

NEWHALL COUNTY  
WATER DISTRICT  
Newhall, CA  
COMPREHENSIVE  
ANNUAL FINANCIAL  
REPORT

FISCAL YEAR ENDED JUNE 30, 2017



**PROUDLY SERVING  
THE COMMUNITY  
FOR 65 YEARS**







# Comprehensive Annual Financial Report

*Fiscal Year Ended June 30, 2017*  
*Received and Filed December 14, 2017*



Prepared by:  
Finance Department  
Newhall, California



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## Introductory Section



Kelly Petera - Senior IT Specialist  
In Memory 1963 - 2017



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# AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Certificate of Achievement for Excellence in Financial Reporting to Newhall County Water District, California for its Comprehensive Annual Financial Report ending June 30, 2016.

The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management.





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## NEWHALL COUNTY WATER DISTRICT

23780 North Pine Street • P.O. Box 220970 • Santa Clarita, CA 91322-0970

(661) 259-3610 Phone • (661) 253-9420 Fax • email: [mail@ncwd.org](mailto:mail@ncwd.org)

Directors: MARIA GUTZEIT, *President* B.J. ATKINS, *Vice President* KATHY COLLEY DANIEL MORTENSEN LYNNE A. PLAMBECK

December 14, 2017

Honorable Board of Directors  
Newhall County Water District

I am pleased to present the Newhall County Water District's (District) Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2017.

This report was prepared by the District's Finance Department following guidelines set forth by the Government Accounting Standards Board (GASB) and Generally Accepted Accounting Principles (GAAP). Responsibility for both the accuracy of the data presented, and the completeness and fairness of the presentation, including all disclosures, rest with District management. We believe the data, as presented is accurate in all material respects and it is presented in a manner that provides a fair representation of the financial position and results of operations of the District. Included are all disclosures we believe necessary to enhance your understanding of the financial condition of the District. GAAP requires management provide a narrative introduction, overview, and analysis, to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A), which should be read in conjunction with this report. The District's MD&A can be found immediately following the Independent Auditors' Report.

The District's financial statements have been audited by Leaf & Cole, LLC, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2017 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the District's financial statements for the fiscal year ended June 30, 2017 are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

## REPORTING ENTITY

### The District's Service Area

Newhall County Water District headquarters is located in the City of Santa Clarita within the northwest region of Los Angeles County and is blessed with all the beauties and amenities of a large city with a small town charm. The District is one of four purveyors in the area and its boundaries encompass approximately 37-square miles in portions of the City of Santa Clarita and Los Angeles County.

## **Local Economy**

The District boundaries encompass the City of Santa Clarita, a city with strong economic base with a large and diverse labor pool. According to the Santa Clarita Valley Economic Development Corporation, the job market in the City has been stellar the last three years. Nearly 14,000 wage and salary jobs have been created. The population of the City increased by 1.8 percent and the median household income was estimated at \$95,064, significantly faster than the statewide average. The unemployment rate has steadily declined over the last 5 years to 4.3 percent, the lowest rate since 2007. New and existing home sales rose 10 percent in 2016. Due to the downturn of the economy in recent years, there were few new housing projects, which limited the supply. Recently prices for new homes have eclipsed their pre-recession peak. The median home selling price for both new and existing homes rose 7 percent. Since 2011, selling values have jumped 47.5 percent.

Nearly 2,000 new jobs were created in the region during 2016, an implied growth rate of 2.2 percent. There is an increase in housing projects forecast for the next few years. The annual projected population growth rate is estimated at 1.9 percent in 2017 and 2 percent in 2018. The Santa Clarita Valley will continue to draw residents from other parts of Los Angeles County, as well as other parts of the state, due to its high standard of living and prosperous job base.

## **The District's Authority**

The District was formed as a County Water District under Division 12 of the California Water Code by voters on January 13, 1953 to serve as a California special district. The District is a "revenue-neutral" public agency, meaning that each end-user pays only their fair share of the District's costs of water production and the operation and maintenance of the public facilities.

As a special district under the authority of Division 12 of the California Water Code, the District is also authorized to exercise the power of eminent domain; to levy and collect taxes; to fix, revise and collect rates or other charges for the delivery of water, the use of facilities or property for the provision of service; and to fix in each fiscal year a water standby or availability charge on land within the boundaries of the District to which water services are made available by the District. The District may also issue bonds, borrow money and incur indebtedness.

