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crestline village

WATER DISTRICT

# Financial Statements
# and
# Independent Auditor's Report

## April 30, 2016 and 2015

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# INDEPENDENT AUDITOR'S REPORT

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, 2016 and 2015, 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, 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.

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.

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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, 2016 and 2015, 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.

*Change in Accounting Principle*

As discussed in Note 1 of the financial statements, the District adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27,* GASB Statement No. 71, *Pension Transaction for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*, and GASB Statement No. 82, *Pension Issues.* Our opinions are not modified with respect to this matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the District's proportionate share of the plan's net pension liability and related ratios as of the measurement date, and the schedule of plan contributions and schedule of funding progress 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, Malody & Scott, LLP

San Bernardino, California
November 8, 2016

**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 4,951 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 256.35 acre-feet of water, or 40.0% of the total supply, while purchased imported water provided 381.95 acre-feet, or 60.0% 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 $390. 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, $418,872 was spent on purchased water and $400,000 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 $583,300 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 assets and liabilities and the difference, or net, between what is owed and what is owed as of the last day of the fiscal year. The Statements of Revenues, Expenses, and Changes in Net Position describe the financial results of 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 cash resources are managed 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.

### 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

| | 2016 | 2015 | 2014 |
|---|---|---|---|
| Assets | | | |
| Current assets | $ 2,213,070 | $ 2,744,556 | $ 3,260,670 |
| Utility plant | 10,581,940 | 10,616,739 | 10,443,831 |
| Total assets | 12,795,010 | 13,361,295 | 13,704,501 |
| Deferred outflows | 736,280 | 321,421 | - |
| Liabilities | | | |
| Current liabilities | 178,264 | 195,610 | 137,034 |
| Non current liabilities | 1,720,595 | 1,533,442 | - |
| Total liabilities | 1,898,859 | 1,729,052 | 137,034 |
| Deferred inflows | 224,074 | 305,675 | - |
| Net position | | | |
| Investment in capital assets | 10,581,940 | 10,616,739 | 10,443,831 |
| Unrestricted | 826,417 | 1,031,250 | 3,123,636 |
| Total net position | $ 11,408,357 | $ 11,647,989 | $ 13,567,467 |

NET POSITION AND CASH FLOWS

During the current fiscal year, net position of CVWD decreased by $239,632. CVWD had a net decrease in cash for the year of $528,525. The ratio of current assets to current liabilities is 12:1 compared with 14:1 for the prior fiscal year.

**Summary Financial Information and Analysis (continued)**

CAPITAL IMPROVEMENTS

| | Balance April 30, 2016 | Balance April 30, 2015 | Balance April 30, 2014 |
|---|---|---|---|
| Land and other land rights | $ 298,168 | $ 298,168 | $ 300,168 |
| Source of supply plant | 666,844 | 666,844 | 666,844 |
| Pumping plant | 460,706 | 460,706 | 460,706 |
| Water treatment | 97,136 | 90,468 | 90,468 |
| Transmission and distribution plant | 18,924,562 | 18,420,733 | 17,667,044 |
| General plant | 2,863,792 | 2,851,757 | 2,837,759 |
| Utility plant in service | 23,311,208 | 22,788,676 | 22,022,989 |
| Less accumulated depreciation | (12,841,388) | (12,295,814) | (11,696,562) |
| Construction in progress | 112,120 | 123,877 | 117,404 |
| Total | $ 10,581,940 | $ 10,616,739 | $ 10,443,831 |

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 $591,468 in utility plant. This included transmission and distribution improvements of $572,765.

PLANNED IMPROVEMENTS

CVWD has planned future projects for the improvement of the water system that extends to 2021. 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 $176,000 per year ($880,000/ 5 years). The planned costs are as follows:

| | |
|---|---|
| Water main projects, installing 2,500 feet | $ 150,000 |
| Well exploration and development | 300,000 |
| Proposed new water storage tanks | 30,000 |
| Heavy equipment replacement | 300,000 |
| Office & Maintenance Facility | 100,000 |
| Total | $ 880,000 |

**Summary Financial Information and Analysis (continued)**

For the 2016-17 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 Tanks – Paving and Fencing | | 30,000 |
| Well Development | | |
| Valle Vertical | | 150,000 |
| Electra Vertical | | 150,000 |
| Upgrade Telemetry Equipment | | 25,000 |
| Other Improvements | | 20,000 |
| Field Equipment | | |
| General | | 15,000 |
| Office & Maintenance Facility | | |
| Replace Building Roof | | 45,000 |
| Office Partitions | | 20,000 |
| Board Room Update | | 20,000 |
| General | | 5,000 |
| Office Equipment | | |
| Billing Software | | 45,000 |
| Office Computer Equipment | | 15,000 |
| Total | $ | 720,000 |

NET PENSION LIABILITY

The District reported a net pension liability of $1,720,595 in addition to associated deferred outflows of resources of $736,280 and deferred inflows of resources of $224,074. This was an increase of $187,153 from the prior year net pension liability of $1,533,442 and was based on actuarially determined amounts.

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.

**Summary Financial Information and Analysis (continued)**

REVENUES, EXPENSES, AND CHANGES IN NET POSITION

| | 2016 | 2015 | 2014 |
|---|---|---|---|
| Operating revenues: | | | |
| Water sales | $ 2,094,227 | $ 2,238,572 | $ 2,338,203 |
| Water services | 72,800 | 75,323 | 80,696 |
| Total operating revenues | 2,167,027 | 2,313,895 | 2,418,899 |
| Operating expenses: | | | |
| Source of supply - labor and maintenance | 71,854 | 69,020 | 70,606 |
| Source of supply - purchased water | 418,872 | 453,320 | 430,221 |
| Pumping - labor and maintenance | 9,928 | 14,420 | 6,967 |
| Pumping - power purchased | 44,359 | 52,076 | 59,257 |
| Water treatment | 20,257 | 17,174 | 19,129 |
| Transmission and distribution | 211,936 | 205,069 | 195,580 |
| Customer accounts | 32,172 | 33,344 | 33,052 |
| Administrative and general | 1,382,290 | 1,831,464 | 1,675,137 |
| Depreciation and amortization | 614,510 | 603,755 | 590,728 |
| Total operating expenses | 2,806,178 | 3,279,642 | 3,080,677 |
| Operating loss | (639,151) | (965,747) | (661,778) |
| Nonoperating revenues | 386,264 | 380,562 | 422,436 |
| Income (loss) before contributions | (252,887) | (585,185) | (239,342) |
| Capital contributions (contributions in aid of construction) | 13,255 | 22,050 | 14,090 |
| Change in net position | $ (239,632) | $ (563,135) | $ (225,252) |

*Analysis for fiscal year ended April 30, 2016*

The operating revenues for this fiscal year were $2,167,027. The operating expenses for this fiscal year were $2,806,178. Operating losses for this fiscal year was $639,151. Loss of revenue and a decrease in administrative and general expenses were the main reasons for the change in operating loss.

