crestline village

WATER DISTRICT

Financial Statements
and
Independent Auditor's Report

April 30, 2017 and 2016

Draft - for discussion purposes only

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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, 2017 and 2016, 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.

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, 2017 and 2016, 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, 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.

San Bernardino, California
January XX, 2018

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, $467,626 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. In January 2017, the District increased all monthly charges $8.00 per month. 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

	2017	2016	2015
Assets			
Current assets	$ 2,238,038	$ 2,213,070	$ 2,744,556
Utility plant	10,073,627	10,581,940	10,616,739
Total assets	12,311,665	12,795,010	13,361,295
Deferred outflows	1,100,144	736,280	321,421
Liabilities			
Current liabilities	168,709	178,264	195,610
Non current liabilities	1,928,066	1,720,595	1,533,442
Total liabilities	2,096,775	1,898,859	1,729,052
Deferred inflows	180,916	224,074	305,675
Net position			
Investment in capital assets	10,073,627	10,581,940	10,616,739
Unrestricted	1,060,491	826,417	1,031,250
Total net position	$ 11,134,118	$ 11,408,357	$ 11,647,989

NET POSITION AND CASH FLOWS

During the current fiscal year, net position of CVWD decreased by $274,239. CVWD had a net decrease in cash for the year of $32,833. The ratio of current assets to current liabilities is 13:1 compared with 12:1 for the prior fiscal year.

Summary Financial Information and Analysis (continued)

CAPITAL IMPROVEMENTS

	Balance April 30, 2017	Balance April 30, 2016	Balance April 30, 2015
Land and other land rights	$ 298,168	$ 298,168	$ 298,168
Source of supply plant	755,205	666,844	666,844
Pumping plant	456,052	460,706	460,706
Water treatment	97,136	97,136	90,468
Transmission and distribution plant	18,964,283	18,924,562	18,420,733
General plant	2,873,473	2,863,792	2,851,757
Utility plant in service	23,444,317	23,311,208	22,788,676
Less accumulated depreciation	(13,419,735)	(12,841,388)	(12,295,814)
Construction in progress	49,045	112,120	123,877
Total	$ 10,073,627	$ 10,581,940	$ 10,616,739

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 $176,311 in utility plant.

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 and vehicles. 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 $228,000 per year ($1,140,000/ 5 years). The planned costs are as follows:

Water main projects, installing 2,500 feet	$ 150,000
Well exploration and development	270,000
Vehicle replacement	150,000
Heavy equipment replacement	300,000
Billing software	100,000
Office & Maintenance Facility	170,000
Total	$ 1,140,000

Summary Financial Information and Analysis (continued)

For the 2017-18 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		5,000
Well Development		
Valle Vertical		75,000
Electra Vertical		150,000
Exploration		25,000
Upgrade Telemetry Equipment		25,000
Other Improvements		20,000
Field Equipment		
Vehicle Replacement		70,000
Office & Maintenance Facility		
Replace Building Roof		80,000
Office Partitions		30,000
Board Room Update		20,000
General		5,000
Emergency Preparedness		35,000
Office Equipment		
Billing Software		65,000
Office Computer Equipment		25,000
General		5,000
Total	$	815,000

NET PENSION LIABILITY

The District reported a net pension liability of $1,928,066 in addition to associated deferred outflows of resources of $1,100,144 and deferred inflows of resources of $180,916. This was an increase of $207,471 from the prior year net pension liability of $1,720,595 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

	2017	2016	2015
Operating revenues:			
Water sales	$ 2,323,644	$ 2,094,227	$ 2,238,572
Water services	76,338	72,800	75,323
Total operating revenues	2,399,982	2,167,027	2,313,895
Operating expenses:			
Source of supply - labor and maintenance	86,962	71,854	69,020
Source of supply - purchased water	467,626	418,872	453,320
Pumping - labor and maintenance	23,356	9,928	14,420
Pumping - power purchased	40,934	44,359	52,076
Water treatment	12,540	20,257	17,174
Transmission and distribution	172,364	211,936	205,069
Customer accounts	44,372	32,172	33,344
Administrative and general	1,603,181	1,382,290	1,831,464
Depreciation and amortization	621,549	614,510	603,755
Total operating expenses	3,072,884	2,806,178	3,279,642
Operating loss	(672,902)	(639,151)	(965,747)
Nonoperating revenues	390,989	386,264	380,562
Income (loss) before contributions	(281,913)	(252,887)	(585,185)
Capital contributions	7,674	13,255	22,050
Change in net position	$ (274,239)	$ (239,632)	$ (563,135)

Analysis for fiscal year ended April 30, 2016

The operating revenues for this fiscal year were $2,399,982. The operating expenses for this fiscal year were $3,072,884. Operating losses for this fiscal year was $672,902. 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 $390,989 nonoperating income.