## **Governance**

The District's ordinances, policies, taxes, and rates for service are set by five Directors, elected by voters to serve staggered four-year terms on its governing board. The District currently employs a staff of 29 under the direction of the Board-appointed General Manager. The General Manager reports directly to the Board of Directors, and through an Assistant General Manager and a Director of Finance/Administration, oversees day-to-day operations. The Assistant General Manager oversees Water Operations and Engineering and under the direction of the Assistant General Manager, the Director of Finance/Administration oversees the departments of Administrative Services, Finance, and Information Technology. These and other lines of reporting are shown on the organizational flow chart on page 8.

## **Water Services**

The District owns, operates, and maintains over 150 miles of distribution and transmission mains, 22 above ground welded steel reservoirs, 15 booster pump stations, and 11 active groundwater wells. In FY 2017, the District purchased approximately 43% of its water demand from the State Water Project through the wholesaler, Castaic Lake Water Agency. The remaining 57% was pumped from the District's 11 active groundwater wells.

The District also owns a sewer lift station and approximately two miles of sewer main in the Pinetree service area. In addition, the District owns and operates five chloramination facilities throughout the service areas to treat the District's well water.

The District produces more than eight million gallons of treated water on an average daily basis and has more than 9,700 service connections. Of the total connections, 88% are single-family residential, 4% are commercial and municipal, and 4% are multi-family residential. The remainder is made up of landscape, construction water and fire service revenue accounts.

## ECONOMIC CONDITIONS & OUTLOOK

As we are emerging from one of the worst dry periods in recorded history, the District is doing its part in conveying the importance of conservation to its customers. The District has planned for the same amount of conservation in FY 2018 as was experienced in FY 2017, has adjusted its rates in compliance with our current rate study and will continue to implement the Water Revenue Adjustment Factor, in an effort to mitigate the fluctuations in water sales.

The District has also made significant efforts in the last few years to increase its ability to respond to changes in the economy, environment and customer base through the efficient use of existing assets, the optimization of available resources and greater focus on customer knowledge. Efforts are being made to identify additional opportunities to reduce costs, improve processes, and appropriately adjust expenditures.

Signs of the area's recovery are evident in the City, although the District's projections are slow for new service connection applications in future years, account growth and water consumption. Specifically, it is projected that four new service connections will be added in FY 2018.

As our economy continues to recover, we do not expect to return to pre-recession revenue levels for several years. We have endured seven years of belt tightening and cost containment but believe we have emerged with a financial plan to meet the needs of our customers. It sets our spending and staffing to affordable and sustainable levels while maintaining a high level of service quality.

Looking ahead, the District anticipates the trend of lower than average customer demand will continue through this coming fiscal year. As a result, The District will monitor and make appropriate adjustments to ensure the organization's financial integrity is maintained, while continuing to meet its obligation to the public to provide a safe and reliable water supply.

Our success as an organization is vastly enhanced by the practices and policies put in place by the Board of Directors to ensure the strength and stability of the District even as we move forward through uncertain times. We are fully confident that with these policies and practices, supported by dedicated and talented staff, we will achieve continued success as an organization and thus assure the well-being of the people we serve.

## BUDGET SUMMARY

Most of California has recovered from the past six years of drought. The recent rains have restored life to the parched lawns and dusty hillsides. The State's snowpack has made a historical recovery, which caused the Governor of California to lift the drought emergency for a majority of the state. Just a year ago, we were complying with mandatory water restrictions. Since the drought had gone on for so long, by recent historical standards, there is a lingering question; will there be a lasting impact on the way people think about water conservation?

For the past year, the Santa Clarita Valley received more than the average annual amount of rainfall, but we are still below what is needed to fill the groundwater water basin to make a full recovery. Our customers reacted to the conservation message and rose to the occasion. Valley wide, customers conserved 20-25%, compared to consumption in 2013.

We are moving from an era in which we thought about water as a single-use product - something plentiful, something we can take for granted. There is no way of knowing if we are at the beginning of another six-year drought, which is why the District will continue to reach out and educate its customers. The District's FY 2018, budget assumes that customers will continue their water saving efforts. The drought emergency is over, but the next drought could be around the corner. Water use efficiency must remain a way of life.

The District's long-standing commitment to living within our means through both good and bad times has enabled the District to maneuver through this economy without major impacts on the District's customers. It should be clearly understood we have not been immune to its effects. The District continues to evaluate the way we do business and engage our employees to help find innovative and effective ways of serving our customers.

