



**Financial Statements
and
Independent Auditor's Report**

April 30, 2015 and 2014

Crestline Village Water District

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To the Board of Directors
Crestline Village Water District
Crestline, California 92325

We have audited the accompanying financial statements of Crestline Village Water District (District) as of and for the years ended April 30, 2015 and 2014, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America as well as the State Controller's *Minimum Audit Requirements for California Special Districts*; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the State Controller's *Minimum Audit Requirements for California Special Districts*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of April 30, 2015 and 2014, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Other Matters

Required Supplementary Information

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

Rogers Anderson Maloney & Scott, LLP

San Bernardino, California
August 14, 2015

Crestline Village Water District

Management's Discussion and Analysis

The Water District

Crestline Village Water District (CVWD) was organized on January 19, 1954 and established under Division 12 of the Water Code of the State of California. CVWD has been engaged in financing, constructing, operating, maintaining and furnishing retail water service to its customers since inception. CVWD currently serves the Crestline (Division 10) and Lake Gregory (Division 20) areas and has about 4,955 water services. CVWD is governed by a five member Board of Directors that are elected at large from the registered voters living within the District's boundaries. The Board meets at 3:00 PM on the third Tuesday of each month at the District's office.

Water Supply

CVWD has two sources from which it obtains its water. There is a limited amount of water from local wells and the balance is obtained by purchasing imported water from the Crestline-Lake Arrowhead Water Agency. During this fiscal year, the local wells produced 368.3 acre-feet of water, or 41.0% of the total supply, while purchased imported water provided 395.3 acre-feet, or 59.0% of the total water supply. The current cost to purchase one acre-foot of imported water is \$1,150, while the cost of producing one acre-foot of well water is approximately \$372. In years of less than normal rainfall, the production of the local wells is less and CVWD must purchase more imported water. During this fiscal year, \$453,320 was spent on purchased water and \$517,700 has been budgeted for purchases in the next year. The demand for purchased imported water is expected to increase in the next fiscal year. While the cost of purchased water can fluctuate substantially from year to year depending on the rainfall and customer demands, CVWD has attempted to stabilize the cost impact to its customers by establishing a \$569,300 Reserve for Purchased Water to minimize the impact of the annual fluctuation in the cost of purchased water, evaluating and adjusting the amount spent on capital improvements each year, and by continually searching for new water sources within the District.

The Basic Financial Statements

Crestline Village Water District is a special-purpose government engaged in activities that support themselves through water charges, availability assessments and property tax revenues. Accordingly, the accompanying financial statements are presented in the format prescribed for proprietary funds by the Governmental Accounting Standards Board (GASB).

These financial statements consist of three interrelated statements designed to provide the reader with relevant, understandable data about our financial condition and operating results. They are the Statements of Net Position, the Statements of Revenues, Expenses, and Changes in Net Position, and the Statements of Cash Flows. The Statements of Net Position presents our assets and liabilities and the difference, or net, between what we own and what we owe as of the last day of our fiscal year. The Statements of Revenues, Expenses, and Changes in Net Position describe the financial results of our operations for the fiscal years reported. These results, or Changes in Net Position, are the increases or decreases in the bottom line of the Statements of Net Position. Readers also need to know how we manage our cash resources during the year to effect the Changes in Net Position. This information is conveyed in the Statements of Cash Flows. These statements reconcile the income or loss from operations that are reported on the accrual basis with the actual cash inflows and uses. The Statements of Cash Flows also details how we obtain cash through financing and investing activities and, similarly, how we spend cash for these purposes.

Crestline Village Water District

Management's Discussion and Analysis

Water Rates for Crestline Village Water District

The water rate schedule for Crestline (Division 10) and Lake Gregory (Division 20) were unchanged from July 2004 to July 2013. Effective July 2013, the monthly minimum charge for Lake Gregory (Division 20) was decreased by \$4.50 per month bringing the monthly minimum charge to \$17.50 for both Divisions. The basic quantity allocation rate from 0 to 1,300 cubic feet remained at \$4.20 per 100 cubic feet. The quantity rate for water consumption in excess of 1,300 cubic feet also remained unchanged at \$6.30 per 100 cubic feet.

Summary Financial Information and Analysis

STATEMENT OF NET POSITION

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Assets			
Current assets	\$ 2,744,556	\$ 3,260,670	\$ 3,092,296
Utility plant	<u>10,616,739</u>	<u>10,443,831</u>	<u>10,814,704</u>
Total assets	<u>13,361,295</u>	<u>13,704,501</u>	<u>13,907,000</u>
Current liabilities	<u>195,610</u>	<u>137,034</u>	<u>114,281</u>
Net position			
Net investment in capital assets	10,616,739	10,443,831	10,814,704
Unrestricted	<u>2,548,946</u>	<u>3,123,636</u>	<u>2,978,015</u>
Total net position	<u>\$ 13,165,685</u>	<u>\$ 13,567,467</u>	<u>\$ 13,792,719</u>

NET POSITION AND CASH FLOWS

During the current fiscal year, net position of CVWD decreased by \$401,782. CVWD had a net decrease in cash for the year of \$499,450. The ratio of current assets to current liabilities is 14:1 compared with 24:1 for the prior fiscal year.

For the year ended April 30, 2014, total net position of CVWD decreased by \$225,252 for the fiscal year. CVWD had a net increase in cash for the year of \$225,948. The ratio of current assets to current liabilities is 24:1 compared with 27:1 for the prior fiscal year.

Crestline Village Water District

Management's Discussion and Analysis

Summary Financial Information and Analysis (continued)

CAPITAL IMPROVEMENTS

	Balance April 30, 2015	Balance April 30, 2014	Balance April 30, 2013
Land and other land rights	\$ 298,168	\$ 300,168	\$ 300,168
Source of supply plant	666,844	666,844	666,844
Pumping plant	460,706	460,706	460,706
Water treatment	90,468	90,468	90,468
Transmission and distribution plant	18,420,733	17,667,044	17,662,000
General plant	2,851,757	2,837,759	2,859,449
Utility plant in service	22,788,676	22,022,989	22,039,635
Less accumulated depreciation	(12,295,814)	(11,696,562)	(11,236,425)
Construction in progress	123,877	117,404	11,494
Total	<u>\$ 10,616,739</u>	<u>\$ 10,443,831</u>	<u>\$ 10,814,704</u>

CVWD strives to provide the best possible service to its customers. To provide this service, CVWD has adopted programs to upgrade or replace its water facilities as it becomes necessary. CVWD also continues to replace and upgrade old equipment to provide an efficient and safe environment for our customers and employees. During the past year, CVWD added \$772,190 in utility plant. This included transmission and distribution improvements of \$753,689. During the fiscal year ended April 30, 2014 the District added \$113,945 in utility plant. This included transmission and distribution improvements of \$5,044.