Loss before contributions was $281,913 (operating loss of $672,902 plus nonoperating income of $390,989) for the current fiscal year. Loss before contributions of $281,913 is added to the property contributions of $7,674 for a change in net position for the current fiscal year of $274,239.

Statements of Net Position
For April 30, 2017 and 2016

	2017	2016
ASSETS		
Current assets:		
Cash in bank	$ 159,616	$ 145,487
Cash on hand	500	500
Local Agency Investment Fund	1,555,000	1,601,962
Accounts receivable - water service, net	239,787	181,141
Accrued interest receivable	1,057	700
Inventory of materials and supplies	114,249	102,459
Loans to employees	6,777	12,063
Prepaid expenses	51,977	47,597
Availability assessments receivable	55,055	58,457
Property taxes receivable, net	54,020	62,704
Total current assets	2,238,038	2,213,070
Noncurrent assets:		
Capital assets:		
Utility plant in service	23,444,317	23,311,208
Less accumulated depreciation	(13,419,735)	(12,841,388)
Construction in progress	49,045	112,120
Total noncurrent assets	10,073,627	10,581,940
Total assets	12,311,665	12,795,010
DEFERRED OUTFLOWS OF RESOURCES		
Pension related	1,100,144	736,280
LIABILITIES		
Current liabilities:		
Accounts payable	49,373	72,885
Deposits	2,271	2,480
Accrued payroll	36,832	30,269
Accrued overtime leave	5,822	4,009
Accrued paid time off	74,132	63,172
Net OPEB obligation	279	282
Retirement plan contribution payable	-	5,167
Total current liabilities	168,709	178,264
Non current liabilities:		
Net pension liability	1,928,066	1,720,595
Total non current liabilities	1,928,066	1,720,595
Total liabilities	2,096,775	1,898,859
DEFERRED INFLOWS OF RESOURCES		
Pension related	180,916	224,074
NET POSITION		
Investment in capital assets	10,073,627	10,581,940
Unrestricted	1,060,491	826,417
Total net position	$ 11,134,118	$ 11,408,357

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, 2017 and 2016

	2017	2016
Operating revenues:		
Water sales:		
Residential	$ 2,098,027	$ 1,901,010
Business	213,198	191,593
Other	12,419	1,624
	2,323,644	2,094,227
Water services:		
Turn-on and shut-off charges	76,338	72,800
Total operating revenues	2,399,982	2,167,027
Operating expenses:		
Source of supply:		
Supervision, labor and expense	77,190	66,776
Maintenance - structures and improvements	9,772	5,078
Purchased water	467,626	418,872
	554,588	490,726
Pumping:		
Maintenance - structures, improvements and equipment	23,356	9,928
Power purchased for pumping	40,934	44,359
	64,290	54,287
Water treatment:		
Supervision, labor and expenses	6,388	15,145
Maintenance - structures and improvements	6,152	5,112
	12,540	20,257
Transmission and distribution:		
Maintenance - structures and plant	172,364	211,936
Customer accounts:		
Supervision, meter readings and other expenses	44,372	32,172

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, 2017 and 2016

	2017	2016
Administration and general:		
Salaries	$ 523,236	$ 400,589
Office supplies and other expense	335,745	317,192
Property insurance, injuries and damages	35,912	72,316
Employees' retirement and benefits	642,050	505,570
Maintenance - general plant	57,338	79,223
Directors' fees	8,900	7,400
	1,603,181	1,382,290
Other operating expenses:		
Depreciation and amortization	621,549	614,510
Total operating expenses	3,072,884	2,806,178
Operating loss	(672,902)	(639,151)
Nonoperating revenues:		
Interest	10,278	6,780
Taxes and assessments	221,721	218,781
Availability assessments	141,197	152,778
Other	17,793	7,925
Total nonoperating revenues	390,989	386,264
Loss before contributions	(281,913)	(252,887)
Contributions:		
Capital contributions	7,674	13,255
Change in net position	(274,239)	(239,632)
Net position - beginning of the year, as restated	11,408,357	11,647,989
Net position - end of the year	$ 11,134,118	$ 11,408,357