Nonoperating revenues from property taxes, availability assessments, interest and other income resulted in $386,264 nonoperating income.

Loss before contributions was $252,887 (operating loss of $639,151 plus nonoperating income of $386,264) for the current fiscal year. Loss before contributions of $252,887 is added to the property contributions of $13,255 for a change in net position for the current fiscal year of $239,632.

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## Statements of Net Position
## For April 30, 2016 and 2015

| | 2016 | 2015 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash in bank | $ 145,487 | $ 146,522 |
| Cash on hand | 500 | 500 |
| Local Agency Investment Fund | 1,601,962 | 2,129,452 |
| Accounts receivable - water service, net | 181,141 | 195,736 |
| Accounts receivable - other | - | 2,011 |
| Accrued interest receivable | 700 | 455 |
| Inventory of materials and supplies | 102,459 | 99,976 |
| Loans to employees | 12,063 | - |
| Prepaid expenses | 47,597 | 61,125 |
| Availability assessments receivable | 58,457 | 51,112 |
| Property taxes receivable, net | 62,704 | 57,667 |
| Total current assets | 2,213,070 | 2,744,556 |
| Noncurrent assets: | | |
| Capital assets: | | |
| Utility plant in service | 23,311,208 | 22,788,676 |
| Less accumulated depreciation | (12,841,388) | (12,295,814) |
| Construction in progress | 112,120 | 123,877 |
| Total noncurrent assets | 10,581,940 | 10,616,739 |
| Total assets | 12,795,010 | 13,361,295 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | |
| Pension related | 736,280 | 321,421 |
| **LIABILITIES** | | |
| Current liabilities: | | |
| Accounts payable | 72,885 | 61,398 |
| Deposits | 2,480 | 2,480 |
| Accrued payroll | 30,269 | 28,942 |
| Accrued overtime leave | 4,009 | 1,725 |
| Accrued paid time off | 63,172 | 48,976 |
| Net OPEB obligation | 282 | 44,063 |
| Retirement plan contribution payable | 5,167 | 8,026 |
| Total current liabilities | 178,264 | 195,610 |
| Non current liabilities: | | |
| Net pension liability | 1,720,595 | 1,533,442 |
| Total non current liabilities | 1,720,595 | 1,533,442 |
| Total liabilities | 1,898,859 | 1,729,052 |
| **DEFERRED INFLOWS OF RESOURCES** | | |
| Pension related | 224,074 | 305,675 |
| **NET POSITION** | | |
| Investment in capital assets | 10,581,940 | 10,616,739 |
| Unrestricted | 826,417 | 1,031,250 |
| Total net position | $ 11,408,357 | $ 11,647,989 |

The accompanying notes are an integral part of these financial statements.

**Statements of Revenues, Expenses, and Changes in Net Position**
**For the Years Ended April 30, 2016 and 2015**

| | 2016 | 2015 |
|---|---|---|
| Operating revenues: | | |
| Water sales: | | |
| Residential | $ 1,901,010 | $ 1,990,872 |
| Business | 191,593 | 243,485 |
| Other | 1,624 | 4,215 |
| | 2,094,227 | 2,238,572 |
| Water services: | | |
| Turn-on and shut-off charges | 72,800 | 75,323 |
| Total operating revenues | 2,167,027 | 2,313,895 |
| Operating expenses: | | |
| Source of supply: | | |
| Supervision, labor and expense | 66,776 | 62,802 |
| Maintenance - structures and improvements | 5,078 | 6,218 |
| Purchased water | 418,872 | 453,320 |
| | 490,726 | 522,340 |
| Pumping: | | |
| Maintenance - structures, improvements and equipment | 9,928 | 14,420 |
| Power purchased for pumping | 44,359 | 52,076 |
| | 54,287 | 66,496 |
| Water treatment: | | |
| Supervision, labor and expenses | 15,145 | 14,325 |
| Maintenance - structures and improvements | 5,112 | 2,849 |
| | 20,257 | 17,174 |
| Transmission and distribution: | | |
| Maintenance - structures and plant | 211,936 | 205,069 |
| Customer accounts: | | |
| Supervision, meter readings and other expenses | 32,172 | 33,344 |

The accompanying notes are an integral part of these financial statements.

**Statements of Revenues, Expenses, and Changes in Net Position**
**For the Years Ended April 30, 2016 and 2015**

| | 2016 | 2015 |
|---|---|---|
| Administration and general: | | |
| Salaries | $ 400,589 | $ 385,155 |
| Office supplies and other expense | 317,192 | 288,241 |
| Property insurance, injuries and damages | 72,316 | 90,548 |
| Employees' retirement and benefits | 505,570 | 1,001,878 |
| Maintenance - general plant | 79,223 | 59,042 |
| Directors' fees | 7,400 | 6,600 |
| | 1,382,290 | 1,831,464 |
| Other operating expenses: | | |
| Depreciation and amortization | 614,510 | 603,755 |
| Total operating expenses | 2,806,178 | 3,279,642 |
| Operating loss | (639,151) | (965,747) |
| Nonoperating revenues: | | |
| Interest | 6,780 | 5,971 |
| Taxes and assessments | 218,781 | 211,898 |
| Availability assessments | 152,778 | 148,635 |
| Gain on retirement of plant | - | 4,000 |
| Other | 7,925 | 10,058 |
| Total nonoperating revenues | 386,264 | 380,562 |
| Loss before contributions | (252,887) | (585,185) |
| Contributions: | | |
| Capital contributions | 13,255 | 22,050 |
| Change in net position | (239,632) | (563,135) |
| Net position - beginning of the year, as restated | 11,647,989 | 12,211,124 |
| Net position - end of the year | $ 11,408,357 | $ 11,647,989 |

The accompanying notes are an integral part of these financial statements.