PLANNED IMPROVEMENTS

CVWD has planned future projects for the improvement of the water system that extends to 2020. The projects are for replacing or adding new water mains, water well exploration and development, improving proposed water storage tanks, building new water storage tanks, and replacing aging heavy equipment. CVWD is endeavoring to pay for these projects on a pay-as-you-go basis over the next five years at the average rate of \$227,204 per year (\$1,136,020/ 5 years). The planned costs are as follows:

Water main projects, installing 2,500 feet	\$ 150,000
Well exploration and development	225,000
Proposed new water storage tanks	461,020
Heavy equipment replacement	300,000
Total	<u>\$ 1,136,020</u>

Crestline Village Water District

Management's Discussion and Analysis

Summary Financial Information and Analysis (continued)

For the 2015-16 fiscal year, CVWD has planned the following improvements:

Inventory Purchases	\$	30,000
Mainline Replacement / Extensions		
Lakeview – Approx. 2,500 LF @ \$60.00		150,000
Storage Tank Work		
Zurich III – New 0.20 MG Tank		364,500
Zurich III – Engineering/Inspection		96,520
Zurich III – District Force Account Work		100,000
Well Development		
Valle Vertical		100,000
Electra Vertical		100,000
Exploration		25,000
Upgrade Telemetry Equipment		25,000
Other Improvements		20,000
Field Equipment		
General		15,000
Office & Maintenance Facility		
On-Line Payment Processing		20,000
Office Partitions		15,000
Board Room Update		20,000
General		5,000
Office Equipment		
General		5,000
Billing Software		45,000
Office Computer Equipment		15,000
Total	\$	<u>1,151,020</u>

REGULATORY AND ENVIRONMENTAL PLANNING

The United States Environmental Protection Agency (USEPA) and the California Department of Health Services (DOHS) prescribe regulations that establish standards for the drinking water provided by CVWD to its customers. CVWD continually tests the water it delivers to its customers to ensure that the water meets these standards. The USEPA has indicated that it is considering adopting more stringent regulations in several areas that would require CVWD to increase the level of water treatment to ensure that the water would meet the proposed new standards. The additional water treatment would require additional capital improvement costs and increased operating costs. The extent of these costs are unknown until the regulations are adopted and an implementation schedule is established.

Crestline Village Water District

Management's Discussion and Analysis

Summary Financial Information and Analysis (continued)

REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	2015	2014	2013
Operating revenues:			
Water sales	\$ 2,238,572	\$ 2,338,203	\$ 2,497,114
Water services	75,323	80,696	84,738
Total operating revenues	<u>2,313,895</u>	<u>2,418,899</u>	<u>2,581,852</u>
Operating expenses:			
Source of supply - labor and maintenance	69,020	70,606	77,121
Source of supply - purchased water	453,320	430,221	269,692
Pumping - labor and maintenance	14,420	6,967	26,271
Pumping - power purchased	52,076	59,257	67,048
Water treatment	17,174	19,129	22,519
Transmission and distribution	205,069	195,580	169,876
Customer accounts	33,344	33,052	41,191
Administrative and general	1,670,111	1,675,137	1,619,870
Depreciation and amortization	603,755	590,728	596,176
Total operating expenses	<u>3,118,289</u>	<u>3,080,677</u>	<u>2,889,764</u>
Operating loss	(804,394)	(661,778)	(307,912)
Nonoperating revenues	380,562	422,436	369,111
Nonoperating expenses	<u>-</u>	<u>-</u>	<u>(12,358)</u>
Income (loss) before contributions	(423,832)	(239,342)	48,841
Capital contributions (contributions in aid of construction)	<u>22,050</u>	<u>14,090</u>	<u>5,090</u>
Change in net position	<u>\$ (401,782)</u>	<u>\$ (225,252)</u>	<u>\$ 53,931</u>

Analysis for fiscal year ended April 30, 2015

The operating revenues for this fiscal year were \$2,313,895 compared with \$2,418,899 for the prior year ended April 30, 2014. The operating expenses for this fiscal year were \$3,118,289 compared with \$3,080,677 for the year ended April 30, 2014. Operating loss for this fiscal year was \$804,394 compared with operating loss of \$661,778 for the prior year ended April 30, 2014. Loss of revenue and an increase in purchased water was the main reason for the change in operating income.

Nonoperating revenues of \$376,562 from property taxes, availability assessments, interest and other income plus nonoperating gains on disposal of utility plant of \$4,000 resulted in \$380,562 nonoperating income. This is compared with nonoperating income of \$422,436 for the prior year ended April 30, 2014.

Crestline Village Water District

Management's Discussion and Analysis

Summary Financial Information and Analysis (continued)

Loss before contributions was \$423,832 (operating loss of \$804,394 plus nonoperating income of \$380,562) for the current fiscal year. This is up from a loss before contributions of \$239,342 from the prior fiscal year. Loss before contributions of \$423,832 is added to the property contributions of \$22,050 for a change in net position for the current fiscal year of \$401,782.

Analysis for fiscal year ended April 30, 2014

The operating revenues for the fiscal year ended April 30, 2014 were \$2,418,899 compared with \$2,581,852 for the prior year ended April 30, 2013. The operating expenses for the fiscal year ended April 30, 2014 were \$3,080,677 compared with \$2,889,764 for the year ended April 30, 2013. The operating loss for the fiscal year ended April 30, 2014 was \$661,778 compared with an operating loss of \$307,912 for the prior year ended April 30, 2013. Loss of revenue and an increase in purchased water was the main reason for the change in operating income.

Nonoperating revenues of \$383,535 from property taxes, availability assessments, interest and other income plus nonoperating gains on disposal of utility plant of \$38,901 resulted in \$422,436 nonoperating income. This is compared with nonoperating income of \$369,111 for the prior year ended April 30, 2013.

Loss before contributions was \$239,342 (operating loss of \$661,778 plus nonoperating income of \$422,436) for the current fiscal year. This is down from an income before contributions of \$48,841 from the prior fiscal year. Loss before contributions of \$239,342 is added to the property contributions of \$14,090 for a change in net position for the fiscal year ended April 30, 2014 of (225,252).