There is no such thing as "business as usual" at the District. The District has had the opportunity to learn some valuable lessons since 2008. The District's staff are working smarter and harder than ever to get things done - doing more with less and in a more competitive environment. The Board of Directors and staff continue to evaluate and implement innovative strategies and have worked hard to implement creative solutions to serve our employees and customers. Through this process, we have also realized the importance of moving forward despite our challenges.

The actions taken by the District in the past few years minimized the adopted rate increases. The adopted rates and assumptions have been used by the District in the preparation of its five-year water revenue projections. Further pressure comes from increased costs, which must be incorporated into department budgets. The budget emphasizes short and long-term planning, recognizing the lack of growth, drought conservation and increased costs within the District's fiscal constraints. It is the responsibility of the District to make sure expenses do not exceed revenues to ensure a balanced budget.

The FY 2018 budget reflects a continuation and expansion of strategies by maintaining critical expenditures and streamlining operations, while continuing to provide high service-level standards.

The budget was designed to help fulfill the District's mission to provide quality water service at a reasonable cost, by practicing careful stewardship of natural resources, utilizing innovative measures, and providing a quality-working environment. Finally, while the budget is focused exclusively on revenues and expenses related to the District's service to its customers, the District is also on a constructive pathway to creating a new era of water management for the Santa Clarita Valley.

The District is expecting to add four new services in FY 2018 with water revenues expected to be \$11,930,215 (total revenues \$13,554,984), which is a 7% increase from the previous budget year. Since the State mandate and emergency conservation regulations, the District is not expecting customers to return to their pre-drought usage, but will continue to voluntarily conserve. The District will be projecting water revenues for FY 2018 - FY 2022 based on the previous mandate of a 25% reduction (as compared to calendar year 2013).



The last few years of economically challenging conditions and most recent drought have a direct effect on nearly every aspect of the District's operations. Every department has worked to analyze processes, systems, and structures to identify opportunities and implement plans to reduce costs. Many plans have made the District more adaptable, effective and responsive to customer needs.

The \$13,554,984 Operating Budget, which is an increase of 2% from the previous budget year, consists of three components; operating expenses, capital, and debt service. These categories include forecasting the costs of purchased water, purchased power, insurance, vehicle operating costs, asset maintenance, employee costs, and the increase of day-to-day business responsibilities.

The FY 2018 plan places emphasis on completion of pipeline replacements, equipment replacements, meter replacements and recurring projects. CIP is expected to be \$2,555,000, which is a 19% increase from the prior year. The Districts 5-year CIP project list is estimated at \$13,460,000 including projects, such as; pipeline replacements, booster station and reservoir rehabilitations. Each year the projects are reviewed and prioritized based on need and available funding.

Our success as an organization is vastly enhanced by the practices and policies put in place by the Board of Directors to ensure the strength and stability of the District even as we move forward through uncertain times. We are fully confident that with these policies and practices, supported by dedicated and talented staff, we will achieve continued success as an organization and thus assure the well-being of the people we serve.

## FINANCIAL POLICIES

The District has formally adopted the following four financial policies:

### **Reserve Policy**

It is the policy of the Board of Directors to maintain prudent reserve amounts in order to maintain needed operations and maintenance, rate stabilization, capital improvement, debt service, and emergency funds in the event of an unanticipated event or disaster. The appropriate amount of reserves for a given fund varies by fund due to the differences in services required. The policy explains how the reserves are funded and what the reserve can be used for. It also explains the difference between funds as well as the target funding level. The reserve funding level is updated each year as part of the budget process.

### **Investment Policy**

The District annually reviews and updates the District's Investment Policy. It is the policy of the District to invest funds in a manner that will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the District and conforming to all statutes governing the investment of the District funds. The policy follows the "prudent investor" standard of California Government Code section 53600.3.

### **Debt Management Policy**

The Debt Management Policy was established to serve as a guideline for the use of debt for financing the District's infrastructure and project needs. The policy identifies the criteria for issuing new debt that includes the Standards for Use and guidelines to determine when refinancing of outstanding debt will be beneficial to the District and its customers.

### **Asset Capitalization Policy**

The purpose of the Asset Capitalization Policy is to establish a financial accounting for capitalizing land, land improvements, buildings, equipment, reservoirs, pipelines and appurtenances, vehicles and intangible assets of the District. All purchases for any fixed assets including, related professional services, materials, and labor, must adhere to the methods, authority and dollar limits of the policy.