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**Statements of Cash Flows**
**For the Years Ended April 30, 2016 and 2015**

| | 2016 | 2015 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | |
| Cash received from customers | $ 2,183,633 | $ 2,317,683 |
| Cash paid to suppliers | (836,945) | (842,103) |
| Cash paid for employee services | (1,670,804) | (1,607,772) |
| Other revenue | 7,925 | 10,058 |
| Net cash used for operating activities | (316,191) | (122,134) |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:** | | |
| Loans to employees | (12,063) | - |
| Taxes and assessments received | 213,744 | 215,467 |
| Availability assessments received | 145,433 | 149,376 |
| Net cash provided by noncapital financing activities | 347,114 | 364,843 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:** | | |
| Proceeds on retirement of capital assets | - | 6,000 |
| Capital contributions | 13,255 | 22,050 |
| Cash purchases of capital assets | (579,238) | (776,216) |
| Net cash used for capital and related financing activities | (565,983) | (748,166) |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | |
| Investment income | 6,535 | 6,007 |
| Net cash provided by investing activities | 6,535 | 6,007 |
| Decrease in cash and cash equivalents | (528,525) | (499,450) |
| Cash and cash equivalents - beginning of year | 2,276,474 | 2,775,924 |
| Cash and cash equivalents - end of year | $ 1,747,949 | $ 2,276,474 |

The accompanying notes are an integral part of these financial statements.

**Statements of Cash Flows**
**For the Years Ended April 30, 2016 and 2015**

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

| | Cash April 30, 2015 | Net Decrease | Cash April 30, 2016 |
|---|---|---|---|
| **CURRENT ASSETS:** | | | |
| Cash in bank | $ 146,522 | $ (1,035) | $ 145,487 |
| Cash on hand | 500 | - | 500 |
| Local Agency Investment Fund | 2,129,452 | (527,490) | 1,601,962 |
| Total | $ 2,276,474 | $ (528,525) | $ 1,747,949 |

The accompanying notes are an integral part of these financial statements.

**Statements of Cash Flows**
**For the Years Ended April 30, 2016 and 2015**

| | 2016 | 2015 |
|---|---|---|
| **RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES:** | | |
| Operating loss | $ (639,151) | $ (965,747) |
| Adjustments: | | |
| Depreciation and amortization | 614,510 | 603,755 |
| Pension liability adjustments | (309,307) | 161,353 |
| Other revenue | 7,452 | 10,058 |
| | (326,496) | (190,581) |
| **CHANGES IN ASSETS AND LIABILITIES:** | | |
| (Increase) decrease in: | | |
| Accounts receivable - water services, net | 14,595 | 5,388 |
| Accounts receivable - other | 2,011 | - |
| Inventory of materials and supplies | (2,483) | 1,050 |
| Prepaid expenses | 13,528 | 5,880 |
| Increase (decrease) in: | | |
| Accounts payable | 11,487 | (3,535) |
| Deposits | - | (1,600) |
| Accrued payroll | 1,327 | 28,745 |
| Accrued payroll taxes | - | 111 |
| Accrued overtime leave | 2,284 | (924) |
| Accrued paid time off | 14,196 | (3,753) |
| Net OPEB obligation | (43,781) | 29,938 |
| Retirement plan contribution payable | (2,859) | 7,147 |
| | 10,305 | 68,447 |
| Net cash used for operating activities | $ (316,191) | $ (122,134) |

**NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:**

Capital Assets

Utility plant and construction in progress additions included in accounts payable as of April 30, 2016 and 2015 were $16,361 and $16,834, respectively.

The accompanying notes are an integral part of these financial statements.

## 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 $5,500 and $6,129 at April 30, 2016 and 2015, respectively. The allowance for doubtful property taxes receivable is $2,546 and $2,689 at April 30, 2016 and 2015, 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).

**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.

**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.

Implementation of New Pronouncements

The District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27.* The primary objective of this Statement is to improve accounting and financial reporting by state and local government for pensions. It also improves information provided by state and local government employers about financial support for pensions that is provided by other entities. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pension plans, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

The District implemented GASB Statement No. 82, Pension Issues. The objective of this statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets that are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. The statement addresses the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes and the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

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

Implementation of New Pronouncements (continued)

These pronouncements have been implemented 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 Systems (CalPERS) plans (Plans) and additions to/deductions from the Plan's 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.

The District implemented GASB Statement No. 72, Fair Value Measurement and Application. The objective of this statement is to address accounting and financial reporting issues related to fair value measurement. The statement defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between two market participants. This statement provides guidance for determining a fair value measurement for financial reporting purposes and also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

Pension Plan

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

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

| | Fiscal Year 2016 | Fiscal Year 2015 |
|---|---|---|
| Valuation Date (VD) | June 30, 2014 | June 30, 2013 |
| Measurement Date (MD) | June 30, 2015 | June 30, 2014 |
| Measurement Period (MP) | July 1, 2014 to June 30, 2015 | July 1, 2013 to June 30, 2014 |

## Note 2: Cash and Investments

Cash and investments as of April 30, 2016 and 2015 are classified in the accompanying financial statements as follows:

| | 2016 | 2015 |
|---|---|---|
| Statements of net position: | | |
| Current assets: | | |
| Cash in bank and on hand | $ 145,987 | $ 147,022 |
| Cash in Local Agency Investment Fund | 1,601,962 | 2,129,452 |
| Total cash and investments | $ 1,747,949 | $ 2,276,474 |

Cash and investments as of April 30, 2016 and 2015, consist of the following:

| | 2016 | 2015 |
|---|---|---|
| Deposits with financial institutions | $ 145,487 | $ 146,522 |
| Cash on hand | 500 | 500 |
| Investment in Local Agency Investment Fund | 1,601,962 | 2,129,452 |
| Total cash and investments | $ 1,747,949 | $ 2,276,474 |

**Note 2: Cash and Investments (continued)**

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

For April 30, 2016, 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 | $65 Million |
| Government Agency Securities | 1 year | None | None |

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, 2016 and 2015, the District had the following investments and maturities:

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | Fair Value | Maturity | Fair Value | Maturity |
| State Investment pool | $ 1,601,962 | 5 months average | $2,129,452 | 8 months average |

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

At April 30, 2016, and 2015 the District did not hold investments that were highly sensitive to interest rate fluctuations beyond that already indicated in the information provided above.