Statements of Cash Flows
For the Years Ended April 30, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$ 2,341,127	$ 2,183,633
Cash paid to suppliers	(1,021,871)	(836,945)
Cash paid for employee services	(1,654,531)	(1,670,804)
Other revenue	17,793	7,925
Net cash used for operating activities	(317,482)	(316,191)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Loans to employees	5,286	(12,063)
Taxes and assessments received	230,405	213,744
Availability assessments received	144,599	145,433
Net cash provided by noncapital financing activities	380,290	347,114
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital contributions	7,674	13,255
Cash purchases of capital assets	(113,236)	(579,238)
Net cash used for capital and related financing activities	(105,562)	(565,983)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	9,921	6,535
Net cash provided by investing activities	9,921	6,535
Decrease in cash and cash equivalents	(32,833)	(528,525)
Cash and cash equivalents - beginning of year	1,747,949	2,276,474
Cash and cash equivalents - end of year	$ 1,715,116	$ 1,747,949

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

Statements of Cash Flows
For the Years Ended April 30, 2017 and 2016

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

	Cash April 30, 2016	Net Change	Cash April 30, 2017
CURRENT ASSETS:			
Cash in bank	$ 145,487	$ 14,129	$ 159,616
Cash on hand	500	-	500
Local Agency Investment Fund	1,601,962	(46,962)	1,555,000
Total	$ 1,747,949	$ (32,833)	$ 1,715,116

Statements of Cash Flows
For the Years Ended April 30, 2017 and 2016

	2017	2016
RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES:		
Operating loss	$ (672,902)	$ (639,151)
Adjustments:		
Depreciation and amortization	621,549	614,510
Pension liability adjustments	(199,551)	(309,307)
Other revenue	17,793	7,452
	(233,111)	(326,496)
CHANGES IN ASSETS AND LIABILITIES:		
(Increase) decrease in:		
Accounts receivable - water services, net	(58,646)	14,595
Accounts receivable - other	-	2,011
Inventory of materials and supplies	(11,790)	(2,483)
Prepaid expenses	(4,380)	13,528
Increase (decrease) in:		
Accounts payable	(23,512)	11,487
Deposits	(209)	-
Accrued payroll	6,563	1,327
Accrued overtime leave	1,813	2,284
Accrued paid time off	10,960	14,196
Net OPEB obligation	(3)	(43,781)
Retirement plan contribution payable	(5,167)	(2,859)
	(84,371)	10,305
Net cash used for operating activities	$ (317,482)	$ (316,191)

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

Capital Assets

Utility plant and construction in progress additions included in accounts payable as of April 30, 2017 and 2016 were $88,361 and $16,361, 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 $2,761 and $5,500 at April 30, 2017 and 2016, respectively. The allowance for doubtful property taxes receivable is $2,546 and $2,546 at April 30, 2017 and 2016, 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. Donated capital assets are valued at acquisition value at the date of acquisition.

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

In fiscal year 2016, 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.

In fiscal year 2016, 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.

In fiscal year 2016, 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 at www.calpers.ca.gov.

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 2017	Fiscal Year 2016
Valuation Date (VD)	June 30, 2015	June 30, 2014
Measurement Date (MD)	June 30, 2016	June 30, 2015
Measurement Period (MP)	July 1, 2015 to June 30, 2016	July 1, 2014 to June 30, 2015

Net Position Flow Assumption

The District sometimes funds outlays for a particular purpose from both restricted, if applicable and unrestricted resources. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Note 2: Cash and Investments

Cash and investments as of April 30, 2017 and 2016 are classified in the accompanying financial statements as follows:

	2017	2016
Statements of net position:		
Current assets:		
Cash in bank and on hand	$ 160,116	$ 145,987
Cash in Local Agency Investment Fund	1,555,000	1,601,962
Total cash and investments	$ 1,715,116	$ 1,747,949

Cash and investments as of April 30, 2017 and 2016, consist of the following:

