CliftonLarsonAllen LLP
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Board of Directors
Crescenta Valley Water District
La Crescenta, California

We have audited the financial statements of Crescenta Valley Water District (the District) as of and for the year ended June 30, 2019, and have issued our report thereon dated February 21, 2020. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

<u>*Accounting policies*</u>

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

In 2018-19, the District adopted new accounting guidance:

- As shown in Note 5 to the financial statements, the District implemented GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. As a result of this implementation, District separated direct placements and direct borrowings from other debt and also added additional essential information related to debt in the note.

Other than as described above, no other new accounting policies were adopted and the application of existing policies was not changed during 2018-19.

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

<u>*Accounting estimates*</u>

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

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The most sensitive accounting estimates affecting the financial statements were:

- Management's estimate of the useful lives of its capital assets and the related period of depreciation which is based on historic knowledge of the assets and the frequency with which capital assets must be replaced;

- Management's estimate of the fair value of investments based upon relevant information about similar investments held in managed portfolios and used to determine the probable market value of the investments;

- Management's estimate of pension liabilities and postemployment benefits based upon actuarial assumptions; and

- Management's estimate of unbilled revenues which is based on the revenue cycle of the water system and expected usage of water using historic information.

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

Financial statement disclosures

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

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

Difficulties Encountered in Performing the Audit

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

Uncorrected Misstatements

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

Corrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 21, 2020.

Management Consultations with Other Independent Accountants

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

Significant Issues Discussed With Management Prior To Engagement

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

Other Information in Documents Containing Audited Financial Statements

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

With respect to the Combining Schedule of Fund Net Position, Combining Schedule of Revenues, Expenses and Changes in Fund Net Position, Detailed Schedules of Revenues, Expenses and Changes in Fund Net Position – Water Operations, and Detailed Schedule of Revenues, Expenses and Changes in Fund Net Position – Wastewater Operations (collectively, the supplementary information) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period or the reasons for such changes, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated February 21, 2020.

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

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

CliftonLarsonAllen LLP

Glendora, California
February 21, 2020

Attachment A
Adjusting Journal Entry Summary
June 30, 2019

Account		Description	Debit	Credit	(Increase)/ Decrease Net Position
Adjusting Journal Entries					
Adjusting Journal Entries JE # 1					
To include the money market account in the cash balance					
	01-00-1004-000	Cash- NFSC	$ 132		
	01-00-4265-000	Fair Value Adjustment		132	
Total			**132**	**132**	(132)
Adjusting Journal Entries JE # 2					
Amount per client's books undervalues investments by $137,105					
	01-00-1055-000	Fair Value Adjustment - Invest	137,105		
	01-00-4265-000	Fair Value Adjustment		137,105	
Total			**137,105**	**137,105**	(137,105)
Adjusting Journal Entries JE # 5					
True up beginning net position with the audit report 2017-2018.					
	01-02-5180-000	Office Supplies & Misc Expense	70,156		
	02-00-2552-000	Wastewater Fund Balance	72,194		
	01-00-2552-000	Water Fund Balance		70,156	
	02-02-5180-000	Office Supplies & Misc Expense		72,194	
Total			**142,350**	**142,350**	(2,038)
Adjusting Journal Entries JE # 9					
To record amortization of deferred outflow of refunding at yearend					
	01-01-5910-000	Interest Expense - Notes	16,020		
	01-00-1601-000	Deferred Outflow - Refunding		16,020	
Total			**16,020**	**16,020**	16,020
Adjusting Journal Entries JE # 10					
To correct pending D-job deposit payment to deposit liability account					
	01-00-4110-000	Meter Installation/Hydrant	28,600		
	01-00-2003-000	Deposits - Meter/Hydrant Insta		28,600	
Total			**28,600**	**28,600**	28,600
Adjusting Journal Entries JE # 11					
To true up yearend loan balance for Well 16 project					
	01-00-2445-000	Current Por - Notes Payable	29,095		
	01-01-5910-000	Interest Expense - Notes	130,329		
	01-00-2450-000	GWP Infrastructure LoanPayable		130,329	
	01-01-5910-000	Interest Expense - Notes		29,095	
Total			**159,424**	**159,424**	101,234
		Total Adjusting Journal Entries	**$ 483,631**	**$ 483,631**	**$ 6,579**