## **ACCOUNTING SYSTEM**

The Finance Department is responsible for providing financial services for the District including financial accounting and reporting, payroll, accounts payable and receivable, custody and investment of funds, billing and collection of water charges, and other revenues. The District accounts for its activities as an enterprise fund and prepares financial statements on the accrual basis of accounting, under which revenues are recognized when earned and expenses are recorded when liabilities are incurred. It is the intent of the Board of Director's and District Management to manage the District's operations as a business, thus matching revenues against the costs of providing the services.

## **BUDGETING CONTROLS**

The budget process is the product of a comprehensive team effort from every level within the organization and an essential tool for proper financial management. It is designed and presented for the general needs of the District, its staff, and customers.

It is a detailed and balanced financial plan that features District services, resources and their allocation, financial policies, and other useful information to allow the users to gain a general understanding of the District's financial status and future. During the year, each department receives a monthly budget and detail cost reports that are essential to monitor and control costs. Any major changes, to the adopted budget are presented to the Board of Director's for review and acceptance. Each month comparison reports of budget to actual are prepared at a summary level and presented to the Board of Directors.

## **INTERNAL ACCOUNTING CONTROLS**

Internal accounting controls for the District are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the evaluation of costs and benefits requires estimates and judgments by management.

## **STRATEGIC PLAN**

The District's Strategic Plan serves as a framework for decision-making. It is a disciplined effort to produce fundamental decisions that shape what the District plans to accomplish by selecting a rational course of action.

The District's plan has incorporated an assessment of the present state of District operation, gathering and analyzing information, setting goals, and making decisions for the future. This plan seeks to strengthen and build upon opportunities while addressing areas of concern.

This plan also identifies actions, activities, and planning efforts that are currently active and needed for continued success in operations and management of the District, and provides for periodic reviews and updates.

The strategic planning effort has focuses on the following task areas:

- Collaboration with partner agencies.
- Technology that can provide new opportunities.
- Regulatory changes that can significantly affect District operations.
- Changes in Federal, State and local laws and land use policies that can have significant effects on District operations.
- Employee development that is critical to meeting the District's service goals.

## CASH MANAGEMENT

The District invests its available funds in investments legally permissible by California Government Code Sections 53601 et seq., and in accordance with its own approved investment policy adopted annually by the Board of Directors. The investment objectives of the District, in order of priority, are: 1) to preserve the capital of the portfolio; 2) to maintain adequate liquidity to meet cash flow requirements; and 3) to obtain a reasonable rate of return without compromising the first two objectives.

## RISK MANAGEMENT

The District continues its proactive liability risk management role through careful monitoring of losses and designing and implementing programs to minimize risks and losses. In addition, the District's Safety Committee monitors work conditions, and the organizing and implementing of safety training programs to reduce employee exposure to hazards.

## PENSION PLANS

In addition to participating in Social Security, the District provides a defined benefit pension plan for its employees through the California Public Employees' Retirement System (CalPERS). The District contributes a specified percentage of covered employees' payroll, which is invested by CalPERS. Upon retirement, District employees are entitled to a specified retirement benefit. The plan is more fully described in Note 8 to the Financial Statements.

## OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The District provides other post-employment benefits (OPEB) as a part of the total compensation to all qualified employees. A qualified employee has reached the age of 55, has been employed by the District for at least 10 years, and was hired prior to November 1, 2009. OPEB includes medical and dental, in addition to the benefits provided from specific pension plans. During Fiscal Year 2010, the District elected to set up an OPEB trust fund with CalPERS and paid its net OPEB obligation. Each year the District plans to contribute 100% of the annual required contribution, as stated in the actuarial report. The plan is more fully described in Note 7 to the Financial Statements.

## AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the District with the Distinguished Budget Presentation Award for the District's Operating and Capital Budget for Fiscal Year beginning July 1, 2017. The District has received the award for ten consecutive years.

In addition, the District has also received the Certificate of Achievement for Excellence in Financial Reporting for Fiscal Year ending June 30, 2016 from GFOA. The District has received this award for seven consecutive years. These prestigious awards recognize conformance with the highest standards for preparation of state and local government financial reports.

GAAP requires management to provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditor.

I would like to thank all the staff and express my appreciation to the Finance Department for their efforts in preparing this Comprehensive Annual Financial Report, and for their hard work to ensure a successful outcome.