	2017	2016
Deposits with financial institutions	$ 159,616	$ 145,487
Cash on hand	500	500
Investment in Local Agency Investment Fund	1,555,000	1,601,962
Total cash and investments	$ 1,715,116	$ 1,747,949

Note 2: Cash and Investments (continued)

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

For April 30, 2017, 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, 2017 and 2016, the District had the following investments and maturities:

	2017		2016	
	Fair Value	Maturity	Fair Value	Maturity
State Investment pool	$ 1,555,000	6 months average	$1,601,962	5 months average

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

At April 30, 2017, and 2016 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, 2017			
State Investment Pool	$ 1,555,000	N/A	$ 1,555,000
April 30, 2016			
State Investment Pool	$ 1,601,962	N/A	$ 1,601,962

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, 2017 and 2016, 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, 2017 and 2016, 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

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, 2017

	Balance April 30, 2016	Additions and Transfers	Retirements and Transfers	Balance April 30, 2017
Land and other land rights	$ 298,168	$ -	$ -	$ 298,168
Source of supply plant	666,844	88,361	-	755,205
Pumping plant	460,706	38,548	(43,202)	456,052
Water treatment	97,136	-	-	97,136
Transmission and distribution plant	18,924,562	39,721	-	18,964,283
General plant	2,863,792	9,681	-	2,873,473
Utility plant in service	23,311,208	176,311	(43,202)	23,444,317
Less accumulated depreciation	(12,841,388)	(621,549)	43,202	(13,419,735)
Construction in progress	112,120	25,286	(88,361)	49,045
Total	$ 10,581,940	$ (419,952)	$ (88,361)	$ 10,073,627

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Note 3: Capital Assets (continued)

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 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, 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, 2017 and 2016 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. The District made contributions to the Plan of $243,135 and $333,081 for April 30, 2017 and 2016, respectively. The actual employer payments of $333,081 made to CalPERS by the District for the measurement period ended June 30, 2016 differed from the District's proportionate share of the employer's contributions of $161,370 by $171,711, which is being amortized over the expected average remaining service lifetime in the Public Agency Cost-Sharing Multiple Employer Plan. The actual employer payments of $321,421 made to CalPERS by the District for the measurement period ended June 30, 2015 differed from the District's proportionate share of the employer's contributions of $223,851 by $97,570, 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)

<u>Net Pension Liability</u>

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, 2016 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2015 total pension liability. The June 30, 2015 and June 30, 2016 total pension liabilities were based on the following actuarial methods and assumptions:

	2017	2016
Valuation Date	June 30, 2015	June 30, 2014
Measurement Date	June 30, 2016	June 30, 2015
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%	7.65%
Inflation	2.75%	2.75%
Salary Increases (1)	Varies by Entry Age and Service	3.3% - 14.2%
Investment Rate of Return (2)	7.65%	7.65%
Mortality Rate Table (3)	Derived using CalPERS' membership data for all Funds	
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, 2015 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, at www.calpers.ca.gov.

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, at www.calpers.ca.gov.

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, 2015.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10[1]	Real Return Years 11+[2]
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	20.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	1.0%	(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, 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, 2016 and 2015.

June 30, 2016	Increase (Decrease)		
Miscellaneous Plan	Plan Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Plan Net Pension Liability/(Asset)
Balance at: 6/30/2015 (VD)	$ 6,015,703	$ 4,295,108	$ 1,720,595
Balance at: 6/30/2016 (MD)	6,261,409	4,333,343	1,928,066
Net Changes During 2015-16	245,706	38,235	207,471

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

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, 2016, 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, 2015 rolled forward to June 30, 2016 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, 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, 2016 and 2015 was as follows:

	Miscellaneous
Proportion Share of NPL - June 30, 2015	0.06272%
Proportion Share of NPL - June 30, 2016	0.05550%
Change - Decrease	(0.00721%)

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

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, 2016 and 2015, calculated using the discount rate of 7.65 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	$ 2,771,047	$ 1,928,066	$ 1,231,384

	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

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, 2016 measurement period is 3.7 years, which was obtained by dividing the total service years of 475,689 (the sum of remaining service lifetimes of the active employees) by 127,009 (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, 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.

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

As of the start of the measurement periods (July 1, 2015 and 2014), the net pension liability for the Plan was $1,720,595 and $1,533,442, respectively.