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.

**Note 2: Cash and Investments (continued)**

| Investment Type | Amount | Minimum Legal Rating | Not Rated |
|---|---|---|---|
| *April 30, 2016* | | | |
| State Investment Pool | $ 1,601,962 | N/A | $ 1,601,962 |
| *April 30, 2015* | | | |
| State Investment Pool | $ 2,129,452 | N/A | $ 2,129,452 |

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, 2016 and 2015, 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, 2016 and 2015, 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.

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 $65,000,000 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.

## Note 2: Cash and Investments (continued)

Investment in State Investment Pool (continued)

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 April 30, 2016. LAIF's (and the District's) exposure to risk (credit, market or legal) is not currently available.

Fair Value Measurement

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District has no investments subject to the fair value hierarchy established by generally accepted accounting principles.

## Note 3: Capital Assets

A summary of changes in capital assets follows:

April 30, 2016

| | Balance April 30, 2015 | Additions and Transfers | Retirements and Transfers | Balance April 30, 2016 |
|---|---|---|---|---|
| Land and other land rights | $ 298,168 | $ - | $ - | $ 298,168 |
| Source of supply plant | 666,844 | - | - | 666,844 |
| Pumping plant | 460,706 | - | - | 460,706 |
| Water treatment | 90,468 | 6,668 | - | 97,136 |
| Transmission and distribution plant | 18,420,733 | 572,765 | (68,936) | 18,924,562 |
| General plant | 2,851,757 | 12,035 | - | 2,863,792 |
| Utility plant in service | 22,788,676 | 591,468 | (68,936) | 23,311,208 |
| Less accumulated depreciation | (12,295,814) | (614,510) | 68,936 | (12,841,388) |
| Construction in progress | 123,877 | 558,735 | (570,492) | 112,120 |
| Total | $ 10,616,739 | $ 535,693 | $ (570,492) | $ 10,581,940 |

**Note 3: Capital Assets (Continued)**

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 | $ 10,443,831 | $ 174,908 | $ (2,000) | $ 10,616,739 |

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

General Information about the Pension Plan

*Plan Description*

The Plan is a cost-sharing, multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). A full description of the pension plan regarding number of employees covered, benefit provisions, assumptions (for funding, but not account purposes), and membership information is listed in the June 30, 2014 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the actuarial valuation report. The actuarial valuation report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications, at www.calpers.ca.gov.

*Benefits Provided*

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

**Note 4: Defined Benefit Pension Plan (PERS) (Continued)**

General Information about the Pension Plan (continued)

The Plan operates under the provisions of the California Public Employees' Retirement Law (PERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures and policies adopted by the CalPERS Board of Administration. The Plan's authority to establish and amend the benefit terms are set by the PERL and PEPRA, and may be amended by the California state legislature and in some cases require approval by the CalPERS Board.

The Miscellaneous pension plan (Plan) provisions and benefits in effect at April 30, 2016 and 2015 are summarized as follows:

| | **Miscellaneous** | |
|---|---|---|
| Hire date | Prior to January 1, 2013 | On or after January 1, 2013 |
| Benefit formula | 2.5 % @ 55 | 2% @ 62 |
| Benefit vesting schedule | 5 years service | 5 years service |
| Benefit payments | monthly for life | monthly for life |
| Retirement age | 50 - 55 | 52 - 67 |
| Monthly benefits, as a % of eligible compensation | 2.0% to 2.5% | 1.0% to 2.5% |
| Required employee contribution rates | 8% | 6.25% |
| Required employer contribution rates | 9.07% | 6.55% |

*Contributions*

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by the Miscellaneous risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability.

The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer Contributions for the year ended April 30, 2016 for the Plan was $333,081. The actual employer payments of $333,081 made to CalPERS by the District during the measurement period ended June 30, 2015 differed from the District's proportionate share of the employer's contributions of $246,141 by $86,940, which is being amortized over the expected average remaining service lifetime in the Public Agency Cost-Sharing Multiple Employer Plan. Employer Contributions for the year ended April 30, 2015 for the Plan were $308,126. The actual employer payments of $308,126 made to CalPERS by the District during the measurement period ended June 30, 2014 differed from the District's proportionate share of the employer's contributions of $133,503 by $174,623, which is being amortized over the expected average remaining service lifetime in the Public Agency Cost-Sharing Multiple Employer Plan.

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

Net Pension Liability

The District's net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2015, using an annual actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

*Actuarial Methods and Assumptions Used to Determine Total Pension Liability*

For the measurement period ended June 30, 2015 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2014 total pension liability. The June 30, 2014 and June 30, 2015 total pension liabilities were based on the following actuarial methods and assumptions:

| | 2016 | 2015 |
|---|---|---|
| Valuation Date | June 30, 2014 | June 30, 2013 |
| Measurement Date | June 30, 2015 | June 30, 2014 |
| Actuarial Cost Method | Entry Age Normal | Entry Age Normal |
| Asset Valuation Method | Market Value of Assets | Market Value of Assets |
| Actuarial Assumptions: | | |
| Discount Rate | 7.65% | 7.50% |
| Inflation | 2.75% | 2.75% |
| Salary Increases (1) | 3.3% - 14.2% | 3.3% - 14.2% |
| Investment Rate of Return (2) | 7.65% | 7.50% |
| Mortality Rate Table (3) | Derived using CalPERS' membership data for all | |
| Post Retirement Benefit Increase | protection allowance floor on purchasing power applies, 2.75% thereafter | |

(1) Annual increases vary by category, entry age, and duration of service

(2) Net of pension plan investment and administrative expenses; includes inflation

(3) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

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

*Discount Rate*

The discount rate used to measure the total pension liability was 7.65 percent for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

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

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. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

The following table reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2014.

