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents (Note 2)	-	2,708,142
Investments (Note 2)	8,451,632	1,699,426
Capital Assets - Not Being Depreciated (Note 4)	8,606,798	7,288,727
Depreciable Capital Assets (Note 4)	44,388,064	44,158,751
Total Noncurrent Assets	<u>61,446,494</u>	<u>55,855,046</u>
Total Assets	71,147,400	71,488,970
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows on Bond Refunding (Note 6)	224,282	224,282
Deferred Other Postemployment Benefits Outflows (Note 7)	500,816	620,057
Deferred Pension Outflows (Note 8)	986,388	1,086,899
Total Deferred Outflows of Resources	<u>1,711,486</u>	<u>1,931,238</u>

See accompanying Notes to Financial Statements.

CRESCENTA VALLEY WATER DISTRICT
STATEMENTS OF NET POSITION (CONTINUED)
JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Expenses	\$ 1,625,710	\$ 1,963,527
Retention Payable	68,312	85,067
Accrued Wages and Related Payables	206,821	199,229
Customer Deposits	800,117	715,136
Accrued Interest Expense	-	117,746
Long-Term Liabilities - Due Within One Year:		
Compensated Absences (Note 5)	100,109	79,346
Loan Payable (Note 6)	241,917	226,917
Total Current Liabilities	<u>3,042,986</u>	<u>3,386,968</u>
Noncurrent Liabilities:		
Long-Term Liabilities - Due in More than One Year:		
Compensated Absences (Note 5)	265,678	265,678
Loan Payable (Note 6)	12,450,071	12,721,997
Other Postemployment Benefits Obligation (Note 7)	6,819,305	6,684,872
Net Pension Liability (Note 8)	2,530,617	4,755,999
Total Noncurrent Liabilities	<u>22,065,671</u>	<u>24,428,546</u>
Total Liabilities	25,108,657	27,815,514
DEFERRED INFLOWS OF RESOURCES		
Deferred Other Postemployment Benefits Inflows (Note 7)	506,706	528,492
Deferred Pension Inflows (Note 8)	2,610,243	584,497
Total Deferred Inflows of Resources	<u>3,116,949</u>	<u>1,112,989</u>
NET POSITION (Note 10)		
Net Investment in Capital Assets	40,458,844	40,288,262
Unrestricted	4,174,436	4,203,443
Total Net Position	<u>\$ 44,633,280</u>	<u>\$ 44,491,705</u>

See accompanying Notes to Financial Statements.

CRESCENTA VALLEY WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
OPERATING REVENUES		
Water Operations - Consumption Sales	\$ 8,919,225	\$ 8,938,008
Water Operations - Service Charge	3,207,298	3,016,461
Water Operations - Other Charges	953,372	1,148,283
Wastewater Operations - User and Standby Charges	3,508,571	3,425,173
Total Operating Revenues	<u>16,588,466</u>	<u>16,527,925</u>
OPERATING EXPENSES		
Source of Supply	3,289,622	3,683,148
Plant Operations	2,374,866	2,091,783
Distribution System	1,002,100	880,137
City of Los Angeles Wastewater System	1,828,078	1,930,797
Collection System	293,524	275,422
General and Administrative Expenses	5,085,230	5,647,545
Total Operating Expenses Before Depreciation	<u>13,873,420</u>	<u>14,508,832</u>
OPERATING INCOME BEFORE DEPRECIATION	2,715,046	2,019,093
DEPRECIATION EXPENSE	<u>(2,078,586)</u>	<u>(2,140,258)</u>
OPERATING INCOME (LOSS)	636,460	(121,165)
NONOPERATING REVENUES (EXPENSES)		
Investment Earnings (Losses)	(493,012)	(219,058)
Interest Expense	(347,542)	(352,154)
Rental Income	84,240	77,693
Other Income (Expense), Net	30,971	(5,492)
Gain (Loss) on Sale of Capital Assets	106,201	-
Total Nonoperating Revenues (Expenses), Net	<u>(619,142)</u>	<u>(499,011)</u>
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	17,318	(620,176)
CAPITAL CONTRIBUTIONS		
Capital Grants - State	62,170	98,745
Assessments	62,087	31,626
Total Capital Contributions	<u>124,257</u>	<u>130,371</u>
CHANGE IN NET POSITION	141,575	(489,805)
Net Position - Beginning of Year	<u>44,491,705</u>	<u>44,981,510</u>
NET POSITION - END OF YEAR	<u><u>\$ 44,633,280</u></u>	<u><u>\$ 44,491,705</u></u>

See accompanying Notes to Financial Statements.

**CRESCENTA VALLEY WATER DISTRICT
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Receipts from Customers for Water Sales and Services	\$ 16,291,028	\$ 16,722,782
Cash Paid to Employees for Salaries and Wages	(5,066,263)	(4,735,489)
Cash Paid to Vendors and Suppliers for Materials and Services	<u>(9,132,898)</u>	<u>(8,427,422)</u>
Net Cash Provided by Operating Activities	2,091,867	3,559,871
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and Construction of Capital Assets	(3,642,725)	(3,424,601)
Proceeds from Grant Funding	62,170	497,006
Proceeds from Property Owner Assessments	62,087	31,626
Proceeds from Loan	-	11,995,140
Principal Paid on Long-Term Debt	(256,926)	(6,705,917)
Interest Paid on Long-Term Debt	<u>(465,288)</u>	<u>(261,806)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	(4,240,682)	2,131,448
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(17,155,620)	(25,436,580)
Proceeds from Sale of Investments	9,841,596	27,447,001
Interest Earnings	76,408	164,118
Proceeds from Sale of Capital Assets	106,201	-
Proceeds from Rental Properties	<u>115,211</u>	<u>72,201</u>
Net Cash Provided (Used) by Investing Activities	<u>(7,016,204)</u>	<u>2,246,740</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(9,165,019)	7,938,059
Cash and Cash Equivalents - Beginning of Year	<u>15,204,549</u>	<u>7,266,490</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 6,039,530</u></u>	<u><u>\$ 15,204,549</u></u>

See accompanying Notes to Financial Statements.

**CRESCENTA VALLEY WATER DISTRICT
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ 636,460	\$ (121,165)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	2,078,586	2,140,258
Changes in Operating Assets and Liabilities:		
Accounts Receivable - Water and Wastewater, Net	(389,976)	(132,324)
Accounts Receivable - Other	7,557	128,629
Material and Supplies Inventory	(84,160)	(13,061)
Prepaid Expenses and Other Deposits	(64,882)	788
Decrease in Deferred Outflows of Resources - OPEB and Pension	219,752	(471,072)
Accounts Payable and Accrued Expenses	(337,817)	866,302
Accrued Wages and Related Payables	7,592	928
Customer Deposits	84,981	198,552
Compensated Absences	20,763	(9,214)
Other Postemployment Benefits Liability	134,433	230,720
Net Pension Liability	(2,225,382)	426,750
Increase in Deferred Inflows of Resources - OPEB and Pension	<u>2,003,960</u>	<u>313,780</u>
Total Adjustments	<u>1,455,407</u>	<u>3,681,036</u>
Net Cash Provided by Operating Activities	<u>\$ 2,091,867</u>	<u>\$ 3,559,871</u>

See accompanying Notes to Financial Statements.