For the measurement periods ending June 30, 2016 and 2015 (the measurement dates), the District incurred pension expense of $199,551 and $23,774, respectively.

As of April 30, 2017, 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	$ 7,551	$ -
Changes of Assumptions	-	(92,670)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	482,319	-
Change in Employer's Proportion	173,339	(88,246)
Difference in Actual vs Projected Contributions	193,800	-
Pension Contributions Subsequent to Measurement Date	243,135	-
	$ 1,100,144	$ (180,916)

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

These amounts above are net of outflows and inflows recognized in fiscal 2016-17 period. The $243,135 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 measurement period ended April 30, 2017. 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
2017	$ 179,967
2018	144,385
2019	226,815
2020	124,926
2021	-
Thereafter	-

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)

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 measurement period 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	-

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

Proportionate Share of Net Pension Liability (continued)

Payable to the Pension Plan

At April 30, 2017, the District has $0 payable for the outstanding amount of contributions to the pension plan required for the year ended April 30, 2017.

Note 5: Postemployment Benefits Other Than Pensions

Plan Description

The District sponsors a single employer plan postemployment benefit plan. The plan 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. The plan does not issue a separate set of financial statements.

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, 2017	April 30, 2016
Annual required contribution	$ 200,270	$ 200,270
Interest on net OPEB obligation	17	2,645
Adjustment to annual required contribution	(20)	(3,201)
Annual OPEB cost	200,267	199,714
Contributions made	(200,270)	(243,495)
Increase (decrease) in net OPEB obligation	(3)	(43,781)
Net OPEB obligation - beginning of year	282	44,063
Net OPEB obligation - end of year	$ 279	$ 282

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, 2015	$ 185,160	$ 155,222	84%	$ 44,063
Retired Employees Healthcare Plan	April 30, 2016	199,713	243,495	122%	282
Retired Employees Healthcare Plan	April 30, 2017	200,267	200,270	100%	279

Funded Status

The funded status of the plan as of April 30, 2017, 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, 2017, 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		

Required Supplementary Information
April 30, 2017 and 2016

	Measurement date		
	2014	2015	2016
Employer's Proportion of the Collective Net Pension Liability[1]	0.02405%	0.06272%	0.05550%
Employer's Proportionate Share of the Collective Net Pension Liability	$ 1,533,442	$ 1,720,595	$ 1,928,066
Employer's Covered Payroll[2]	$ 781,561	$ 836,877	$ 990,693
Employer's Proportionate Share of the Collective Net Pension Liability as a Percentage of the Employer's Covered Payroll	196.20%	205.60%	194.62%
Pension's Plans Fiduciary Net Position as a Percentage of the Total Pension Liability	73.95%	71.40%	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.

Required Supplementary Information
April 30, 2017 and 2016

	Fiscal Year		
	2014-15	2015-16	2016-17
Contractually Determined Contributions	$ 246,141	$ 333,081	$ 243,135
Contributions in Relation to the Contractually Determined Contributions	(246,141)	(333,081)	(243,135)
Contribution Deficiency (Excess)	$ -	$ -	$ -
Employer's Covered Payroll[1]	$ 781,561	$ 836,877	$ 990,693
Contributions as a Percentage of Covered Payroll	31.49%	39.80%	24.54%

[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%

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, 2017 and 2016 and have issued our report thereon dated January XX, 2018 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.