| Asset Class | New Strategic Allocation | Real Return Years 1 - 10[1] | Real Return Years 11+[2] |
|---|---|---|---|
| Global Equity | 47.0% | 5.25% | 5.71% |
| Global Fixed Income | 19.0% | 0.99% | 2.43% |
| Inflation Sensitive | 6.0% | 0.45% | 3.36% |
| Private Equity | 12.0% | 6.83% | 6.95% |
| Real Estate | 11.0% | 4.50% | 5.13% |
| Infrastructure and Forestland | 3.0% | 4.50% | 5.09% |
| Liquidity | 2.0% | (0.55%) | (1.05%) |
| Total | 100% | | |

[1] An expected inflation of 2.5% used for this period

[2] An expected inflation of 3.0% used for this period

*Pension Plan Fiduciary Net Position*

Information about the pension plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position are presented in CalPERS' audited financial statements, which are publicly available reports that can be obtained at CalPERS' website under Forms and Publications, at www.calpers.ca.gov. The plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis used by the pension plan, which is the economic resources measurement focus and the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. Investments are reported at fair value.

The plan's fiduciary net position disclosed in the GASB 68 accounting valuation report may differ from the plans' assets reported in the funding actuarial valuation report due to several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and Other Post-Employment Benefits (OPEB) expense included as assets. These amounts are excluded for rate setting purposes in the funding actuarial valuation. In addition, differences may result from early Financial Statement closing and final reconciled reserves.

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

Proportionate Share of Net Pension Liability

The following table shows the Plan's proportionate share of the net pension liability for the measurement period ended June 30, 2015 and 2014.

| June 30, 2015 | Increase (Decrease) | | |
|---|---|---|---|
| **Miscellaneous Plan** | Plan Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Plan Net Pension Liability/(Asset) |
| Balance at: 6/30/2014 (VD) | $ 5,887,544 | $ 4,354,102 | $ 1,533,442 |
| Balance at: 6/30/2015 (MD) | 6,015,703 | 4,295,108 | 1,720,595 |
| Net Changes During 2014-15 | 128,159 | (58,994) | 187,153 |

| June 30, 2014 | Increase (Decrease) | | |
|---|---|---|---|
| **Miscellaneous Plan** | Plan Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Plan Net Pension Liability/(Asset) |
| Balance at: 6/30/2013 (VD) | $ 5,556,857 | $ 3,733,501 | $ 1,823,356 |
| Balance at: 6/30/2014 (MD) | 5,887,544 | 4,354,102 | 1,533,442 |
| Net Changes During 2013-14 | 330,687 | 620,601 | (289,914) |

Valuation Date (VD), Measurement Date (MD).

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, 2015, 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, 2014 rolled forward to June 30, 2015 using standard update procedures. The District's proportion of the net pension liability was determined by CalPERS using the output from the Actuarial Valuation System and the fiduciary net position, as provided in the CalPERS Public Agency Cost-Sharing Allocation Methodology Report, which is a publicly available report that can be obtained at CalPERS' website under Forms and Publications, at www.calpers.ca.gov.

*Proportionate Share of Net Pension Liability*

The District's proportionate share of the net pension liability for the Plan as of June 30, 2015 and 2014 was as follows:

| | Miscellaneous |
|---|---|
| Proportion Share of NPL - June 30, 2014 | 0.06205% |
| Proportion Share of NPL - June 30, 2015 | 0.06272% |
| Change - Increase | 0.00067% |

| | Miscellaneous |
|---|---|
| Proportion Share of NPL - June 30, 2013 | 0.05565% |
| Proportion Share of NPL - June 30, 2014 | 0.06205% |
| Change - Increase | 0.00640% |

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

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

The following presents the District's proportionate share of the net pension liability for the Plan as of the June 30, 2015 and 2014, calculated using the discount rate of 7.50 and 7.65 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

| | Discount Rate - 1% (6.65%) | Current Discount Rate (7.65%) | Discount Rate + 1% (8.65%) |
|---|---|---|---|
| Plan's Net Pension Liability | $ 2,539,853 | $ 1,720,595 | $ 1,044,202 |

| | Discount Rate - 1% (6.50%) | Current Discount Rate (7.50%) | Discount Rate + 1% (8.50%) |
|---|---|---|---|
| Plan's Net Pension Liability | $ 2,314,499 | $ 1,533,442 | $ 885,238 |

*Subsequent Events*

There were no subsequent events that would materially affect the results presented in this disclosure.

*Recognition of Gains and Losses*

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

| | |
|---|---|
| Difference between projected and actual earnings | 5 year straight-line amortization |
| All other amounts | Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period |

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the Public Agency Cost-Sharing Multiple-Employer Plan (PERF C).

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

The EARSL for the Plan for the June 30, 2015 measurement period is 3.8 years, which was obtained by dividing the total service years of 467,023 (the sum of remaining service lifetimes of the active employees) by 122,410 (the total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

The EARSL for the Plan for the June 30, 2014 measurement period is 3.8 years, which was obtained by dividing the total service years of 460,700 (the sum of remaining service lifetimes of the active employees) by 122,789 (the total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

*Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions*

As of the start of the measurement periods (July 1, 2014 and 2013), the net pension liability for the Plans was $1,533,442 and $1,823,356.

For the measurement periods ending June 30, 2015 and 2014 (the measurement dates), the District incurred pension expenses of $23,774 and 161,353.

As of April 30, 2016, the District has deferred outflows and deferred inflows of resources related to pensions as follows:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between Expected and Actual Experience | $ 15,776 | $ - |
| Changes of Assumptions | - | (149,252) |
| Net Difference between Projected and Actual Earnings on Pension Plan Investments | - | (74,822) |
| Change in Employer's Proportion | 265,398 | - |
| Difference in Actual vs Projected Contributions | 122,025 | - |
| Pension Contributions Subsequent to Measurement Date | 333,081 | - |
| | $ 736,280 | $ (224,074) |

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

These amounts above are net of outflows and inflows recognized in fiscal 2015-16 period. The $333,081 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended April 30, 2016. Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

| Measurement Period Ended April 30: | Outflows/(Inflows) of Resources, Net |
|---|---|
| 2016 | $ 62,402 |
| 2017 | 57,304 |
| 2018 | 22,048 |
| 2019 | 37,371 |
| 2020 | - |
| Thereafter | - |