**Statements of Net Position
For April 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
ASSETS		
Current assets:		
Cash in bank	\$ 146,522	\$ 209,954
Cash on hand	500	500
Local Agency Investment Fund	2,129,452	2,565,470
Accounts receivable - water service, net	195,736	201,124
Accounts receivable - other	2,011	2,011
Accrued interest receivable	455	491
Inventory of materials and supplies	99,976	101,026
Prepaid expenses	61,125	67,005
Availability assessments receivable	51,112	51,853
Property taxes receivable, net	57,667	61,236
Total current assets	<u>2,744,556</u>	<u>3,260,670</u>
Noncurrent assets:		
Capital assets:		
Utility plant in service	22,788,676	22,022,989
Less accumulated depreciation	(12,295,814)	(11,696,562)
Construction in progress	123,877	117,404
Total noncurrent assets	<u>10,616,739</u>	<u>10,443,831</u>
Total assets	<u>13,361,295</u>	<u>13,704,501</u>
LIABILITIES		
Current liabilities:		
Accounts payable	61,398	62,486
Deposits	2,480	4,080
Accrued payroll taxes	197	86
Accrued payroll	28,745	-
Accrued overtime leave	1,725	2,649
Accrued paid time off	48,976	52,729
Net OPEB obligation	44,063	14,125
Retirement plan contribution payable	8,026	879
Total current liabilities	<u>195,610</u>	<u>137,034</u>
Total liabilities	<u>195,610</u>	<u>137,034</u>
NET POSITION		
Net investment in capital assets	10,616,739	10,443,831
Unrestricted	2,548,946	3,123,636
Total net position	<u>\$ 13,165,685</u>	<u>\$ 13,567,467</u>

**Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended April 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Operating revenues:		
Water sales:		
Residential	\$ 1,990,872	\$ 2,079,555
Business	243,485	255,992
Other	4,215	2,656
	<u>2,238,572</u>	<u>2,338,203</u>
Water services:		
Turn-on and shut-off charges	<u>75,323</u>	<u>80,696</u>
Total operating revenues	<u>2,313,895</u>	<u>2,418,899</u>
Operating expenses:		
Source of supply:		
Supervision, labor and expense	62,802	66,845
Maintenance - structures and improvements	6,218	3,761
Purchased water	453,320	430,221
	<u>522,340</u>	<u>500,827</u>
Pumping:		
Maintenance - structures, improvements and equipment	14,420	6,967
Power purchased for pumping	52,076	59,257
	<u>66,496</u>	<u>66,224</u>
Water treatment:		
Supervision, labor and expenses	14,325	14,320
Maintenance - structures and improvements	2,849	4,809
	<u>17,174</u>	<u>19,129</u>
Transmission and distribution:		
Maintenance - structures and plant	<u>205,069</u>	<u>195,580</u>
Customer accounts:		
Supervision, meter readings and other expenses	<u>\$ 33,344</u>	<u>\$ 33,052</u>

**Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended April 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Administration and general:		
Salaries	\$ 385,155	\$ 373,177
Office supplies and other expense	288,241	313,484
Property insurance, injuries and damages	90,548	99,397
Employees' retirement and benefits	840,525	819,536
Maintenance - general plant	59,042	62,443
Directors' fees	6,600	7,100
	<u>1,670,111</u>	<u>1,675,137</u>
Other operating expenses:		
Depreciation and amortization	<u>603,755</u>	<u>590,728</u>
Total operating expenses	<u>3,118,289</u>	<u>3,080,677</u>
Operating loss	<u>(804,394)</u>	<u>(661,778)</u>
Nonoperating revenues:		
Interest	5,971	7,393
Taxes and assessments	211,898	208,087
Availability assessments	148,635	147,595
Gain on retirement of plant	4,000	38,901
Other	10,058	20,460
Total nonoperating revenues	<u>380,562</u>	<u>422,436</u>
Income (loss) before contributions	(423,832)	(239,342)
Contributions:		
Capital contributions	<u>22,050</u>	<u>14,090</u>
Change in net position	(401,782)	(225,252)
Net position - beginning of the year	<u>13,567,467</u>	<u>13,792,719</u>
Net position - end of the year	<u>\$ 13,165,685</u>	<u>\$ 13,567,467</u>

Statements of Cash Flows
For the Years Ended April 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 2,317,683	\$ 2,469,314
Cash paid to suppliers	(842,103)	(837,589)
Cash paid for employee services	(1,607,772)	(1,645,354)
Other revenue	10,058	20,460
	<u>(122,134)</u>	<u>6,831</u>
Net cash provided by (used for) operating activities		
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Taxes and assessments received	215,467	219,841
Availability assessments received	149,376	144,299
	<u>364,843</u>	<u>364,140</u>
Net cash provided by noncapital financing activities		
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds on retirement of capital assets	6,000	38,901
Capital contributions	22,050	14,090
Cash purchases of capital assets	(776,216)	(205,468)
	<u>(748,166)</u>	<u>(152,477)</u>
Net cash used for capital and related financing activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	6,007	7,454
	<u>6,007</u>	<u>7,454</u>
Net cash provided by investing activities		
Increase (decrease) in cash and cash equivalents	(499,450)	225,948
Cash and cash equivalents - beginning of year	<u>2,775,924</u>	<u>2,549,976</u>
Cash and cash equivalents - end of year	<u>\$ 2,276,474</u>	<u>\$ 2,775,924</u>

Statements of Cash Flows
For the Years Ended April 30, 2015 and 2014

**RECONCILIATION OF CASH PER STATEMENT OF
CASH FLOWS TO THE STATEMENT OF NET POSITION:**

	<u>Cash</u> <u>April 30, 2014</u>	<u>Net Decrease</u>	<u>Cash</u> <u>April 30, 2015</u>
CURRENT ASSETS:			
Cash in bank	\$ 209,954	\$ (63,432)	\$ 146,522
Cash on hand	500	-	500
Local Agency Investment Fund	<u>2,565,470</u>	<u>(436,018)</u>	<u>2,129,452</u>
 Total	 <u>\$ 2,775,924</u>	 <u>\$ (499,450)</u>	 <u>\$ 2,276,474</u>

Statements of Cash Flows
For the Years Ended April 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH (USED FOR) PROVIDED BY OPERATING ACTIVITIES:		
Operating loss	\$ (804,394)	\$ (661,778)
Adjustments:		
Depreciation and amortization	603,755	590,728
Other revenue	<u>10,058</u>	<u>20,460</u>
	<u>(190,581)</u>	<u>(50,590)</u>
CHANGES IN ASSETS AND LIABILITIES:		
(Increase) decrease in:		
Accounts receivable - water	5,388	47,290
Inventory of materials and supplies	1,050	283
Prepaid expenses	5,880	1,482
Increase (decrease) in:		
Accounts payable	(3,535)	2,549
Deposits	(1,600)	3,125
Accrued payroll	28,745	-
Accrued payroll taxes	111	(83)
Accrued overtime leave	(924)	1,047
Accrued paid time off	(3,753)	(1,235)
Net OPEB obligation	29,938	14,125
Retirement plan contribution payable	<u>7,147</u>	<u>(11,162)</u>
	<u>68,447</u>	<u>57,421</u>
Net cash provided by (used for) operating activities	<u>\$ (122,134)</u>	<u>\$ 6,831</u>

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:
Capital Assets

Utility plant and construction in progress additions included in accounts payable as of April 30, 2015 and 2014 were \$16,834 and \$14,387, respectively.