**CRESCENTA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 1 REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Operations of the Reporting Entity

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

Basis of Accounting and Measurement Focus

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

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

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

Financial Reporting

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

Cash and Cash Equivalents

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

**CRESCENTA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

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

Investments and Investment Policy

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

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by U.S. GAAP. The hierarchy is based on valuation inputs used to measure the fair value of the asset, as follows:

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

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

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

Restricted Assets

Amounts shown as restricted assets are to be used for specified purposes, such as servicing general obligation bond debt and the construction of capital assets. Such assets have been restricted by bond indenture, law, or contractual obligations. As of June 30, 2022 and 2021, the District had restricted assets in the amounts of \$-0- and \$2,708,142, respectively.

Accounts Receivable and Allowance for Uncollectible Accounts

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

Inventory

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

**CRESCENTA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

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

Prepaid

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

Capital Assets

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

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

Deferred Outflows of Resources

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

Deferred Charge on Refunding

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

Other Postemployment Benefits Other than Pensions (OPEB)

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

**CRESCENTA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

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

Deferred Outflows of Resources (Continued)

Pension Plan

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

Compensated Absences

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

Postemployment Benefits Other than Pensions (OPEB)

The District participates in an agent multiple-employer defined benefit postemployment healthcare plan. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense information about the fiduciary net position of the District Retiree Benefits Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Pension Liability

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

Deferred Inflows of Resources

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

**CRESCENTA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

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

Deferred Inflows of Resources (Continued)

Other Postemployment Benefits Other than Pensions (OPEB)

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

Pension Plan

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

Net Position

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

- *Net Investment in Capital Assets* – This component of net position consists of capital assets, net of accumulated depreciation, and reduced by any debt outstanding against the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt is included in this component of net position.
- *Restricted Component of Net Position* – This component of net position consists of assets that have restrictions placed upon their use by external constraints imposed by either creditors (debt covenants), grantors, contributors, or laws and regulations of other governments or constraints imposed by law through enabling legislation. The District did not have a restricted net position balance at June 30, 2022 or 2021.
- *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.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Customer Deposits

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

**CRESCENTA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

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

Water and Sewer Service Charges

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

Capital Contributions

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

Budgetary Policies

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

Use of Estimates

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

NOTE 2 CASH AND INVESTMENTS

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

	2022	2021
Cash and Cash Equivalents, Unrestricted	\$ 6,039,530	\$ 12,496,407
Cash and Cash Equivalents, Restricted	-	2,708,142
Investments	8,451,632	1,699,426
Total Cash and Investments	<u>\$ 14,491,162</u>	<u>\$ 16,903,975</u>

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

	2022	2021
Cash on Hand	\$ 800	\$ 800
Deposits with Financial Institutions	1,854,397	9,733,373
Investments	12,635,965	7,169,802
Total Cash and Investments	<u>\$ 14,491,162</u>	<u>\$ 16,903,975</u>

**CRESCENTA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk

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

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

Investment in State Investment Pool

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

**CRESCENTA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Investment in State Investment Pool (Continued)

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

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

Interest Rate Risk

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

Maturities of investments at June 30, 2022 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	\$ 4,244,136	\$ -	\$ 953,460	\$ 3,290,676	\$ -
U.S. Government Agencies	620,963	127,279	193,352	300,332	-
Corporate Notes	3,586,533	449,292	588,615	2,548,626	-
Local Agency Investment Funds	4,184,333	4,184,333	-	-	-
Total	<u>\$ 12,635,965</u>	<u>\$ 4,760,904</u>	<u>\$ 1,735,427</u>	<u>\$ 6,139,634</u>	<u>\$ -</u>

Maturities of investments at June 30, 2021 were as follows:

Investment Type	Total	Remaining Maturity (in Months)			
		12 Months or less	13 to 24 Months	25-60 Months	61-120 Months
U.S. Treasury	\$ 392,140	\$ -	\$ -	\$ 392,140	\$ -
U.S. Government Agencies	1,006,812	1,006,812	-	-	-
Corporate Notes	300,474	-	-	300,474	-
Local Agency Investment Funds	5,470,376	5,470,376	-	-	-
Total	<u>\$ 7,169,802</u>	<u>\$ 6,477,188</u>	<u>\$ -</u>	<u>\$ 692,614</u>	<u>\$ -</u>

**CRESCENTA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Credit Risk

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

Credit rating of investments as of June 30, 2022, were as follows:

Investment Type	Total	Minimum Legal Rating	Rating as of Year End			
			AAA	AA+	A	Not Rated
U.S. Treasury Notes	\$ 4,244,136	A	\$ -	\$ 4,244,136	\$ -	\$ -
U.S. Government Agencies	620,963	A	-	620,963	-	-
Corporate Notes	3,586,533	A	766,198	417,663	2,159,011	243,661
Local Agency Investment Funds	4,184,333	N/A	-	-	-	4,184,333
Total	<u>\$ 12,635,965</u>		<u>\$ 766,198</u>	<u>\$ 5,282,762</u>	<u>\$ 2,159,011</u>	<u>\$ 4,427,994</u>

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

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

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. As of June 30, 2022 none of the District's investments in any one issuer exceeded 5%.. As of June 20, 2021, more than 5% of the District's investments are in Federal Farm Credit Bank (Federal-sponsored enterprises) debt securities.

Fair Value Measurements

Investments measured at fair value on a recurring and nonrecurring basis at June 30, 2022:

Investment Type	Total	Fair Value Measurements		
		Level 1	Level 2	Level 3
U.S. Treasury Notes	\$ 4,244,136	\$ 4,244,136	\$ -	\$ -
U.S. Government Agencies	620,963	-	620,963	-
Corporate Notes	3,586,533	-	3,586,533	-
Total Investments Measured at Fair Value	8,451,632	<u>\$ 4,244,136</u>	<u>\$ 4,207,496</u>	<u>\$ -</u>
Investments Measured at Amortized Cost:				
Local Agency Investment Fund (LAIF)	4,184,333			
Total	<u>\$ 12,635,965</u>			

**CRESCENTA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Fair Value Measurements (Continued)

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

Investments at June 30, 2021

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

NOTE 3 ACCOUNTS RECEIVABLE – WATER AND WASTEWATER, NET

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

	2022	2021
Account Receivable - Water and Wastewater	\$ 3,124,629	\$ 2,719,418
Allowance for Doubtful Accounts	(52,396)	(37,161)
Account Receivable - Water and Wastewater, Net	<u>\$ 3,072,233</u>	<u>\$ 2,682,257</u>