As of April 30, 2015, the District has deferred outflows and deferred inflows of resources related to pensions as follows:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Changes of Assumptions | | |
| Net Difference between Projected and Actual Earnings on Pension Plan Investments | $ - | $ (299,078) |
| Change in Employer's Proportion | - | |
| Difference in Actual vs Projected Contributions | - | (6,597) |
| Pension Contributions Subsequent to Measurement Date | 321,421 | - |
| | $ 321,421 | $ (305,675) |

These amounts above are net of outflows and inflows recognized in fiscal 2014-15 period. The $321,421 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended April 30, 2015. Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

| Measurement Period Ended April 30: | Outflows/(Inflows) of Resources, Net |
|---|---|
| 2016 | $ (77,125) |
| 2017 | (77,125) |
| 2018 | (76,654) |
| 2019 | (74,771) |
| 2020 | - |
| Thereafter | - |

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

Proportionate Share of Net Pension Liability (continued)

*Payable to the Pension Plan*

At April 30, 2016, the District has $0 payable for the outstanding amount of contributions to the pension plan required for the year ended April 30, 2016.

**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.

| | April 30, 2016 | April 30, 2015 |
|---|---|---|
| Annual required contribution | $ 200,270 | $ 185,033 |
| Interest on net OPEB obligation | 2,645 | 848 |
| Adjustment to annual required contribution | (3,201) | (721) |
| Annual OPEB cost | 199,714 | 185,160 |
| Contributions made | (243,495) | (155,222) |
| Increase (decrease) in net OPEB obligation | (43,781) | 29,938 |
| Net OPEB obligation - beginning of year | 44,063 | 14,125 |
| Net OPEB obligation - end of year | $ 282 | $ 44,063 |

**Note 5: Postemployment Benefits Other Than Pensions (continued)**

Funding Policy and Annual Other Postemployment Benefit Costs (continued)

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.

As of the May 1, 2015 actuarial valuation, the plan assets per the plan administrator were $725,740.

| Plan | Year End | Annual OPEB Cost | Actual Contribution | Percentage of OPEB Cost Contributed | Net OPEB Obligation |
|---|---|---|---|---|---|
| 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 |
| Retired Employees Healthcare Plan | April 30, 2016 | 199,714 | 243,495 | 122% | 282 |

Funded Status

The funded status of the plan as of April 30, 2016, based on the May 1, 2015 actuarial valuation is as follows:

| | |
|---|---|
| Actuarial Accrued Liability (AAL) | $2,505,264 |
| Value of trust assets at April 30, 2014 | 725,740 |
| Unfunded Actuarial Accrued Liability (UAAL) | $1,779,524 |
| Funded ratio (value of trust assets / AAL) | 28.97% |
| Covered payroll (active plan members) | $827,225 |
| UAAL as a percentage of covered payroll | 215% |

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.

**Note 5: Postemployment Benefits Other Than Pensions (continued)**

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, 2015 |
| 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 | Market value |
| 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% |

**Note 6: Risk Management**

The District is exposed to various risks of loss due to threats, 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.

## Note 6: Risk Management (continued)

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, 2016, 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 | | |

## Note 7: Change in Accounting Principle

As discussed in Note 1, the District implemented GASB Statements No. 68 and 71 effective May 1, 2014. GASB Statements No. 68 & 71, among other provisions, amended prior guidance with respect to the reporting of pensions, and established standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. For defined benefit pensions, the District's net pension liability was not previously recorded on the statement of net position. GASB 68 requires that accounting changes adopted to conform to the provisions of the Statement be applied retroactively by restating financial statements. The cumulative effects of applying the provisions of GASB Statements No. 68 and 71 have been reported as a restatement of beginning net position for the year ended April 30, 2015 in accordance with the statements.

Accordingly, beginning net position on the Statement of Revenues, Expenses, and Changes in Net Position has been restated for changes related to GASB 68 as follows:

| | 2015 |
|---|---|
| Beginning net position, as previously reported | $ 13,567,467 |
| Restatement due to change in accounting principle | (1,356,343) |
| Beginning net position, as restated | $ 12,211,124 |

Draft Subject to Change 11/04/2016



**Schedule of the District's Proportionate Share of the Plan's Net Pension Liability and Related Ratios as of the Measurement Date**
**Last 10 Years***

| | Measurement Date 6/30/2014 | Measurement Date 6/30/2015 |
|---|---|---|
| Employer's Proportion of the Collective Net Pension Liability[1] | 0.02405% | 0.06272% |
| Employer's Proportionate Share of the Collective Net Pension Liability | $ 1,533,442 | $ 1,720,595 |
| Employer's Covered Payroll[2] | $ 785,436 | $ 775,859 |
| Employer's Proportionate Share of the Collective Net Pension Liability as a Percentage of the Employer's Covered Payroll | 195.23% | 221.77% |
| Pension's Plans Fiduciary Net Position as a Percentage of the Total Pension Liability | 73.95% | 71.40% |

[1] Proportion of the collective net pension liability represents the plan's proportion of PERF C, which includes both the Miscellaneous and Safety Risk Pools excluding the 1959 Survivors Risk Pool.

[2] Covered payroll is defined as the payroll on which contributions to a pension plan are based, in accordance with GASB 82.

*Measement period 2013-14 (fiscal year 2014-15) was the first year of implementation.

**Schedule of Plan Contributions**
**Last 10 Years***

| | Fiscal Year 2014-15 | Fiscal Year 2015-16 |
|---|---|---|
| Contractually Determined Contributions | $ 246,141 | $ 333,081 |
| Contributions in Relation to the Contractually Determined Contributions | (246,141) | (333,081) |
| Contribution Deficiency (Excess) | $ - | $ - |
| Employer's Covered Payroll[1] | $ 775,859 | $ 785,436 |
| Contributions as a Percentage of Covered-Employee Payroll | 31.72% | 42.41% |

[1] Covered payroll is defined as the payroll on which contributions to a pension plan are based, in accordance with GASB 82.

**Notes to Schedule:**

Change in Benefit Terms: None

Change in Assumptions: The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expense.
*Measement period 2013-14 (fiscal year 2014-15) was the first year of implementation.