Crestline Village Water District

Notes to Financial Statements For the Years Ended April 30, 2015 and 2014

Note 1: Nature of Activities and Significant Accounting Policies

Reporting Entity

Crestline Village Water District - A corporation organized and existing under Division 12 of the Water Code of the State of California. The original District, as organized on January 19, 1954, is referred to as Division 10. On October 1, 1979, Division 20 (pertains to the area formerly known as the Lake Gregory Water Company) became a part of the District.

Nature of Business

Crestline Village Water District (the District) was organized on January 19, 1954, under authority of the California Water Code. The District has been engaged in financing, constructing, operating, maintaining and furnishing water service to its customers since inception.

Basis of Accounting

The Crestline Village Water District uses the accrual method of accounting in conformity with the Uniform System of Accounts for Water Utility Districts as prescribed by the Controller of the State of California. Revenues are recognized when they are earned, and expenses are recognized when they are incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

The District has elected to follow all pronouncement of the Governmental Accounting Standards Board (GASB).

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates based on management's knowledge and experience. Due to their prospective nature, actual results could differ from those estimates.

Allowance for Doubtful Accounts

The District uses the allowance method to account for uncollectible customer accounts and property taxes receivable. The allowances are based on management's estimate of possible bad debts. The allowance for doubtful customer accounts is \$6,129 and \$5,995 at April 30, 2015 and 2014, respectively. The allowance for doubtful property taxes receivable is \$2,690 and \$358 at April 30, 2015 and 2014, respectively.

Inventory of Materials and Supplies

Inventories of materials and supplies, consist of parts used for utility plant construction and repair and are valued at cost which approximates market, using the first-in/first-out (FIFO) method. The costs of inventories are recorded as expenses when used (consumption method).

Crestline Village Water District

Notes to Financial Statements For the Years Ended April 30, 2015 and 2014

Note 1: Nature of Activities and Significant Accounting Policies (continued)

Prepaid Expenses

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

Capital Assets

Capital assets consist of all fixed property plant and equipment assets of the District. The capital assets are stated at original cost, which includes direct labor. The depreciation has been computed on the straight-line method based on the estimated service lives of the depreciable properties, which range from two to fifty years. The cost of maintenance is charged to operating expense.

Employee Benefits

District employees earn paid time off (PTO) days each pay period based on length of service. PTO may be accrued to a maximum of 512 hours depending on years of service. Upon termination, the District is obligated to compensate employees for 100% of the accrued unused PTO time. Earned but unused PTO is presented in the current liabilities section of the statement of net position.

Net Position is Categorized as Follows

- *Net investment in capital assets* – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of “net investment in capital assets.” Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- *Restricted* – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted* – This component of net position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Operating and Nonoperating Revenues

Operating revenue includes revenues from water sales and services. Nonoperating revenue includes revenues from all other sources, including taxes and assessments, investment income, and gain on sale of assets.

Crestline Village Water District

Notes to Financial Statements For the Years Ended April 30, 2015 and 2014

Note 1: Nature of Activities and Significant Accounting Policies (continued)

Property Taxes

Property taxes are attached as an enforceable lien on property as of March 1. Taxes are levied on July 1 and are due in two installments. The first installment is due on November 1, and is payable through December 10 without penalty. The second installment is due February 1, and becomes delinquent on April 10. Property taxes are remitted to the District from the County of San Bernardino at various times throughout the year.

Capital Contributions

Capital contributions represent cash or utility plant additions contributed to the District by property owners or developers desiring services that require capital expenditures or capacity commitment. Depreciation of contributed utility plant additions is charged to operations.

Statement of Cash Flows

For purposes of reporting changes in cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Note 2: Cash and Investments

Cash and investments as of April 30, 2015 and 2014 are classified in the accompanying financial statements as follows:

	<u>2015</u>	<u>2014</u>
Statements of net position:		
Current assets:		
Cash in bank and on hand	\$ 147,022	\$ 210,454
Cash in Local Agency Investment Fund	<u>2,129,452</u>	<u>2,565,470</u>
Total cash and investments	<u><u>\$ 2,276,474</u></u>	<u><u>\$ 2,775,924</u></u>

Cash and investments as of April 30, 2015 and 2014, consist of the following:

	<u>2015</u>	<u>2014</u>
Deposits with financial institutions	\$ 146,522	\$ 209,954
Cash on hand	500	500
Investment in Local Agency Investment Fund	<u>2,129,452</u>	<u>2,565,470</u>
Total cash and investments	<u><u>\$ 2,276,474</u></u>	<u><u>\$ 2,775,924</u></u>

Crestline Village Water District

**Notes to Financial Statements
For the Years Ended April 30, 2015 and 2014**

Note 2: Cash and Investments (continued)

Investments Authorized by the California Government Code and the District's Investment Policy

For April 30, 2015 and 2014, the table below identifies the investment types that are authorized by the District's investment policy and in accordance with Section 53601 of the California Government Code. The table also identifies certain provisions of the District's investment policy that address interest rate risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Bills, Notes or Bonds	1 year	None	None
Negotiable Certificates of Deposit	1 year	None	None
California Local Agency Investment Fund	N/A	None	\$50 Million
Government Agency Securities	1 year	None	None

Disclosures Relating to 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 and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

As of April 30, 2015 and 2014, the District had the following investments and maturities:

	2015		2014	
	Fair Value	Maturity	Fair Value	Maturity
State Investment pool	\$ 2,129,452	8 months average	\$ 2,565,470	6 months average

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

At April 30, 2015 and 2014, the District did not hold investments that were highly sensitive to interest rate fluctuations beyond that already indicated in the information provided above.

Crestline Village Water District

Notes to Financial Statements For the Years Ended April 30, 2015 and 2014

Note 2: Cash and Investments (continued)

Disclosures Relating to 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 and the actual rating as of yearend for each investment type.

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Not Rated</u>
<i>April 30, 2015</i>			
State Investment Pool	<u>\$ 2,129,452</u>	N/A	<u>\$ 2,129,452</u>
<i>April 30, 2014</i>			
State Investment Pool	<u>\$ 2,565,470</u>	N/A	<u>\$ 2,565,470</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. At April 30, 2015 and 2014, the District did not hold any investments in any one issuer (other than external pools) that represent 5% or more of total District investments.

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 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. 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. 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.