NOTE 4 CAPITAL ASSETS

Capital Assets at June 30, 2022 are summarized as follows:

	Balance 2021	Additions/ Transfers	Deletions/ Transfers	Balance 2022
Nondepreciable Assets:				
Water Operations	\$ 7,105,248	\$ 3,624,772	\$ (2,357,754)	\$ 8,372,266
Wastewater Operations	183,479	107,206	(56,153)	234,532
Total Nondepreciable Assets	7,288,727	3,731,978	(2,413,907)	8,606,798
Depreciable Assets, Net:				
Water Operations	28,593,869	777,171	-	29,371,040
Wastewater Operations	15,564,882	(547,858)	-	15,017,024
Total Depreciable Capital Assets, Net	44,158,751	229,313	-	44,388,064
Total Capital Assets, Net	<u>\$ 51,447,478</u>	<u>\$ 3,961,291</u>	<u>\$ (2,413,907)</u>	<u>\$ 52,994,862</u>

CRESCENTA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 4 CAPITAL ASSETS (CONTINUED)

Changes for water operations capital assets in 2022 were as follows:

	Balance 2021	Additions/ Transfers	Deletions/ Transfers	Balance 2022
Nondepreciable Assets:				
Land	\$ 1,158,526	\$ -	\$ -	\$ 1,158,526
Construction in Progress	5,946,722	3,624,772	(2,357,754)	7,213,740
Total Nondepreciable Assets	7,105,248	3,624,772	(2,357,754)	8,372,266
Depreciable Assets:				
Production Equipment	11,805,296	-	-	11,805,296
Distribution Equipment	36,012,443	2,020,641	-	38,033,084
Groundwater Reclamation Plant	5,783,686	-	-	5,783,686
Autos and Trucks	1,079,995	170,092	(97,017)	1,153,070
Office Equipment	814,528	21,418	-	835,946
Office Building	569,976	67,729	-	637,705
Total Depreciable Assets	56,065,924	2,279,880	(97,017)	58,248,787
Accumulated Depreciation:				
Production Equipment	(5,754,373)	(470,192)	-	(6,224,565)
Distribution Equipment	(17,230,893)	(802,043)	-	(18,032,936)
Groundwater Reclamation Plant	(2,487,347)	(145,850)	-	(2,633,197)
Autos and Trucks	(1,015,988)	(31,257)	97,017	(950,228)
Office Equipment	(689,060)	(44,262)	-	(733,322)
Office Building	(294,394)	(9,105)	-	(303,499)
Total Accumulated Depreciation	(27,472,055)	(1,502,709)	97,017	(28,877,747)
Total Depreciable Assets, Net	28,593,869	777,171	-	29,371,040
Total Capital Assets, Net	\$ 35,699,117	\$ 4,401,943	\$ (2,357,754)	\$ 37,743,306

CRESCENTA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 4 CAPITAL ASSETS (CONTINUED)

Changes for wastewater operations capital assets in 2022 were as follows:

	Balance 2021	Additions/ Transfers	Deletions/ Transfers	Balance 2022
Nondepreciable Assets:				
Construction in Progress	\$ 183,479	\$ 107,206	\$ (56,153)	\$ 234,532
Total Nondepreciable Assets	183,479	107,206	(56,153)	234,532
Depreciable Assets:				
Wastewater Collection System:				
Interceptor	4,988,812	-	-	4,988,812
Unit 1	11,421,644	-	-	11,421,644
Unit 2	19,891,101	-	-	19,891,101
Tools and Lab Equipment	30,381	-	-	30,381
Autos and Trucks	735,406	28,019	(12,705)	750,720
Safety Equipment	6,569	-	-	6,569
Booster Building	66,465	-	-	66,465
Office Equipment	71,073	-	-	71,073
Total Depreciable Assets	37,211,451	28,019	(12,705)	37,226,765
Accumulated Depreciation:				
Wastewater Collection System:				
Interceptor	(2,875,725)	(77,140)	-	(2,952,865)
Unit 1	(6,752,845)	(200,046)	-	(6,952,891)
Unit 2	(11,173,941)	(285,783)	-	(11,459,724)
Tools and Lab Equipment	(30,381)	-	-	(30,381)
Autos and Trucks	(735,406)	-	12,705	(722,701)
Safety Equipment	(6,569)	-	-	(6,569)
Booster Building	(27,555)	(2,292)	-	(29,847)
Office Building	(44,147)	(10,616)	-	(54,763)
Total Accumulated Depreciation	(21,646,569)	(575,877)	12,705	(22,209,741)
Total Depreciable Assets, Net	15,564,882	(547,858)	-	15,017,024
Total Capital Assets, Net	\$ 15,748,361	\$ (440,652)	\$ (56,153)	\$ 15,251,556

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

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

CRESCENTA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 4 CAPITAL ASSETS (CONTINUED)

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

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

CRESCENTA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 4 CAPITAL ASSETS (CONTINUED)

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

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

NOTE 5 COMPENSATED ABSENCES

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

Balance 2021	Additions	Deletions	Balance 2022	Due Within One Year
\$ 345,024	\$ 482,133	\$ (461,370)	\$ 365,787	\$ 100,109

Balance 2020	Additions	Deletions	Balance 2021	Due Within One Year
\$ 354,238	\$ 247,996	\$ (257,210)	\$ 345,024	\$ 79,346

CRESCENTA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 6 LONG-TERM DEBT

Changes in long-term debt amounts as of June 30, 2022 were as follows:

	Balance 2021	Additions	Payments/ Discount Amortization	Balance 2022	Amount Due Within One Year
Long-Term Debt:					
Direct Placements:					
2020 Certificates of Participation	\$ 11,095,000	\$ -	\$ (205,000)	\$ 10,890,000	\$ 220,000
Issuance Premium	874,964	-	(30,009)	844,955	-
Total Bonds Payable	<u>11,969,964</u>	<u>-</u>	<u>(235,009)</u>	<u>11,734,955</u>	<u>220,000</u>
Direct Borrowings:					
2016 GWP Infrastructure Loan	978,950	-	(21,917)	957,033	21,917
Total Loans Payable	<u>978,950</u>	<u>-</u>	<u>(21,917)</u>	<u>957,033</u>	<u>21,917</u>
Total Long-Term Debt	<u>\$ 12,948,914</u>	<u>\$ -</u>	<u>\$ (256,926)</u>	<u>\$ 12,691,988</u>	<u>\$ 241,917</u>