**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% |
| 5/1/15 | 725,740 | 2,505,264 | 1,779,524 | 28.97% | 827,225 | 215% |

Draft Subject
to Change
11/04/2016

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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, 2016 and 2015 and have issued our report thereon dated November 8, 2016 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 39 to 47 is presented for the purposes of additional analysis and is not a required part of the financial statements.

The information on pages 39 to 47 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
November 8, 2016

*Crestline Village Water District*



**Schedule of Utility Plant and Accumulated Depreciation**
**April 30, 2016**

| | COST OF UTILITY PLANT | | | | ACCUMULATED DEPRECIATION | | | |
|---|---|---|---|---|---|---|---|---|
| | Balance April 30, 2015 | Additions | Retirements | Balance April 30, 2016 | Balance April 30, 2015 | Provision | Retirements | Balance April 30, 2016 |
| LAND: | | | | | | | | |
| Land | $ 295,067 | $ - | $ - | $ 295,067 | $ - | $ - | $ - | $ - |
| Other land rights | 3,101 | - | - | 3,101 | - | - | - | - |
| | 298,168 | - | - | 298,168 | - | - | - | - |
| SOURCE OF SUPPLY PLANT: | | | | | | | | |
| Structures and improvements | 17,712 | - | - | 17,712 | 9,359 | 696 | - | 10,055 |
| Wells, springs and infiltration galleries | 624,246 | - | - | 624,246 | 388,072 | 22,210 | - | 410,282 |
| Crestline-Lake Arrowhead Water Agency meter connection | 24,886 | - | - | 24,886 | 24,886 | - | - | 24,886 |
| | 666,844 | - | - | 666,844 | 422,317 | 22,906 | - | 445,223 |
| PUMPING PLANT: | | | | | | | | |
| Structures and improvements | 266,133 | - | - | 266,133 | 229,996 | 5,213 | - | 235,209 |
| Pumping equipment | 143,394 | - | - | 143,394 | 116,248 | 1,730 | - | 117,978 |
| Telemetering equipment | 51,179 | - | - | 51,179 | 50,942 | 119 | - | 51,061 |
| | 460,706 | - | - | 460,706 | 397,186 | 7,062 | - | 404,248 |
| WATER TREATMENT: | | | | | | | | |
| Structures and improvements | 10,041 | - | - | 10,041 | 10,041 | - | - | 10,041 |
| Equipment | 80,427 | 6,668 | - | 87,095 | 75,522 | 1,056 | - | 76,578 |
| | 90,468 | 6,668 | - | 97,136 | 85,563 | 1,056 | - | 86,619 |
| TRANSMISSION AND DISTRIBUTION | | | | | | | | |
| Structures and improvements | 525,708 | - | - | 525,708 | 374,870 | 21,959 | - | 396,829 |
| Reservoirs and tanks | 5,991,033 | 570,492 | 68,936 | 6,492,589 | 2,312,626 | 195,130 | 68,936 | 2,438,820 |
| Transmission and distribution mains | 8,422,288 | - | - | 8,422,288 | 4,448,682 | 170,017 | - | 4,618,699 |
| Hydrants | 790,025 | - | - | 790,025 | 755,530 | 7,177 | - | 762,707 |
| Service taps | 1,099,501 | 1,678 | - | 1,101,179 | 946,416 | 20,046 | - | 966,462 |
| Meters | 1,592,178 | 595 | - | 1,592,773 | 279,185 | 79,608 | - | 358,793 |
| | 18,420,733 | 572,765 | 68,936 | 18,924,562 | 9,117,308 | 493,938 | 68,936 | 9,542,310 |
| GENERAL PLANT: | | | | | | | | |
| Structure and improvements | 1,256,795 | - | - | 1,256,795 | 862,207 | 35,582 | - | 897,789 |
| Office furniture and equipment | 378,889 | 7,953 | - | 386,842 | 341,951 | 9,955 | - | 351,906 |
| Transportation equipment | 403,407 | - | - | 403,407 | 317,299 | 30,374 | - | 347,673 |
| Tools, shop and garage equipment | 682,407 | 4,082 | - | 686,489 | 672,359 | 3,912 | - | 676,271 |
| Communication equipment | 130,259 | - | - | 130,259 | 79,624 | 9,725 | - | 89,349 |
| | 2,851,757 | 12,035 | - | 2,863,792 | 2,273,440 | 89,548 | - | 2,362,988 |
| Totals | $ 22,788,676 | $ 591,468 | $ 68,936 | $ 23,311,208 | $ 12,295,814 | $ 614,510 | $ 68,936 | $ 12,841,388 |

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, 2016. 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, 2016, were as follows:

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

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

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 July, 2013 All Divisions | Effective July, 2004 Division 10 | Effective July, 1993 Division 10 | Effective July, 2004 Division 20 | Effective July, 1993 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 July, 2004 Per 100 cu ft | Effective July, 1993 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 |

Active metered services for the District changed during the fiscal year ended April 30, 2016, as follows:

| | Division 10 | Division 20 | Total |
|---|---|---|---|
| April 30, 2016 | 2,247 | 2,704 | 4,951 |
| April 30, 2015 | 2,249 | 2,700 | 4,949 |
| | (2) | 4 | 2 |

The San Bernardino County Auditor – Controller's schedule of November 6, 2015, listed the following tentative assessed valuations for Divisions 10 and 20 for the fiscal year 2015-2016, from which the total amount of tax or levy was calculated:

| | General District Division 10 and 20 Assessed Valuation |
|---|---|
| Secured | $731,139,899 |
| Utility | 178,105 |
| Unsecured | 3,493,531 |
| State Reimbursed Exemption | 9,321,200 |
| | $744,132,735 |
| Total Levy | $212,364 |

The San Bernardino County's 2015-2016 allocation of the $1 maximum tax rate per $100 assessed valuation to the District was a levy of approximately $.0285 per $100 assessed valuation.