I would also like to thank the firm of Leaf & Cole, LLC, for their professional work and opinion. Staff and I acknowledge and appreciate the Board of Director's continued support and direction in achieving excellence in financial management.

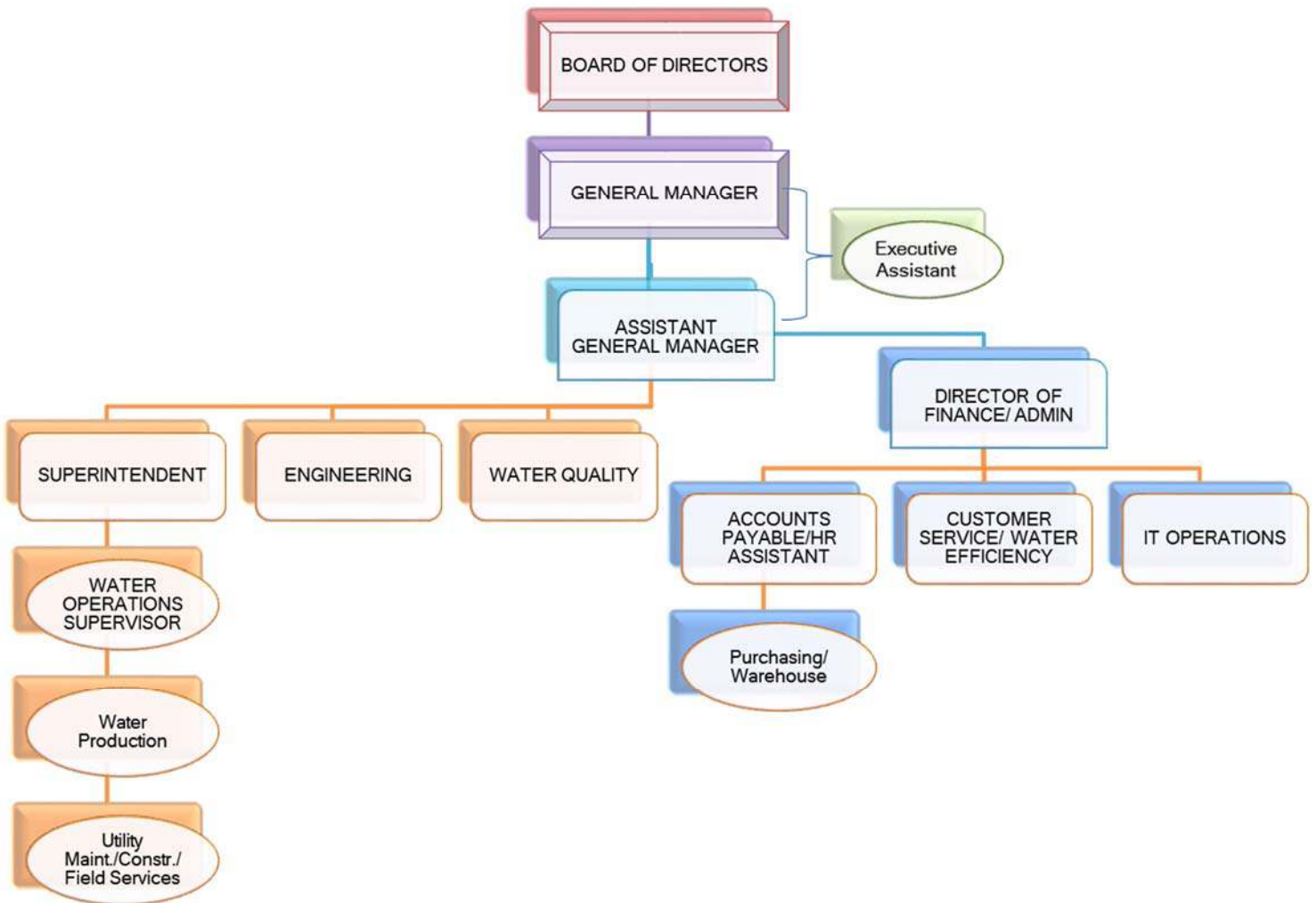
Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Stephen L. Cole', written in a cursive style.