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

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

**CRESCENTA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 6 LONG-TERM DEBT (CONTINUED)

2016 GWP Infrastructure Loan

On September 9, 2014 the District entered into a loan agreement with City of Glendale Water and Power (GWP) to receive a \$1,091,590 loan. Loan proceeds were to provide construction-related expenditure costs related to the Rockhaven (Well #16) project. Terms of the agreement call for monthly installments of principal and interest payments with an average interest rate of 3.34% and the loan maturing on March 1, 2041. On the loan maturity date, the principal balance will be \$540,613, at which point a new agreement will be negotiated. Future annual debt service requirements are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 21,917	\$ 29,095
2024	21,917	29,095
2025	21,917	29,095
2026	21,917	29,095
2027	21,917	29,095
2028-2032	109,584	145,476
2033-2037	109,584	145,476
2038-2041	87,667	116,381
Total	416,420	<u>\$ 552,808</u>
Principal Remaining at Maturity Date	540,613	
Less: Current Portion	(21,917)	
Total Noncurrent	<u>\$ 935,116</u>	

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

2017 Pacific Western Infrastructure Loan

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

**CRESCENTA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 6 LONG-TERM DEBT (CONTINUED)

2020 Crescenta Valley Water District Revenue Certificates of Participation

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 220,000	\$ 358,081
2024	225,000	350,281
2025	235,000	341,081
2026	245,000	331,481
2027	255,000	321,481
2028-2032	1,420,000	1,460,455
2033-2037	1,710,000	1,160,305
2038-2042	2,015,000	862,873
2043-2047	2,380,000	483,963
2048-2051	2,185,000	110,938
Total	10,890,000	<u>\$ 5,780,939</u>
Less: Current Portion	(220,000)	
Total Noncurrent	<u>\$ 10,670,000</u>	

NOTE 7 OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS

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

Plan Description and Eligibility

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

**CRESCENTA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 7 OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

Plan Description and Eligibility (Continued)

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

For retired employees whose date of hire is prior to July 1, 2008, who retire with 10 years of service, full cost of retiree and spousal coverage will be paid by the District. For future retirees whose date of hire is between July 1, 2008 and June 30, 2020, the District will pay 50% of the cost for employees who retire with 10 years of service, plus 5% for every additional year of service thereafter, up to a maximum of 100% for employees who retire with 20 or more years of service. The District does not offer OPEB benefits for employees hired after June 30, 2020. Membership in the OPEB plan consisted of the following members as of June 30, 2022 and 2021 respectively.

Membership in the OPEB plan consisted of the following members as of June 30, 2022 and 2021, respectively.

Participant Type	Number of Participants	
	2022	2021
Retired Participants Current Receiving Benefits	22	22
Inactive Participants Entitled to But Not Yet Receiving Benefit Payments	-	-
Active Employees	28	28
Total	50	50

Funding Policy

The Districts' intends to contribute the pay-as-you-go amount with a fixed dollar trust contribution. The fixed dollar trust contribution may be up to \$400,000. In plan year 2020-21, the District contributed \$100,000 to the trust. For the measurement periods ended June 30, 2021 and 2020 and the District contributed \$429,643 and \$242,284, respectively, to the plan including trust contributions and the implicit rate subsidy.

Net OPEB Liability (Asset)

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

	Balance	
	June 30, 2022	June 30, 2021
Total OPEB Liability	\$ 7,617,638	\$ 7,232,895
Plan Fiduciary Net Position	798,333	548,023
District's Net OPEB Liability (Assets)	\$ 6,819,305	\$ 6,684,872

Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)	10.48%	7.58%
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**CRESCENTA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 7 OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

Investments

At June 30, 2022 and 2021, all plan investments are held in the California Employers' Retiree Benefit Trust Program (CERBT) through CalPERS.

Actuarial Methods and Assumptions

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

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

Actuarial Methods and Assumptions	2022	2021
Valuation Date	June 30, 2020	June 30, 2019
Measurement Date	June 30, 2021	June 30, 2020
Inflation	2.26%	2.26%
Salary Increases	3.25%	3.25%
Investment Rate of Return	7.28%	7.28%
Health Care Trend Rate	7% -5%	7% -5%

Mortality rates used for the 2020 and 2019 valuation dates are those described in the 2017 CalPERS experience study.

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

June 30, 2022	Target	Long-Term
Investment Class	Allocation	Expected Real Rate of Return
Equity	60%	3.86%
Fixed Income	32%	0.62%
REITs	8%	4.44%
Cash	0%	1.56%

June 30, 2021	Target	Long-Term
Investment Class	Allocation	Expected Real Rate of Return
Equity	60%	5.62%
Fixed Income	32%	1.70%
REITs	8%	5.06%

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

**CRESCENTA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 7 OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

Actuarial Methods and Assumptions (Continued)

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

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Discount Rate	7.28%	7.28%
Bond Buyer 20-Bond GO Index	2.16%	2.21%

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

Changes in the Net OPEB Liability

The District's changes in net OPEB liability as of the June 30, 2022 fiscal year was follows:

	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net OPEB Liability (Asset) (a) - (b)</u>
Balances at June 30, 2020	\$ 7,232,895	\$ 548,023	\$ 6,684,872
Changes for the Year:			
Service Cost	137,987	-	137,987
Interest	524,812	-	524,812
Difference Between Expected and Actual Experience	51,587	-	51,587
Change of Assumptions	-	-	-
Net Investment Income	-	150,518	(150,518)
Benefit Payments	(329,643)	(329,643)	-
Contributions - Employer	-	429,643	(429,643)
Administrative Expense	-	(208)	208
Change of Benefit Terms	-	-	-
Net Changes	<u>384,743</u>	<u>250,310</u>	<u>134,433</u>
Balances at June 30, 2021	<u>\$ 7,617,638</u>	<u>\$ 798,333</u>	<u>\$ 6,819,305</u>

**CRESCENTA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 7 OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

Changes in the Net OPEB Liability (Continued)

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

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

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

Discount Rate	Net OPEB Liability (Asset)	
	2021	2020
1% Decrease (6.28%)	\$ 7,990,959	\$ 7,797,349
Current Discount Rate (7.28%)	6,819,305	6,684,872
1% Increase (8.28%)	5,871,396	5,784,839

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

Healthcare Trend Rate	Net OPEB Liability (Asset)	
	2021	2020
1% Decrease (4.00%)	\$ 5,801,072	\$ 5,718,067
Current Discount Rate (5.00%)	6,819,305	6,684,872
1% Increase (6.00%)	7,987,060	7,793,647

**CRESCENTA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 7 OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

OPEB Expense

For the years ended June 30, 2022 and 2021, the District recognized OPEB expense of \$556,430 and \$882,174, respectively. As of fiscal years ended June 30, 2022 and 2021, the District reported deferred outflows and inflows of resources related to the OPEB from the following sources:

	2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Contribution to OPEB Plan After Measurement Date	\$ 324,542	\$ -
Differences Between Expected and Actual		
Experience in the Measurement of the TOL	176,274	173,637
Changes in Assumptions	-	261,560
Net Difference Between Projected and Actual		
Earnings of OPEB Plan Investments	-	71,509
Total	<u>\$ 500,816</u>	<u>\$ 506,706</u>

	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Contribution to OPEB Plan After Measurement Date	\$ 429,643	\$ -
Differences Between Expected and Actual		
Experience in the Measurement of the TOL	170,194	209,846
Changes in Assumptions	-	318,646
Net Difference Between Projected and Actual		
Earnings of OPEB Plan Investments	20,220	-
Total	<u>\$ 620,057</u>	<u>\$ 528,492</u>

As of June 30, 2022 and 2021, employer OPEB contributions of \$324,542 and \$429,643, respectively reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal years ending June 30, 2023 and 2022, respectively.