*Utility Plant*

A summary of capital asset additions by principal classification is presented in Schedule One. The 2015-2016 additions are as follows:

| | |
|---|---|
| WATER TREATMENT EQUIPMENT | |
| New Analyzer | $ 6,668 |
| | 6,668 |
| RESERVOIRS & TANKS | |
| Zurich III Tank | 570,492 |
| | 570,492 |
| SERVICE TAPS | |
| New Services (2) | 1,678 |
| | 1,678 |
| METERS | |
| New Meters (2) | 595 |
| | 595 |
| OFFICE FURNITURE AND EQUIPMENT | |
| Dell Optiplex 9020 w/ Monitor | 1,809 |
| Dell X1026P Switch | 527 |
| Dell Sonicwall TZ400 | 1,539 |
| Dell PowerEdge T110 | 1,277 |
| Panasonic TP F G1 | 2,801 |
| | 7,953 |
| TOOLS, SHOP & GARAGE EQUIPMENT | |
| Vivax/Metrotech VM-800 Locator | 1,002 |
| Vivas/Metritech vLoc 9800 Locator | 3,080 |
| | 4,082 |
| Total additions | $ 591,468 |

*Utility Plant (Continued)*

Retirements during 2015-2016 are shown in detail below:

| | Sales Price | Cost | Accumulated Depreciation | Gain (Loss) |
|---|---|---|---|---|
| T&D PLANT - RESERVOIRS AND TANKS | | | | |
| Zurich Tank I | $ - | $ 68,936 | $ 68,936 | $ - |
| Total retirements | $ - | $ 68,936 | $ 68,936 | $ - |

*Construction in Progress*

Construction jobs in progress at April 30, 2016 consisted of the following:

| Job Number | Description | Incurred to April 30, 2016 |
|---|---|---|
| 112195 | New Valle Well | $ 75,855 |
| 112197 | Lakeview Dr Easement Main | 12,353 |
| 112198 | Electra Vertical Well | 23,912 |
| | | $ 112,120 |

*CURRENT ASSETS*

At April 30, 2016, the District had $1,747,449 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 | $ 109,550 |
| California Bank & Trust – Payroll account | 5,500 |
| Arrowhead Credit Union – Savings | 17,085 |
| Arrowhead Credit Union – Checking | 13,352 |
| Local Agency Investment Fund | 1,601,962 |
| Total cash in financial institutions | $ 1,747,449 |

Prepaid expenses of $47,597 are applicable to future periods.

*CURRENT ASSETS (Continued)*

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

| | | |
|---|---|---|
| Property taxes receivable | $ | 65,250 |
| Allowance for uncollectible taxes | | (2,546) |
| Net property taxes receivable | $ | 62,704 |
| Availability assessments receivable | $ | 58,457 |

*CURRENT LIABILITIES*

Accounts payable at April 30, 2016, consisted of the following:

| | | |
|---|---|---|
| Purchased water – CLAWA | $ | 27,952 |
| Capital assets | | 16,361 |
| Current billings for supplies and expenses | | 28,091 |
| Inventory | | 481 |
| Total accounts payable | $ | 72,885 |

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).

*NET POSITION*

Change in net position for 2015-2016 of $239,632 reduced the net position, beginning of the year, to an end of year balance of $11,408,357 as shown in Exhibit "B".

Revenues and expenses of the current and prior year are compared in Exhibit "B". Change in net position was $239,632 for the year just ended, down $323,503 from the change in net position reported for 2014-2015. The net position will be applied toward continuation of completing the District's Master Plan for distribution of water.

The following is a comparison of the residential and business water sales by month for the year ended April 30, 2016 and 2015:

| | 2016 | | 2015 | |
|---|---|---|---|---|
| Month | Division 10 | Division 20 | Division 10 | Division 20 |
| May | $ 79,175 | $ 89,020 | $ 89,264 | $ 94,579 |
| June | 85,966 | 92,928 | 95,927 | 113,610 |
| July | 89,075 | 102,800 | 102,432 | 119,897 |
| August | 90,347 | 99,765 | 96,392 | 116,096 |
| September | 80,792 | 110,185 | 89,813 | 110,450 |
| October | 62,708 | 93,212 | 87,624 | 102,220 |
| November | 78,212 | 112,036 | 79,427 | 97,555 |
| December | 78,987 | 87,532 | 79,280 | 90,517 |
| January | 76,417 | 91,372 | 83,523 | 92,249 |
| February | 74,553 | 89,039 | 73,886 | 87,864 |
| March | 77,137 | 85,141 | 79,309 | 83,655 |
| April | 77,543 | 88,661 | 78,516 | 90,271 |
| Total purchases | $ 950,912 | $ 1,141,691 | $ 1,035,393 | $ 1,198,963 |

The following is a comparison of the water consumption by month for the year ended April 30, 2016 and 2015:

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | Per 100 Cubic Feet Consumed | | Per 100 Cubic Feet Consumed | |
| Month | Division 10 | Division 20 | Division 10 | Division 20 |
| May | 9,481 | 10,263 | 11,319 | 10,798 |
| June | 10,599 | 10,207 | 12,639 | 14,457 |
| July | 11,013 | 12,487 | 13,919 | 15,713 |
| August | 11,541 | 11,894 | 12,721 | 15,025 |
| September | 10,473 | 13,323 | 11,132 | 14,032 |
| October | 9,499 | 10,430 | 10,951 | 12,321 |
| November | 9,151 | 13,388 | 9,203 | 11,399 |
| December | 9,161 | 9,575 | 9,217 | 9,876 |
| January | 7,523 | 8,813 | 9,963 | 10,346 |
| February | 9,235 | 10,262 | 8,088 | 9,465 |
| March | 8,683 | 9,298 | 9,194 | 8,488 |
| April | 8,747 | 9,159 | 9,217 | 9,958 |
| Totals (In 100 Cubic Feet) | 115,106 | 129,099 | 127,563 | 141,878 |

The following is a comparison of the water purchased from the Crestline - Lake Arrowhead Water Agency by month for the year ended April 30, 2016 and 2015.

| Month | 2016 | 2015 |
|---|---|---|
| May | $ 25,208 | $ 30,081 |
| June | 44,747 | 44,379 |
| July | 40,431 | 65,005 |
| August | 38,340 | 49,465 |
| September | 50,238 | 41,211 |
| October | 30,909 | 42,490 |
| November | 29,930 | 31,666 |
| December | 33,734 | 32,239 |
| January | 22,224 | 37,660 |
| February | 27,068 | 27,349 |
| March | 36,982 | 22,387 |
| April | 39,061 | 29,388 |
| Totals | $ 418,872 | $ 453,320 |