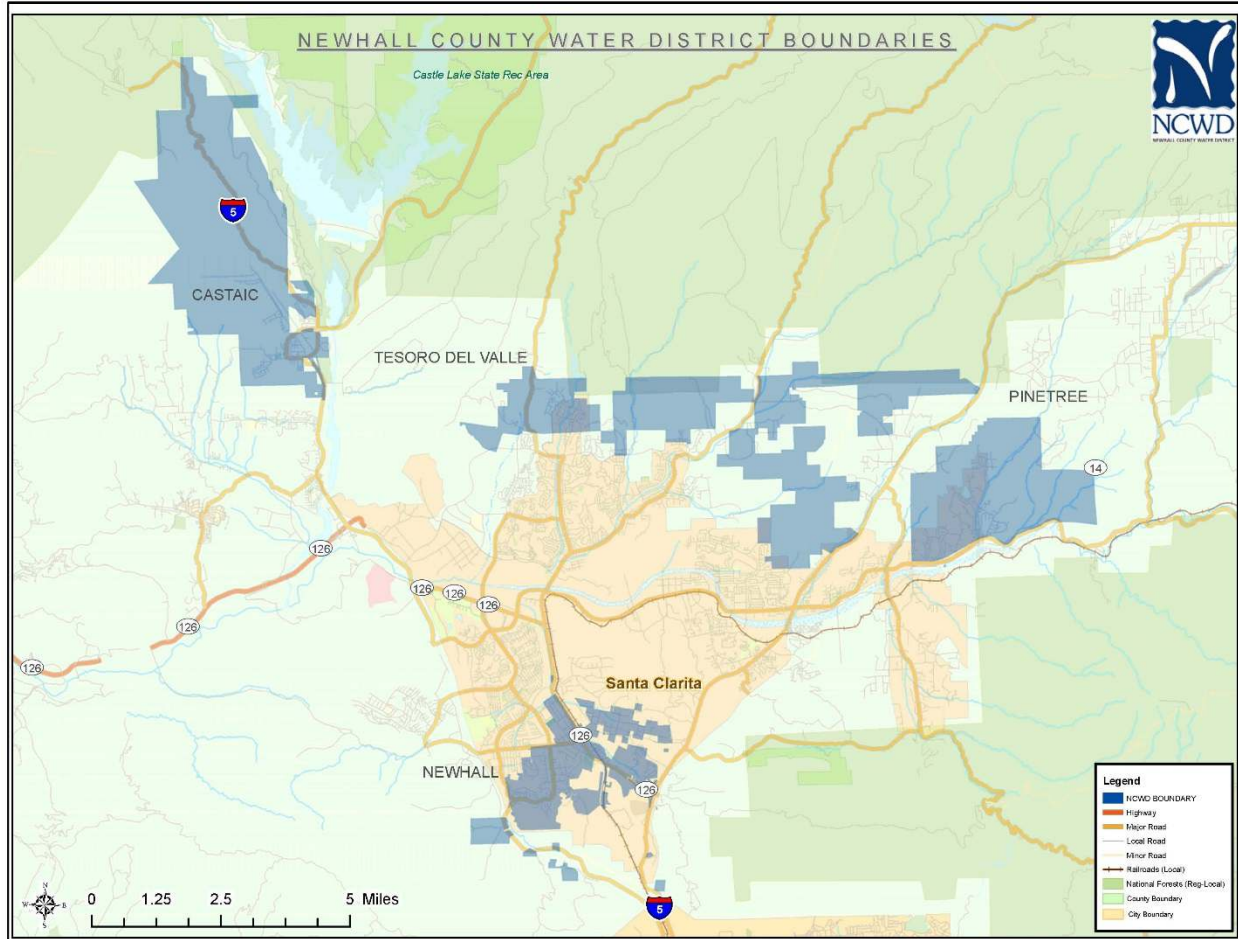
Stephen L. Cole  
General Manager



## Organizational Chart



# NEWHALL COUNTY WATER DISTRICT SERVICE AREA MAP





# LIST OF DISTRICT OFFICIALS FISCAL YEAR 2017

## Board of Directors



Maria Gutzeit  
President



B. J. Atkins  
Vice President



Daniel R. Mortensen  
Director



Kathy Colley  
Director



Lynne Plambeck  
Director

## District Financial Management

Stephen L. Cole - General Manager

Michael E. Alvord - Assistant General Manager

Rochelle Patterson - Director of Finance and Administration



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## FINANCIAL SECTION



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Leaf & Cole, LLP  
Certified Public Accountants  
A Partnership of Professional Corporations

Steven W. Northcote, C.P.A.  
Michael S. Schreiberman, C.P.A.  
Michael J. Zizzi, C.P.A.  
Julie A. Firl, C.P.A.  
Nicholas M. Gines, C.P.A.