As of April 30, 2015 and 2014, none of the District's deposits with financial institutions were in excess of Federal Depository Insurance Corporation (FDIC) or the National Credit Union Share Insurance Fund (NCUSIF) limits.

Crestline Village Water District

**Notes to Financial Statements
For the Years Ended April 30, 2015 and 2014**

Note 2: Cash and Investments (continued)

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF), which is part of the Pooled Money Investment Account that is regulated by the California Government Code under the oversight of the State Treasurer, Director of Finance and State Controller. The District may invest up to \$50,000,000 in the LAIF fund. Investments in LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest. All investments with LAIF are secured by the full faith and credit of the State of California. Separate LAIF financial statements are available from the California State Treasurer's Office on the Internet at <http://www.treasurer.ca.gov>.

The District's investment in this pool is reported in the accompanying financial statements at cost which approximates fair value 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. Included in LAIF's investment portfolio are certain derivative securities or similar products in the form of asset-backed securities totaling \$997.637 million, which represents 1.47% of the total LAIF portfolio of \$67.9 billion as of June 30, 2015. LAIF's (and the District's) exposure to risk (credit, market or legal) is not currently available.

Note 3: Capital Assets

A summary of changes in capital assets follows:

April 30, 2015

	Balance April 30, 2014	Additions and Transfers	Retirements and Transfers	Balance April 30, 2015
Land and other land rights	\$ 300,168	\$ -	\$ (2,000)	\$ 298,168
Source of supply plant	666,844	-	-	666,844
Pumping plant	460,706	-	-	460,706
Water treatment	90,468	-	-	90,468
Transmission and distribution plant	17,667,044	753,689	-	18,420,733
General plant	2,837,759	18,501	(4,503)	2,851,757
Utility plant in service	22,022,989	772,190	(6,503)	22,788,676
Less accumulated depreciation	(11,696,562)	(603,755)	4,503	(12,295,814)
Construction in progress	117,404	6,473	-	123,877
Total	<u>\$ 10,443,831</u>	<u>\$ 174,908</u>	<u>\$ (2,000)</u>	<u>\$ 10,616,739</u>

Crestline Village Water District

Notes to Financial Statements For the Years Ended April 30, 2015 and 2014

Note 3: Capital Assets (continued)

April 30, 2014

	Balance April 30, 2013	Additions and Transfers	Retirements and Transfers	Balance April 30, 2014
Land and other land rights	\$ 300,168	\$ -	\$ -	\$ 300,168
Source of supply plant	666,844	-	-	666,844
Pumping plant	460,706	-	-	460,706
Water treatment	90,468	-	-	90,468
Transmission and distribution plant	17,662,000	5,044	-	17,667,044
General plant	2,859,449	108,901	(130,591)	2,837,759
Utility plant in service	22,039,635	113,945	(130,591)	22,022,989
Less accumulated depreciation	(11,236,425)	(590,728)	130,591	(11,696,562)
Construction in progress	11,494	105,910	-	117,404
Total	<u>\$ 10,814,704</u>	<u>\$ (370,873)</u>	<u>\$ -</u>	<u>\$ 10,443,831</u>

Note 4: Defined Benefit Pension Plan (PERS)

Plan Description

Crestline Village Water District contributes to the California Public Employees' Retirement System (PERS), a cost sharing multiple-employer public employee defined benefit pension plan. PERS provides retirement, disability benefits, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Copies of PERS' annual financial report may be obtained from its executive office at 400 P Street, Sacramento, California 95814.

All full-time District employees are required to participate in PERS with benefits vesting after five years of service. District employees who retire at age 55 are entitled to an annual retirement benefit, payable monthly for life. The retirement benefit is equal to 2.5% times the number of years of services as a percentage of their monthly average wage for the final 36 consecutive full-time equivalent months of service.

Funding Policy

Participants are required to contribute 8% of their annual covered salary. The District makes the contributions required of District employees on their behalf and for their account. For the years ended April 30, 2015 and 2014, the amount contributed by the District on behalf of the employees was \$61,936 and \$62,334, respectively. Benefit provisions and all other requirements are established by state statute and District ordinance.

Crestline Village Water District

Notes to Financial Statements For the Years Ended April 30, 2015 and 2014

Note 4: Defined Benefit Pension Plan (PERS) (continued)

Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference which is called the net pension obligation (NPO). The ARC for the year ended April 30, 2015 has been determined by an actuarial valuation of the plan as of June 30, 2012. The contribution rate indicated for the period is 33.006% of covered payroll. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of April 30, 2015, this contribution rate would be multiplied by the payroll of covered employees that was actually paid during the period May 1, 2014 to April 30, 2015. A summary of the APC for the current year and each of the two preceding years is as follows:

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
April 30, 2013	\$ 306,195	100%	\$ -0-
April 30, 2014	298,585	100%	-0-
April 30, 2015	308,127	100%	-0-

Note 5: Postemployment Benefits Other Than Pensions

Plan Description

The District provides postemployment medical, dental and vision benefits through the Association of California Water Agencies, Anthem Blue Cross, California Care HMO, and Kaiser HMO to eligible employees who retire from the District and qualified dependents. Eligible retirees also receive District-paid dental and vision coverage. The benefits provide retired employees with the same medical insurance coverage available to current employees. Retirees with 10 to 40 years of service will receive between 25 and 100 percent paid medical benefits, depending on date of hire. Please refer to the plan document for complete coverage details.

Funding Policy and Annual Other Postemployment Benefit Costs

On June 21, 2011, the District adopted the PARS Public Agencies Post-Retirement Health Care Plan Trust Agreement, including the PARS Post-Retirement Health Care Plan, as part of the District's retirement program. The District intends to fund the other postemployment benefits (OPEB) obligation into the PARS Trust. The District's annual OPEB expense for the plan is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The District's annual OPEB cost for the current year and the related information for the plan are shown below.

Crestline Village Water District

**Notes to Financial Statements
For the Years Ended April 30, 2015 and 2014**

Note 5: Postemployment Benefits Other Than Pensions (continued)

	<u>April 30, 2015</u>	<u>April 30, 2014</u>
Annual required contribution	\$ 185,033	\$ 185,033
Interest on net OPEB obligation	848	-
Adjustment to annual required contribution	(721)	-
Annual OPEB cost	<u>185,160</u>	<u>185,033</u>
Contributions made	<u>(155,222)</u>	<u>(170,908)</u>
Increase (decrease) in net OPEB obligation	29,938	14,125
Net OPEB obligation - beginning of year	14,125	-
Net OPEB obligation - end of year	<u><u>\$ 44,063</u></u>	<u><u>\$ 14,125</u></u>

The District's annual OPEB cost has been recognized as a part of the operating expenses of the District in the accompanying financial statements.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the previous two years are presented in the following table.