**CRESCENTA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 7 OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

OPEB Expense (Continued)

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

<u>Year Ending June 30,</u>	<u>Deferred Outflows/Inflows of Resources</u>
2023	\$ (63,827)
2024	(64,406)
2025	(64,688)
2026	(78,295)
2027	(63,266)
Thereafter	4,050
Total	<u>\$ (330,432)</u>

NOTE 8 DEFINED BENEFIT PENSION PLAN

Plan Description

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

Benefits Provided

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

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

**CRESCENTA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Benefits Provided (Continued)

The plans' provision and benefits in effect at June 30, 2022 are summarized as follows:

	Miscellaneous Plan	
	Tier 1	Tier 2
	Prior to January 1, 2013	On or after January 1, 2013
Hire Date		
Benefit Formula	2.0% @ 55	2.0% @ 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	monthly for life	monthly for life
Retirement Age	50-55	52-67
Required Employee Contribution Rates	7.000%	6.750%
Required Employer Contribution Rates	11.031%	7.732%

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

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

Contributions

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

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

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

	Miscellaneous Plan	
	2022	2021
Contribution - Employer	\$ 546,030	\$ 573,759
Contribution - Employee (Paid by Employer)	123,295	144,993
Total Employer Paid Contributions	<u>\$ 669,325</u>	<u>\$ 718,752</u>

**CRESCENTA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability

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

	Proportionate Share of Net Pension Liability	
	2022	2021
Miscellaneous Plan	<u>\$ 2,530,617</u>	<u>\$ 4,755,999</u>

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, 2021 and 2020, 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, 2020 and 2019, rolled forward to June 30, 2021 and 2020, 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, 2021 and 2020 valuation was as follows:

	Miscellaneous Plan
Proportion June 30, 2021	<u>0.13327%</u>
Proportion June 30, 2020	<u>0.11275%</u>
Change - Increase (Decrease)	<u>0.02052%</u>

The District's proportionate share of the pension liability for the District's plan as of the June 30, 2020 and 2019 valuation was as follows:

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

**CRESCENTA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Deferred Pension Outflows (Inflows) of Resources

As of June 30, 2022 and 2021, the District recognized pension expense of \$(155,310) and \$775,335, respectively.

As of the fiscal year ended June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contributions Subsequent to the Measurement Date	\$ 546,030	\$ -
Changes in Assumptions		
Difference Between Expected and Actual Experience	283,782	-
Net Difference Between Projected and Actual		
Earnings on Plan Investments	-	2,209,094
Effect of Change in Employer's Proportion	156,576	17,086
Differences Between Actual Contribution and		
Proportional Share of Contribution	-	384,063
Total	<u>\$ 986,388</u>	<u>\$ 2,610,243</u>

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

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

As of June 30, 2022 and 2021, employer pension contributions of \$546,030 and \$573,759, respectively, reported as deferred outflows of resources related to contributions subsequent to the measurement date were and will be recognized as a reduction of the net pension liability in the fiscal years ending June 30, 2023 and 2022, respectively.

As of June 30, 2022, the District recognized other amounts reported by the plan actuarial as deferred outflows of resources and deferred inflows of resources related to the pension liability.

**CRESCENTA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Deferred Pension Outflows (Inflows) of Resources (Continued)

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

<u>Year Ending June 30,</u>	Deferred Outflows/Inflows of Resources
2023	\$ (398,158)
2024	(593,593)
2025	(553,786)
2026	(624,349)
Total	<u>\$ (2,169,885)</u>

Actuarial Methods and Assumptions

The total pension liabilities as of June 30, 2021 and 2020 were determined by applying update procedures to a financial report actuarial valuation of June 30, 2020 and 2019, and rolling forward the total pension liabilities to June 30, 2021 and 2020. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The financial reporting actuarial valuation as of June 30, 2020 and 2019 used the following methods and assumptions, applied to all prior periods included in the measurement:

	<u>2022</u>	<u>2021</u>
Valuation Date	June 30, 2020	June 30, 2019
Measurement Date	June 30, 2021	June 30, 2020
Experience Study	June 30, 2017	June 30, 2017
Actuarial Cost Method	Entry age normal	Entry age normal
Actuarial Assumptions:		
Discount Rate	7.15%	7.15%
Investment Rate of Return	7.15%	7.15%
Consumer Price Inflation	2.50%	2.50%
Wage Growth	Varies by entry age and services	Varies by entry age and services

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

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

**CRESCENTA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Methods and Assumptions (Continued)

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

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

* An expected inflation of 2.00% used for this period

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

Discount Rate

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

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

At June 30, 2022, the discount rate comparison was the following:

	Discount Rate -1% (6.15%)	Prior Discount Rate (7.15%)	Discount Rate +1% (8.15%)
District's Net Pension Liability	\$ 5,353,976	\$ 2,530,617	\$ 196,586

**CRESCENTA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Discount Rate (Continued)

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

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

Pension Plan Fiduciary Net Position

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

NOTE 9 DEFERRED COMPENSATION PLAN

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

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District and are not subject to claims of the District's general creditors. Fair value of all plan assets held in trust by the District plan amounted to \$2,035,260 and \$2,233,978 in fiscal years 2022 and 2021, respectfully.

The District has little administrative involvement and does not perform the investing function of this plan, the assets and related liabilities are not shown in the financial statements.

**CRESCENTA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 10 NET POSITION

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

	<u>2022</u>	<u>2021</u>
Net Investment in Capital Assets:		
Capital Assets - Not Being Depreciated	\$ 8,606,798	\$ 7,288,727
Depreciable Capital Assets, Net	44,388,064	44,158,751
Retainage Payable and Construction-Related		
Accounts Payable	(68,312)	(1,142,726)
Unspent bond proceeds	-	2,708,142
Loan Payable - Current	(241,917)	(226,917)
Loan Payable - Noncurrent	(12,450,071)	(12,721,997)
Deferred Outflows Refunding	224,282	224,282
Total Net Investments in Capital Assets	<u>40,458,844</u>	<u>40,288,262</u>
Unrestricted Net Position		
Unrestricted	<u>4,174,436</u>	<u>4,203,443</u>
Total Net Position	<u><u>\$ 44,633,280</u></u>	<u><u>\$ 44,491,705</u></u>

NOTE 11 RISK MANAGEMENT

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

At June 30, 2022, the District participated in the liability, property programs, and workers' compensation programs of the ACWA/JPIA as follows:

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

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

- Employee dishonesty coverage from the ACWA/JPIA provides self-insurance up to \$100,000 subject to a \$1,000 deductible per loss. The District has purchased excess coverage up to \$1,000,000 per loss, subject to a \$100,000 deductible. Coverage includes public employee dishonesty, forgery or alteration, computer fraud, and faithful performance.