San Bernardino, California
January XX, 2018

Schedule of Utility Plant and Accumulated Depreciation
April 30, 2017

	COST OF UTILITY PLANT				ACCUMULATED DEPRECIATION			
	Balance April 30, 2016	Additions	Retirements	Balance April 30, 2017	Balance April 30, 2016	Provision	Retirements	Balance April 30, 2017
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	10,055	696	-	10,751
Wells, springs and infiltration galleries	624,246	88,361	-	712,607	410,282	22,210	-	432,492
Crestline-Lake Arrowhead Water Agency	-							
meter connection	24,886	-	-	24,886	24,886	-	-	24,886
	666,844	88,361	-	755,205	445,223	22,906	-	468,129
PUMPING PLANT:								
Structures and improvements	266,133	-	-	266,133	235,209	4,686	-	239,895
Pumping equipment	143,394	-	-	143,394	117,978	3,379	-	121,357
Telemetering equipment	51,179	38,548	(43,202)	46,525	51,061	118	(43,202)	7,977
	460,706	38,548	(43,202)	456,052	404,248	8,183	(43,202)	369,229
WATER TREATMENT:								
Structures and improvements	10,041	-	-	10,041	10,041	-	-	10,041
Equipment	87,095	-	-	87,095	76,578	1,308	-	77,886
	97,136	-	-	97,136	86,619	1,308	-	87,927
TRANSMISSION AND DISTRIBUTION								
Structures and improvements	525,708	37,292	-	563,000	396,829	21,959	-	418,788
Reservoirs and tanks	6,492,589	-	-	6,492,589	2,438,820	214,146	-	2,652,966
Transmission and distribution mains	8,422,288	-	-	8,422,288	4,618,699	170,017	-	4,788,716
Hydrants	790,025	-	-	790,025	762,707	6,179	-	768,886
Service taps	1,101,179	1,818	-	1,102,997	966,462	18,122	-	984,584
Meters	1,592,773	611	-	1,593,384	358,793	79,639	-	438,432
	18,924,562	39,721	-	18,964,283	9,542,310	510,062	-	10,052,372
GENERAL PLANT:								
Structure and improvements	1,256,795	-	-	1,256,795	897,789	34,738	-	932,527
Office furniture and equipment	386,842	-	-	386,842	351,906	11,192	-	363,098
Transportation equipment	403,407	-	-	403,407	347,673	18,578	-	366,251
Tools, shop and garage equipment	686,489	1,991	-	688,480	676,271	4,858	-	681,129
Communication equipment	130,259	7,690	-	137,949	89,349	9,724	-	99,073
	2,863,792	9,681	-	2,873,473	2,362,988	79,090	-	2,442,078
Totals	$ 23,311,208	$ 176,311	$ (43,202)	$ 23,444,317	$ 12,841,388	$ 621,549	$ (43,202)	$ 13,419,735

Draft - for discussion purposes only

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, 2017. 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, 2017, were as follows:

Connie S. Bracher, President
Robert Kinzel, 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.

Statement of Net Position Comments

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. In January 2017, all monthly minimum rates were increased by$8.00 per month.

Meter size	Effective January, 2017 All Divisions	Effective July, 2013 All	Effective July, 2004 Division 10	Effective July, 1993 Division 10	Effective July, 2004 Division 20
5/8 X 3/4 inch meter	$25.50	$17.50	$17.50	$15.50	$22.00
3/4 inch meter	26.50	18.50	18.50	16.50	23.00
1 inch meter	27.50	19.50	19.50	17.50	24.00
1 inch meter (residential fire service)	29.75	21.75	21.75	19.75	26.25
1 1/2 inch meter	31.50	23.50	23.50	21.50	28.00
2 inch meter	36.50	28.50	28.50	26.50	33.00
3 inch meter	42.50	34.50	34.50	32.50	39.00

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 January 2017 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

Statement of Net Position Comments

Active metered services for the District changed during the fiscal year ended April 30, 2017, 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 2016-2017, from which the total amount of tax or levy was calculated:

	General District Division 10 and 20 Assessed Valuation
Secured	$761,445,368
Utility	178,105
Unsecured	3,105,871
State Reimbursed Exemption	10,276,000
	$775,005,344
Total Levy	$221,721

The San Bernardino County's 2016-2017 allocation of the $1 maximum tax rate per $100 assessed valuation to the District was a levy of approximately $.0285 per $100 assessed valuation.

Statement of Net Position Comments

Utility Plant

A summary of capital asset additions by principal classification is presented in Schedule One. The 2016-2017 additions are as follows:

111430	Wells, Springs	
	Valle Explorations Costs	$ 88,361
		88,361
111530	Telemetering Equipment	
	Upgrade to Satellite Units	38,548
		38,548
111710	Structures & Improvements	
	Zurich Tank Site Fencing	6,785
	Zurich Tank Site Retaing Walls & Paving	30,507
		37,292
111750	Services	
	3 New Services	1,818
		1,818
111760	Meters	
	3 New Meters	611
		611
111840	Tools, Shop & Garage Equipment	
	Hach Portable Turbidimeter	1,991
		1,991
111850	Communication Equipment	
	Upgrade Aclara DCU's	7,690
		7,690
	Total additions	$ 176,311