Plan	Year End	Annual OPEB Cost	Actual Contribution	Percentage of OPEB Cost Contributed	Net OPEB Obligation
Retired Employees Healthcare Plan	April 30, 2013	\$ 178,496	\$ 178,496	100%	\$ -
Retired Employees Healthcare Plan	April 30, 2014	185,033	170,908	92%	14,125
Retired Employees Healthcare Plan	April 30, 2015	185,160	155,222	84%	44,063

As of April 30, 2015 the plan assets per the plan administrator were \$725,740.

Funded Status

The funded status of the plan as of April 30, 2015, based on the May 1, 2012 actuarial valuation is as follows:

Actuarial Accrued Liability (AAL)	\$1,990,233
Value of trust assets at April 30, 2014	<u>331,660</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u><u>\$1,658,573</u></u>
Funded ratio (value of trust assets / AAL)	16.66%
Covered payroll (active plan members)	\$828,791
UAAL as a percentage of covered payroll	200%

Crestline Village Water District

**Notes to Financial Statements
For the Years Ended April 30, 2015 and 2014**

Note 5: Postemployment Benefits Other Than Pensions (continued)

Actuarial valuations of the ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the District are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial assets, consistent with the long-term perspective of the calculations. Significant methods and assumptions were as follows:

Valuation date	May 1, 2012
Actuarial cost method	Projected unit credit
Amortization method	30-year level dollar; open period
Remaining amortization period	30 years as of the value date
Asset valuation method	N/A – no assets
Actuarial assumptions:	
Investment rate of return	6.0%
District cap increases	3.0%

	Year	Increase
Healthcare trend rate	2013	8.0%
	2014	7.0%
	2015+	6.0%
Dental trend rate	All years	4.0%

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)— Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c)
5/1/09	\$ -	\$ 1,858,932	\$ 1,858,932	-	\$ 828,511	224%
5/1/12	331,660	1,990,233	1,658,573	16.66%	828,791	200%

Crestline Village Water District

**Notes to Financial Statements
For the Years Ended April 30, 2015 and 2014**

Note 6: Risk Management

The District is exposed to various risks of loss due to torts, theft of (or damage to and destruction of) assets, error and omissions, injuries to employees, and natural disasters. The District participates in a joint venture under a Joint Powers Agreement (JPA) with the Association of California Water Agencies Joint Powers Insurance Authority (the Authority). The Authority is a risk-pooling self-insurance authority created under the provisions of California Government Code Section 6500 et. sec.

The Authority is governed by a board consisting of a representative from each member agency. The board controls the operations of the Authority including selection of management and approval of operating budgets. The relationship between the District and the Authority is such that the Authority is not a component unit of the District for financial reporting purposes.

The purpose of the Authority is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage. At April 30, 2015, the District participation in the insurance programs of the Authority is shown as follows:

	Deductible	Pooled Self Insured	Third Party
General liability	None	\$2,000,000	\$ 9 million to \$ 58 million
Auto liability	None	2,000,000	9 million to 58 million
Public officials liability	None	2,000,000	9 million to 58 million
Property			
Buildings and equipment	\$ 5,000	\$ 100,000	\$ 150,000,000
Mobile equipment	5,000	100,000	150,000,000
Licensed vehicle	1,000	100,000	150,000,000
Fidelity	1,000	100,000	None
Boiler and machinery	Various	100,000	150,000,000

Condensed financial information of the Authority for the years ended September 30, 2014 and 2013 are as follows:

	2014	2013
Total assets	<u>\$ 195,584,006</u>	<u>\$ 194,823,604</u>
Total liabilities	\$ 107,626,833	\$ 100,307,836
Net assets	<u>87,957,173</u>	<u>94,515,768</u>
Total liabilities and net assets	<u>\$ 195,854,006</u>	<u>\$ 194,823,604</u>
Total revenues	\$ 143,125,594	\$ 140,452,408
Total expenses	<u>149,684,189</u>	<u>133,299,974</u>
Change in net assets	<u>\$ (6,558,595)</u>	<u>\$ 7,152,434</u>



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Board of Directors
Crestline Village Water District
Crestline, California 92325

***Independent Auditor's Report
on Supplementary Information***

We have audited the financial statements of Crestline Village Water District as of and for the years ended April 30, 2015 and 2014, and have issued our report thereon dated August 14, 2015 which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The information on pages 27 to 35 is presented for the purposes of additional analysis and is not a required part of the financial statements.

The information on pages 27 to 35 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Rogers Anderson Malody & Scott, LLP

San Bernardino, California
August 14, 2015

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**Schedule of Utility Plant and Accumulated Depreciation
April 30, 2015**

	COST OF UTILITY PLANT				ACCUMULATED DEPRECIATION			
	Balance April 30, 2014	Additions	Retirements	Balance April 30, 2015	Balance April 30, 2014	Provision	Retirements	Balance April 30, 2015
LAND:								
Land	\$ 297,067	\$ -	\$ (2,000)	\$ 295,067	\$ -	\$ -	\$ -	\$ -
Other land rights	3,101	-	-	3,101	-	-	-	-
	<u>300,168</u>	<u>-</u>	<u>(2,000)</u>	<u>298,168</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
SOURCE OF SUPPLY PLANT:								
Structures and improvements	17,712	-	-	17,712	8,663	696	-	9,359
Wells, springs and infiltration galleries	624,246	-	-	624,246	365,861	22,211	-	388,072
Crestline-Lake Arrowhead Water Agency meter connection	24,886	-	-	24,886	24,886	-	-	24,886
	<u>666,844</u>	<u>-</u>	<u>-</u>	<u>666,844</u>	<u>399,410</u>	<u>22,907</u>	<u>-</u>	<u>422,317</u>
PUMPING PLANT:								
Structures and improvements	266,133	-	-	266,133	224,738	5,258	-	229,996
Pumping equipment	143,394	-	-	143,394	113,916	2,332	-	116,248
Telemetry equipment	51,179	-	-	51,179	50,824	118	-	50,942
	<u>460,706</u>	<u>-</u>	<u>-</u>	<u>460,706</u>	<u>389,478</u>	<u>7,708</u>	<u>-</u>	<u>397,186</u>
WATER TREATMENT:								
Structures and improvements	10,041	-	-	10,041	10,041	-	-	10,041
Equipment	80,427	-	-	80,427	74,466	1,056	-	75,522
	<u>90,468</u>	<u>-</u>	<u>-</u>	<u>90,468</u>	<u>84,507</u>	<u>1,056</u>	<u>-</u>	<u>85,563</u>
TRANSMISSION AND DISTRIBUTION PLANT:								
Structures and improvements	525,708	-	-	525,708	352,233	22,637	-	374,870
Reservoirs and tanks	5,243,285	747,748	-	5,991,033	2,142,421	170,205	-	2,312,626
Transmission and distribution mains	8,422,287	1	-	8,422,288	4,278,446	170,236	-	4,448,682
Hydrants	790,025	-	-	790,025	744,378	11,152	-	755,530
Service taps	1,095,152	4,349	-	1,099,501	924,325	22,091	-	946,416
Meters	1,590,587	1,591	-	1,592,178	199,655	79,529	-	279,184
	<u>17,667,044</u>	<u>753,689</u>	<u>-</u>	<u>18,420,733</u>	<u>8,641,458</u>	<u>475,850</u>	<u>-</u>	<u>9,117,308</u>
GENERAL PLANT:								
Structure and improvements	1,256,795	-	-	1,256,795	826,950	35,257	-	862,207
Office furniture and equipment	365,748	13,141	-	378,889	326,689	15,262	-	341,951
Transportation equipment	403,407	-	-	403,407	286,926	30,373	-	317,299
Tools, shop and garage equipment	682,407	-	-	682,407	667,507	4,852	-	672,359
Communication equipment	129,402	5,360	(4,503)	130,259	73,637	10,490	(4,503)	79,624
	<u>2,837,759</u>	<u>18,501</u>	<u>(4,503)</u>	<u>2,851,757</u>	<u>2,181,709</u>	<u>96,234</u>	<u>(4,503)</u>	<u>2,273,440</u>
Totals	<u>\$ 22,022,989</u>	<u>\$ 772,190</u>	<u>\$ (6,503)</u>	<u>\$ 22,788,676</u>	<u>\$ 11,696,562</u>	<u>\$ 603,755</u>	<u>\$ (4,503)</u>	<u>\$ 12,295,814</u>