**CRESCENTA VALLEY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 11 RISK MANAGEMENT (CONTINUED)

- Property loss is paid at the replacement cost for property on file, if replaced within two years after the loss, otherwise paid on an actual cash value basis, to a combined total of \$150 million per occurrence, subject to a \$2,500 deductible per occurrence. Mobile equipment is replaced at actual cash value subject to a \$2,500 deductible per occurrence. Scheduled vehicles covered for comprehensive and collision, actual cash value basis subject to \$1,000 deductible per occurrence.
- Boiler and machinery coverage for the replacement cost up to \$150 million per occurrence, subject to various deductibles depending on the type of equipment.
- Workers' compensation insurance up to California statutory limits for all work-related injuries/illnesses covered by California law.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the years ending June 30, 2021 and 2020. 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, 2022, 2021, and 2020, respectively.

NOTE 12 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.

REQUIRED SUPPLEMENTARY INFORMATION

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

Total OPEB Liability	2018	2019	2020	2021	2022
Service Cost	\$ 125,970	\$ 132,270	\$ 124,486	\$ 130,710	\$ 137,987
Interest	417,013	444,552	484,045	509,267	524,812
Change of Benefit Terms	-	-	-	329,497	-
Difference Between Expected and Actual Experience	(19,457)	284,776	(45,954)	(194,307)	51,587
Changes of Assumptions	-	(125,750)	-	(283,714)	-
Benefit Payments	(134,956)	(168,710)	(203,075)	(242,284)	(329,643)
Net Change in Total OPEB Liability	388,570	567,138	359,502	249,169	384,743
Total OPEB Liability - Beginning	5,668,516	6,057,086	6,624,224	6,983,726	7,232,895
Total OPEB Liability - Ending (a)	<u>\$ 6,057,086</u>	<u>\$ 6,624,224</u>	<u>\$ 6,983,726</u>	<u>\$ 7,232,895</u>	<u>\$ 7,617,638</u>
Plan Fiduciary Net Position	2018	2019	2020	2021	2022
Contributions - Employer	\$ 234,956	\$ 268,711	\$ 503,075	\$ 242,284	\$ 429,643
Net Investment Income	-	7,968	21,727	18,708	150,518
Benefit Payments	(134,956)	(168,711)	(203,075)	(242,284)	(329,643)
Administrative Expense	-	(67)	(54)	(259)	(208)
Net Change in Plan Fiduciary Net Position	100,000	107,901	321,673	18,449	250,310
Plan Fiduciary Net Position - Beginning	-	100,000	207,901	529,574	548,023
Plan Fiduciary Net Position - Ending (b)	<u>\$ 100,000</u>	<u>\$ 207,901</u>	<u>\$ 529,574</u>	<u>\$ 548,023</u>	<u>\$ 798,333</u>
Net OPEB Liability (Asset) - Ending (a) - (b)	\$ 5,957,086	\$ 6,416,323	\$ 6,454,152	\$ 6,684,872	\$ 6,819,305
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.65%	3.14%	7.58%	7.58%	10.48%
Covered Employee Payroll	\$ 3,305,507	\$ 2,595,864	\$ 2,965,045	\$ 2,856,902	\$ 2,731,105
Net OPEB Liability (Asset) as a Percentage of Covered Employee Payroll	180.22%	247.17%	217.67%	233.99%	249.69%

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

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

<u>OPEB Contributions</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Actuarially Determined Contribution (ADC)	\$ 525,315	\$ 525,315	\$ 601,567	\$ 618,255	\$ 669,236
Contributions in Relation to the ADC	268,711	503,075	242,284	242,284	429,643
Contribution Deficiency (Excess)	<u>\$ 256,604</u>	<u>\$ 22,240</u>	<u>\$ 359,283</u>	<u>\$ 375,971</u>	<u>\$ 239,593</u>
District's Covered-Employee Payroll	\$ 3,305,507	\$ 2,595,864	\$ 2,965,045	\$ 2,856,902	\$ 2,731,105
Contributions as a Percentage of Covered-Employee Payroll	8.13%	19.38%	8.17%	8.48%	15.73%

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

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

Description	2020	2021	2022
District's Proportion of the Net Pension Liability (Asset)	0.10811%	0.11275%	0.13327%
District's Proportion Share of the Net Pension Liability (Asset)	\$ 4,329,249	\$ 4,755,999	\$ 2,530,617
District's Covered Payroll as of Previous Fiscal Year to Align with the Measurement Date of the Net Pension Liability	\$ 2,966,432	\$ 2,853,255	\$ 2,777,559
District's Proportion Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	145.94%	166.69%	91.11%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.87%	76.06%	76.06%

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

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

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

See accompanying Note to Required Supplementary Information.

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

	<u>2020</u>	<u>2021</u>	<u>2022</u>
Contractually Required Contribution	\$ 271,620	\$ 573,759	\$ 546,030
Contributions in Related to the Contractually Required Contribution	<u>(271,620)</u>	<u>(573,759)</u>	<u>(546,030)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 2,853,255	\$ 2,777,559	\$ 2,976,080
Contributions as a Percentage of its Covered Payroll	9.52%	20.66%	18.35%

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

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

See accompanying Note to Required Supplementary Information.

**CRESCENTA VALLEY WATER DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2022 AND 2021**

NOTE 1 PURPOSE OF SCHEDULES

Schedule of Changes in Net OPEB Liability

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

Schedule of Postemployment Healthcare Contributions

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

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

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

Schedule of District's Contributions

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

SUPPLEMENTARY INFORMATION

**CRESCENTA VALLEY WATER DISTRICT
COMBINING SCHEDULE OF NET POSITION
JUNE 30, 2022**

	Enterprise Fund		
	Water	Sewer	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 6,039,530	\$ -	\$ 6,039,530
Accrued Interest Receivable	18,724	-	18,724
Accounts Receivable - Water and Wastewater, Net	2,410,721	661,512	3,072,233
Accounts Receivable - Other	1,471	-	1,471
Material and Supplies Inventory	451,422	13,795	465,217
Prepaid Expenses and Other Deposits	83,447	20,284	103,731
Total Current Assets	9,005,315	695,591	9,700,906
Noncurrent Assets:			
Investments	8,451,632	-	8,451,632
Internal Balances	(914,490)	914,490	-
Capital Assets - Not Being Depreciated	8,372,266	234,532	8,606,798
Depreciable Capital Assets	29,371,040	15,017,024	44,388,064
Total Noncurrent Assets	45,280,448	16,166,046	61,446,494
Total Assets	54,285,763	16,861,637	71,147,400
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows on Bond Refunding	224,282	-	224,282
Deferred Other Postemployment Benefits Outflows	300,490	200,326	500,816
Deferred Pension Outflows	591,832	394,556	986,388
Total Deferred Outflows of Resources	1,116,604	594,882	1,711,486