Statement of Net Position Comments

Utility Plant (Continued)

Retirements during 2016-2017 are shown in detail below:

	Sales Price	Cost	Accumulated Depreciation	Gain (Loss)
PUMPING PLANT - TELEMETERING				
Automata Telemetry System	$ -	$ 43,202	$ 43,202	$ -
Total retirements	$ -	$ 43,202	$ 43,202	$ -

Construction in Progress

Construction jobs in progress at April 30, 2017 consisted of the following:

Job Number	Description	Incurred to April 30, 2017
112197	Lakeview Dr Easement Main	$ 12,353
112198	Electra Vertical Well	36,692
		$ 49,045

CURRENT ASSETS

At April 30, 2017, the District had $1,714,616 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	$ 123,653
California Bank & Trust – Payroll account	5,500
Arrowhead Credit Union – Savings	17,111
Arrowhead Credit Union – Checking	13,352
Local Agency Investment Fund	1,555,000
Total cash in financial institutions	$ 1,714,616

Prepaid expenses of $51,977 are applicable to future periods.

Statement of Net Position Comments

CURRENT ASSETS (Continued)

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

Property taxes receivable	$	56,566
Allowance for uncollectible taxes		(2,546)
Net property taxes receivable	$	54,020
Availability assessments receivable	$	55,055

CURRENT LIABILITIES

Accounts payable at April 30, 2017, consisted of the following:

Purchased water – CLAWA	$	27,952
Capital assets		16,361
Current billings for supplies and expenses		4,579
Inventory		481
Total accounts payable	$	49,373

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 2016-2017 of $274,239 reduced the net position, beginning of the year, to an end of year balance of $11,134,118 as shown in Exhibit "B".

Revenues and expenses of the current and prior year are compared in Exhibit "B". Change in net position was $274,239 for the year just ended, down $34,607 from the change in net position reported for 2015-2016. The net position will be applied toward continuation of completing the District's Master Plan for distribution of water.

Revenue and Expense Comments

The following is a comparison of the residential and business water sales by month for the year ended April 30, 2017 and 2016:

	2017		2016	
Month	Division 10	Division 20	Division 10	Division 20
May *	$ (88)	$ 87,640	$ 79,175	$ 89,020
June	80,744	97,939	85,966	92,928
July	91,948	108,825	89,075	102,800
August	98,129	113,144	90,347	99,765
September	96,989	107,961	80,792	110,185
October	91,990	105,072	62,708	93,212
November	85,747	94,666	78,212	112,036
December	79,368	89,278	78,987	87,532
January	79,482	91,207	76,417	91,372
February	96,802	109,049	74,553	89,039
March	92,112	105,131	77,137	85,141
April	131,381	176,708	77,543	88,661
Total purchases	$ 1,024,604	$ 1,286,620	$ 950,912	$ 1,141,691

* due to timing of billing

The following is a comparison of the water consumption by month for the year ended April 30, 2017 and 2016:

	2017		2016	
	Per 100 Cubic Feet Consumed		Per 100 Cubic Feet Consumed	
Month	Division 10	Division 20	Division 10	Division 20
May	8,330	8,443	9,481	10,263
June	13,374	12,633	10,599	10,207
July	13,498	14,562	11,013	12,487
August	12,255	14,126	11,541	11,894
September	11,592	12,983	10,473	13,323
October	10,498	13,309	9,499	10,430
November	9,209	10,350	9,151	13,388
December	8,940	9,645	9,161	9,575
January	9,212	10,437	7,523	8,813
February	7,976	8,357	9,235	10,262
March	8,829	9,201	8,683	9,298
April	8,703	8,914	8,747	9,159
Totals (In 100 Cubic Feet)	122,416	132,960	115,106	129,099

Revenue and Expense Comments

The following is a comparison of the water purchased from the Crestline - Lake Arrowhead Water Agency by month for the year ended April 30, 2017 and 2016.

Month	2017	2016
May	$ 25,385	$ 25,208
June	47,556	44,747
July	58,837	40,431
August	47,149	38,340
September	54,610	50,238
October	44,691	30,909
November	34,652	29,930
December	34,604	33,734
January	45,880	22,224
February	24,166	27,068
March	22,144	36,982
April	27,952	39,061
Totals	$ 467,626	$ 418,872