Crestline Village Water District

History and Organization

The District was organized on January 19, 1954, under authority of the California Water Code.

A bond issue of \$460,000 was authorized by an election held on January 25, 1955. General Obligation Water Bonds of 1955 - First Division were issued and sold as of April 1, 1955, in the amount of \$350,000. The utility water plant was purchased from the Crestline Village Mutual Service Company on May 15, 1955, at a cost of \$283,369. The balance of the bond issue proceeds were used to pay the cost of the District's formation and to acquire additional plant facilities. The First Division bond was paid off in April, 1987.

The remaining \$110,000 of authorized bonds, designated "General Obligation Water Bonds, Election 1955 - Second Division," were sold as of November 1, 1972. Proceeds of the bond issue were invested in certificates of deposit until used in the District's Master Plan. The Second Division bond was paid off in November, 1987.

As explained in Note 1 of these financial statements, Division 10 refers to the original District as organized plus any growth (except Division 20) to the District through April 30, 2015. On October 1, 1979, the District almost doubled in growth by signing a purchase agreement to acquire the Lake Gregory Water Company (Division 20).

Directors of the District Board as of April 30, 2015, were as follows:

Darel V. Davis, President
Alan Clanin, Vice-President
Steven C. Farrell, Director
Connie Bracher, Director
Kenneth Stone, Director

The General Manager and Secretary to the Board is Karl B. Drew. The Office Manager is Larrie Davis.

Crestline Village Water District

Financial Review

In 1968, the Board of Directors adopted a Master Plan for construction to modernize and expand the District's utility plant and to provide facilities to receive and distribute water from the California Water Project. The Master Plan was updated in 1972. In March, 1972, the District began receiving Feather River water. The Master Plan continues to be updated to meet future water demands of the District.

The Division 20 water rates were slightly higher to assist in covering the purchase price being paid by the District for the Division 20 area and also to assist in the improvements needed to the water system. In July 2013 all improvements were completed and the associated debt for the improvements has been retired.

Effective July, 1991, the District changed from bi-monthly billing to monthly billing for both Divisions 10 and 20. Effective July, 2004 the monthly minimum charge was increased \$2.00 across the board over the previous monthly minimum charge effective July 1993. Effective July 2013 the Board of Directors approved a reduction in the Monthly Minimum Charge for Lake Gregory (Division 20). The monthly minimum charge was reduced by \$4.50, equalizing the rates between the two divisions.

Meter size	Effective	Effective	Effective	Effective	Effective
	July, 2013	July, 2004	July, 1993	July, 2004	July, 1993
	All Divisions	Division 10	Division 10	Division 20	Division 20
5/8 X 3/4 inch meter	\$17.50	\$17.50	\$15.50	\$22.00	\$20.00
3/4 inch meter	18.50	18.50	16.50	23.00	21.00
1 inch meter	19.50	19.50	17.50	24.00	22.00
1 inch meter (residential fire service)	21.75	21.75	19.75	26.25	24.25
1 1/2 inch meter	23.50	23.50	21.50	28.00	26.00
2 inch meter	28.50	28.50	26.50	33.00	31.00
3 inch meter	34.50	34.50	32.50	39.00	37.00

In addition to the monthly minimum charge, monthly water usage for Division 10 and 20 was increased in July, 2004. There was no change in monthly water usage charges with the July, 2013 monthly minimum rate change.

	Effective	Effective
	July, 2004	July, 1993
	Per 100 cu ft	Per 100 cu ft
Water usage from 0 through 1,300 cubic feet	\$4.20	\$3.75
Water usage in excess of 1,300 cubic feet	6.30	5.63

Crestline Village Water District

Financial Review

Active metered services for the District changed during the fiscal year ended April 30, 2015, as follows:

	<u>Division 10</u>	<u>Division 20</u>	<u>Total</u>
April 30, 2015	2,249	2,700	4,949
April 30, 2014	<u>2,244</u>	<u>2,699</u>	<u>4,943</u>
	<u><u>5</u></u>	<u><u>1</u></u>	<u><u>6</u></u>

The San Bernardino County Auditor – Controller’s schedule of November 6, 2014, listed the following tentative assessed valuations for Divisions 10 and 20 for the fiscal year 2014-2015, from which the total amount of tax or levy was calculated:

	<u>General District Division 10 and 20 Assessed Valuation</u>
Secured	\$707,915,211
Utility	178,105
Unsecured	3,610,251
State Reimbursed Exemption	<u>9,417,800</u>
	<u><u>\$721,121,367</u></u>
 Total Levy	 <u><u>\$205,093</u></u>

The San Bernardino County’s 2014-2015 allocation of the \$1 maximum tax rate per \$100 assessed valuation to the District was a levy of approximately \$.0284 per \$100 assessed valuation.