CRESCENTA VALLEY WATER DISTRICT
COMBINING SCHEDULE OF NET POSITION (CONTINUED)
JUNE 30, 2022

	Enterprise Fund		
	Water	Sewer	Total
LIABILITIES			
Current Liabilities:			
Accounts Payable and Accrued Expenses	\$ 1,383,491	\$ 242,219	\$ 1,625,710
Retention Payable	68,312	-	68,312
Accrued Wages and Related Payables	130,161	76,660	206,821
Customer Deposits	725,727	74,390	800,117
Long-Term Liabilities - Due Within One Year:			
Compensated Absences	58,661	41,448	100,109
Loan Payable	241,917	-	241,917
Total Current Liabilities	<u>2,608,269</u>	<u>434,717</u>	<u>3,042,986</u>
Noncurrent Liabilities:			
Long-Term Liabilities - Due in More than One Year:			
Compensated Absences	192,425	73,253	265,678
Loan Payable	12,450,071	-	12,450,071
Other Postemployment Benefits Obligation	4,131,697	2,687,608	6,819,305
Net Pension Liability	1,518,370	1,012,247	2,530,617
Total Noncurrent Liabilities	<u>18,292,563</u>	<u>3,773,108</u>	<u>22,065,671</u>
Total Liabilities	20,900,832	4,207,825	25,108,657
DEFERRED INFLOWS OF RESOURCES			
Deferred Other Postemployment Benefits Inflows	304,023	202,683	506,706
Deferred Pension Inflows	1,566,146	1,044,097	2,610,243
Total Deferred Inflows of Resources	<u>1,870,169</u>	<u>1,246,780</u>	<u>3,116,949</u>
NET POSITION			
Net Investment in Capital Assets	25,207,288	15,251,556	40,458,844
Unrestricted	7,424,078	(3,249,642)	4,174,436
Total Net Position	<u>\$ 32,631,366</u>	<u>\$ 12,001,914</u>	<u>\$ 44,633,280</u>

**CRESCENTA VALLEY WATER DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2022**

	Enterprise Fund		
	Water	Sewer	Total
OPERATING REVENUES			
Water Operations - Consumption Sales	\$ 8,919,225	\$ -	\$ 8,919,225
Water Operations - Service Charge	3,207,298	-	3,207,298
Water Operations - Other Charges	953,372	-	953,372
Wastewater Operations - User and Standby Charges	-	3,508,571	3,508,571
Total Operating Revenues	13,079,895	3,508,571	16,588,466
OPERATING EXPENSES			
Source of Supply	3,289,622	-	3,289,622
Plant Operations	2,228,338	146,528	2,374,866
Distribution System	1,002,100	-	1,002,100
City of Los Angeles Wastewater System	-	1,828,078	1,828,078
Collection System	-	293,524	293,524
General and Administrative Expenses	3,393,075	1,692,155	5,085,230
Total Operating Expenses Before Depreciation	9,913,135	3,960,285	13,873,420
OPERATING INCOME (LOSS) BEFORE DEPRECIATION	3,166,760	(451,714)	2,715,046
DEPRECIATION EXPENSE	(1,502,709)	(575,877)	(2,078,586)
OPERATING INCOME (LOSS)	1,664,051	(1,027,591)	636,460
NONOPERATING REVENUES (EXPENSES)			
Investment Earnings (Losses)	(493,012)	-	(493,012)
Interest Expense	(347,542)	-	(347,542)
Rental Income	62,438	21,802	84,240
Other Income (Expense), Net	6,220	24,751	30,971
Gain (Loss) on Sale of Capital Assets	95,713	10,488	106,201
Total Nonoperating Revenues (Expenses), Net	(676,183)	57,041	(619,142)
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	987,868	(970,550)	17,318
CAPITAL CONTRIBUTIONS			
Capital Grants - State	62,170	-	62,170
Assessments	-	62,087	62,087
Total Capital Contributions	62,170	62,087	124,257
CHANGE IN NET POSITION	1,050,038	(908,463)	141,575
Net Position - Beginning of Year	31,581,328	12,910,377	44,491,705
NET POSITION - END OF YEAR	<u>\$ 32,631,366</u>	<u>\$ 12,001,914</u>	<u>\$ 44,633,280</u>

**CRESCENTA VALLEY WATER DISTRICT
DETAILED SCHEDULES OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
WATER OPERATIONS
YEARS ENDED JUNE 30, 2022 AND 2021**

	2022		2021	
	Amount	Percent	Amount	Percent
OPERATING REVENUES				
Water Operations - Customers	\$ 8,919,225	68.19 %	\$ 8,938,008	68.21 %
Water Operations - Others	107,448	0.82	112,671	0.86
Service Charges	3,207,298	24.52	3,016,461	23.02
Meter Installations	50,418	0.39	-	-
Other Revenue	795,506	6.08	1,035,612	7.90
Total Operating Revenues	13,079,895	100.00	13,102,752	100.00
OPERATING EXPENSES				
Source of Supply - Water Purchases	3,289,622	100.00	3,683,148	100.00
Plant Operations:				
Power	744,721	7.53	749,360	7.26
Plant Wages	475,011	4.80	460,227	4.46
Utilities	41,538	0.42	33,993	0.33
Maintenance	126,152	1.28	175,173	1.70
Signal System	11,904	0.12	42,383	0.41
Lab and Treatment	199,265	2.01	190,790	1.85
Nitrate Treatment	100,636	1.02	65,408	0.63
Insurance	111,726	1.13	93,121	0.90
Other Expense	417,385	4.22	103,570	1.00
Total Plant Operations	2,228,338	22.53	1,914,025	18.54
Distribution System:				
Meter Maintenance	708,210	7.16	659,464	6.39
Pipeline Maintenance	74,573	0.75	50,524	0.49
Backflow Operations	-	-	73	0.00
Reservoir and Building Maintenance	114,783	1.16	96,560	0.94
Auto and Truck Expense	89,202	0.90	59,475	0.58
Property Taxes	15,332	0.15	14,041	0.14
Total Distribution System	1,002,100	10.13	880,137	8.52

**CRESCENTA VALLEY WATER DISTRICT
DETAILED SCHEDULES OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION (CONTINUED)
WATER OPERATIONS
YEARS ENDED JUNE 30, 2022 AND 2021**

	2022		2021	
	Amount	Percent	Amount	Percent
OPERATING EXPENSES (CONTINUED)				
Directors' Fees	\$ 8,478	0.09 %	\$ 8,325	0.08 %
Salaries- Statutory Officers	213,161	2.15	208,198	2.02
Salaries - General Office	618,377	6.25	666,389	6.45
Retirement (CalPERS)	676,670	6.84	924,972	8.96
Payroll Taxes	152,543	1.54	165,553	1.60
Engineering and Drafting	303,241	3.07	342,069	3.31
Accounting	10,414	0.11	10,281	0.10
Legal	130,821	1.32	125,560	1.22
Administrative Consultant - Water System	324,022	3.28	279,692	2.71
Insurance - Group	310,732	3.14	308,226	2.99
Maintenance	70,609	0.71	45,241	0.44
Computer and Supplies	150,324	1.52	171,400	1.66
Utilities	815	0.01	1,418	0.01
Telephone	50,556	0.51	72,206	0.70
Printing and Postage	47,504	0.48	35,484	0.34
Water System Fees	72,754	0.74	76,116	0.74
Water Conservation	61,524	0.62	26,748	0.26
Training	34,944	0.35	18,532	0.18
Other	135,029	1.36	361,742	3.50
Total General and Administrative	<u>3,372,518</u>	34.09	<u>3,848,152</u>	37.27
Total Operating Expenses	<u>9,892,578</u>	100.00	<u>10,325,462</u>	100.00
Operating Income Before Depreciation	3,187,317	100.00	2,777,290	100.00
Depreciation Expense	<u>(1,502,709)</u>	100.00	<u>(1,487,496)</u>	100.00
Operating Income	1,684,608	100.00	1,289,794	100.00
Nonoperating Revenues (Expense):				
Investment Earnings (Expenses)	(493,012)	72.91	(220,569)	42.57
Interest Expense	(347,542)	51.40	(352,154)	67.96
Rental Income	62,438	(9.23)	60,050	(11.59)
Other Income (Expense), Net	6,220	(0.92)	(5,492)	1.06
Gain (Loss) on Sale of Capital Assets	95,713	(14.15)	-	-
Total Nonoperating Revenues (Expense), Net	(676,183)	100.00	(518,165)	100.00
NET INCOME BEFORE CAPITAL CONTRIBUTIONS	1,008,425	100.00	771,629	100.00
CAPITAL CONTRIBUTIONS				
Capital Grants - State	<u>62,170</u>	-	<u>98,745</u>	100.00
Total Capital Contributions	<u>62,170</u>	-	<u>98,745</u>	100.00
CHANGE IN NET POSITION	<u>\$ 1,070,595</u>	100.00	<u>\$ 870,374</u>	100.00

**CRESCENTA VALLEY WATER DISTRICT
DETAILED SCHEDULES OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
WASTEWATER OPERATIONS
YEARS ENDED JUNE 30, 2022 AND 2021**

	2022		2021	
	Amount	Percent	Amount	Percent
OPERATING REVENUES				
User and Standby Charges	\$ 3,508,571	100.00 %	\$ 3,425,173	100.00 %
Total Operating Revenues	3,508,571	100.00	3,425,173	100.00
OPERATING EXPENSES				
City of Los Angeles Wastewater System Expense	1,828,078	46.16	1,930,797	46.15
Plant Operations:				
Power	1,232	0.03	574	0.01
Plant Wages	26,985	0.68	50,032	1.20
Utilities	2,314	0.06	2,842	0.07
Maintenance	13,102	0.33	16,501	0.39
Insurance - General	90,917	2.30	79,537	1.90
Signal System	3,140	0.08	4,552	0.11
Other Expense	8,838	0.22	23,720	0.57
Total Plant Operations	146,528	3.70	177,758	4.25
Collection System:				
Maintenance	248,064	6.26	236,683	5.66
Auto and Truck Expense	45,098	1.14	34,612	0.83
Inspection	362	0.01	4,127	0.10
Total Collection System	293,524	7.41	275,422	6.58

**CRESCENTA VALLEY WATER DISTRICT
DETAILED SCHEDULES OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION (CONTINUED)
WASTEWATER OPERATIONS
YEARS ENDED JUNE 30, 2022 AND 2021**

	2022		2021	
	Amount	Percent	Amount	Percent
OPERATING EXPENSES, CONTINUED				
General and Administrative:				
Directors' Fees	\$ 8,478	0.21 %	\$ 8,325	0.20 %
Salaries - Statutory Officers	213,161	5.38	208,198	4.98
Salaries - General Office	314,193	7.93	319,495	7.64
Retirement (CalPERS)	451,687	11.41	616,645	14.74
Payroll Taxes	64,043	1.62	65,276	1.56
Engineering and Drafting	100,578	2.54	114,545	2.74
Accounting	7,286	0.18	11,594	0.28
Legal	29,266	0.74	27,562	0.66
Administrative	50,356	1.27	26,294	0.63
Insurance - General	6,731	0.17	3,755	0.09
Insurance - Group	203,298	5.13	204,294	4.88
Maintenance	10,876	0.27	4,271	0.10
Computer and Supplies	54,489	1.38	27,494	0.66
Utilities	10,863	0.27	7,158	0.17
Telephone	22,012	0.56	27,840	0.67
Printing and Postage	46,451	1.17	34,161	0.82
Training	10,237	0.26	3,114	0.07
Other	88,150	2.23	89,372	2.14
Total General and Administrative	<u>1,692,155</u>	42.73	<u>1,799,393</u>	43.01
Total Operating Expenses	<u>3,960,285</u>	100.00	<u>4,183,370</u>	100.00
Operating Income (Loss) Before Depreciation	(451,714)	100.00	(758,197)	100.00
Depreciation Expense	<u>(575,877)</u>	100.00	<u>(652,762)</u>	100.00
Operating Loss	(1,027,591)	100.00	(1,410,959)	100.00
Nonoperating Revenues (Expense):				
Investment Earnings	-	-	1,511	7.89
Rental Income	21,802	38.22	17,643	92.11
Other Income (Expense), Net	24,751	43.39	-	-
Gain (Loss) on Sale of Capital Assets	10,488	18.39	-	-
Total Nonoperating Income, Net	<u>57,041</u>	100.00	<u>19,154</u>	100.00
NET LOSS BEFORE CAPITAL CONTRIBUTIONS	(970,550)	100.00	(1,391,805)	100.00
CAPITAL CONTRIBUTIONS				
Assessments	<u>62,087</u>	100.00	<u>31,626</u>	100.00
CHANGE IN NET POSITION	<u>\$ (908,463)</u>	100.00	<u>\$ (1,360,179)</u>	100.00

OTHER INDEPENDENT AUDITORS' REPORT

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

Board of Directors
Crescenta Valley Water District
La Crescenta, California

We have audited, in accordance with 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 (the District), as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 21, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

CliftonLarsonAllen LLP

Glendora, California
March 21, 2023