Crestline Village Water District

Statement of Net Position Comments

Utility Plant

A summary of fixed asset additions by principal classification is presented in Schedule One. The 2014-2015 additions are as follows:

RESERVOIRS AND TANKS

New Zurich II Tank	\$ 747,749
	<u>747,749</u>

SERVICE TAPS

New Services (2)	4,349
	<u>4,349</u>

METERS

New Meters (2)	1,591
	<u>1,591</u>

OFFICE FURNITURE AND EQUIPMENT

Optiplex 3020 Desktop coputer (2)	1,871
Window Treatments	6,513
2-Sided ID Maker	2,277
DL200 Letter Opener	2,480
	<u>13,141</u>

COMMUNICATION EQUIPMENT

Motorola Mobile Radios (7)	5,360
	<u>5,360</u>

Total additions	<u><u>\$ 772,190</u></u>
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Retirements during 2014-2015 are shown in detail below:

	<u>Sales Price</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Gain (Loss)</u>
<u>LAND</u>				
Vacant Lots (2)	\$ 6,000	\$ 2,000	\$ -	\$ 4,000
<u>COMMUNICATION EQUIPMENT</u>				
Motorola 300 Mobile Radios (7)	-	4,503	4,503	-
Total retirements	<u><u>\$ 6,000</u></u>	<u><u>\$ 6,503</u></u>	<u><u>\$ 4,503</u></u>	<u><u>\$ 4,000</u></u>

Crestline Village Water District

Statement of Net Position Comments

Construction in Progress

Construction jobs in progress at April 30, 2015 consisted of the following:

<u>Job Number</u>	<u>Description</u>	<u>Incurred to April 30, 2015</u>
112195	New Valle Well	\$ 52,395
112196	Zurich III Tank	69,975
112197	Lakeview Dr Easement Main	1,507
		<u>\$ 123,877</u>

CURRENT ASSETS

At April 30, 2015, the District had \$2,275,974 in cash held in a bank, a credit union and the Local Agency Investment Fund. The following summary shows the amounts in each of the District's accounts and the designated use of the funds:

California Bank & Trust – General account	\$ 110,611
California Bank & Trust – Payroll account	5,500
Arrowhead Credit Union – Savings	17,060
Arrowhead Credit Union – Checking	13,351
Local Agency Investment Fund	<u>2,129,452</u>
Total cash in financial institutions	<u>\$ 2,275,974</u>

Prepaid expenses of \$61,125 are applicable to future periods.

The property taxes receivable, net of the allowance for uncollectible taxes and availability assessments, are shown below:

Property taxes receivable	\$ 60,357
Allowance for uncollectible taxes	<u>(2,690)</u>
Net property taxes receivable	<u>\$ 57,667</u>
Availability assessments receivable	<u>\$ 51,112</u>

Crestline Village Water District

Statement of Net Position Comments

CURRENT LIABILITIES

Accounts payable at April 30, 2015, consisted of the following:

Purchased water – CLAWA	\$	29,387
Capital assets		16,834
Current billings for supplies and expenses		14,077
Inventory		<u>1,100</u>
Total accounts payable	\$	<u>61,398</u>

Overtime and paid time off are computed in hours. The total hours accumulated by each employee is multiplied by the employee's present hourly rate to determine the dollar amount of accrued overtime leave and accrued paid time off.

The District withdrew from Social Security on January 1, 1983, and adopted an ING (Aetna Life Insurance Company) Money Purchase Pension Plan. On May 4, 2007, the District's ING Money Purchase Plan was terminated and on that same date the District started participating in the California Public Employees' Retirement System (CalPERS). Retirement plan contribution payable at April 30, 2015 was \$176 for CalPERS and \$7,850 for the employee elective deferrals for the deferred compensation plan for a total of \$8,026.

NET POSITION

Change in net position for 2014-2015 of \$(401,782) reduced the net position, beginning of the year, to an end of year balance of \$13,165,685 as shown in Exhibit "B".

Revenues and expenses of the current and prior year are compared in Exhibit "B". Change in net position was \$(401,782) for the year just ended, down \$176,530 from the change in net position reported for 2013-2014. The net position will be applied toward continuation of completing the District's Master Plan for distribution of water.

Crestline Village Water District

Revenue and Expense Comments

The following is a comparison of the residential and business water sales by month for the years ended April 30, 2015 and 2014:

Month	2015		2014	
	Division 10	Division 20	Division 10	Division 20
May	\$ 89,264	\$ 94,579	\$ 89,251	\$ 114,339
June	95,927	113,610	97,679	127,604
July	102,432	119,897	106,384	136,912
August	96,392	116,096	103,572	124,343
September	89,813	110,450	96,207	125,469
October	87,624	102,220	87,676	106,754
November	79,427	97,555	79,132	97,213
December	79,280	90,517	86,735	90,940
January	83,523	92,249	79,096	91,685
February	73,886	87,864	75,074	88,460
March	79,309	83,655	77,396	84,124
April	78,516	90,271	79,452	90,050
Total purchases	<u>\$ 1,035,393</u>	<u>\$ 1,198,963</u>	<u>\$ 1,057,654</u>	<u>\$ 1,277,893</u>

The following is a comparison of the water consumption by month for the years ended April 30, 2015 and 2014:

Month	2015		2014	
	Per 100 Cubic Feet Consumed Division 10	Per 100 Cubic Feet Consumed Division 20	Per 100 Cubic Feet Consumed Division 10	Per 100 Cubic Feet Consumed Division 20
May	11,319	10,798	12,880	14,921
June	12,639	14,457	14,540	16,719
July	13,919	15,713	14,144	16,615
August	12,721	15,025	12,606	16,917
September	11,132	14,032	10,967	13,212
October	10,951	12,321	9,248	11,358
November	9,203	11,399	10,589	10,041
December	9,217	9,876	9,181	10,278
January	9,963	10,346	8,207	9,587
February	8,088	9,465	9,104	8,567
March	9,194	8,488	9,357	10,255
April	9,217	9,958	11,311	10,806
Totals (In 100 Cubic Feet)	<u>127,563</u>	<u>141,878</u>	<u>132,134</u>	<u>149,276</u>

Crestline Village Water District

Revenue and Expense Comments

The following is a comparison of the water purchased from the Crestline - Lake Arrowhead Water Agency by month for the years ended April 30, 2015 and 2014.

<u>Month</u>	<u>2015</u>	<u>2014</u>
May	\$ 30,081	\$ 32,266
June	44,379	40,563
July	65,005	44,536
August	49,465	48,740
September	41,211	45,590
October	42,490	38,548
November	31,666	31,150
December	32,239	28,207
January	37,660	33,444
February	27,349	28,880
March	22,387	27,275
April	29,387	31,022
Totals	<u>\$ 453,320</u>	<u>\$ 430,221</u>