*Members*  
American Institute of Certified Public Accountants  
California Society of Certified Public Accountants

## Independent Auditor's Report

To the Board of Directors  
Newhall County Water District  
Post Office Box 220970  
Santa Clarita, California 91322

### Report on Financial Statements

We have audited the accompanying financial statements of Newhall County Water District, which comprise the statements of net position as of June 30, 2017 and 2016, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

#### *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 standards applicable to financial audits contained in Government Auditing Standards issued by the Controller General of the United States 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 risk 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 Newhall County Water District, as of June 30, 2017 and 2016, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the schedules of plan's proportionate share of the net pension liability and the schedules of plan contributions as identified in the accompanying table of contents be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audits of the 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.

### **Other Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements of the Newhall County Water District. The introductory, and statistical sections, are presented for purposes of additional analysis and are not a required part of the financial statements.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audits of the financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

San Diego, California  
December 14, 2017



# MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Newhall County Water District (District), we offer readers of the District's financial statements this narrative overview and analysis of the District's financial performance during the fiscal year ending June 30, 2017. Please read it in conjunction with the District's financial statements that follow Management's Discussion and Analysis.

## OVERVIEW

### *The District*

Newhall County Water District headquarters is located in the City of Santa Clarita within the northwest region of Los Angeles County and is blessed with all the beauties and amenities of a large city with a small town charm. The District was formed on January 13, 1953 and is currently one of four water purveyors in the area. Water is received from two sources, District owned groundwater wells and the State Water Project (SWP) via the areas wholesaler.

The District boundaries encompass approximately 37-square miles in portions of the City of Santa Clarita and Los Angeles County. The District provides treated water to areas of Newhall, Canyon Country (Pinetree), Valencia (Tesoro), and Castaic. Today, the District provides treated water to over 9,700 metered customers through more than 150 miles of transmission and distribution pipeline, 22 above ground steel reservoirs, 15 booster pump stations, and 11 active groundwater wells.

### *Financial Highlights*

- The District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$82.3 million (net position). Of this amount, \$6.2 million (unrestricted net position) may be used to meet the District's ongoing obligations to its customers and creditors.
- The District's total net position increased by \$1.6 million during the year ended June 30, 2017. This is attributable in part to the reduction of a long-term debt obligations.
- The District's operating revenues increased by \$2.05 million as compared to the prior year's total revenues (\$13,132,249 in FY 2017 as compared to \$11,082,672 in FY 2016). The increase in revenues is the result of additional water sales due to additional rainfall, which triggered the drought restrictions to be lifted by the Governor of California.
- The District's total expenses decreased by \$165 thousand compared to the prior year's expenses (\$12,038,547 in FY 2017 as compared to \$12,203,271 in FY 2016). A majority of the reduction was seen in the General and Administrative categories. A reduction in legal expenses due to litigation being settled and one staff vacancy affected the decrease.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## *Overview of the Financial Statements*

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements, which are comprised of the following: 1) Statement of Net Position, 2) Statement of Revenues, Expenses and Changes in Net Position, 3) Statement of Cash Flows, and 4) Notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

The *Statement of Net Position* presents information on all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or weakening. However, one must consider other nonfinancial factors such as changes in economic or environment conditions, population growth, and new or changed government legislation.

The *Statement of Revenues, Expenses and Changes in Net Position* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The *Statement of Cash Flows* presents information on cash receipts and payments for the fiscal year. From this statement, the reader can obtain comparative information on the sources and uses of the District's cash.

The *Notes to the Financial Statements* provide additional information that is essential to fully understand the data supplied in each of the specific financial statements listed above.

## *Financial Analysis*

As noted earlier, the net position may serve over time as a useful indicator of an entity's financial strength. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$82.3 million as of the close of the most recent fiscal year.

By far, the largest portion of the District's net position, \$76 million (93%), reflects its net investment in capital assets, less any related debt used to acquire those assets still outstanding. The District uses these capital assets to provide services to customers; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Current fiscal year major additions to fixed assets include the following (in thousands): Meter Replacements - \$226, Newhall Well No. 12 Rehabilitation - \$223, Pipeline Replace on Cross Street - \$222, and New Pipeline for the Hotel Luxen - \$190.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## Statements of Net Position

	2017	2016	Variance
<b>Assets</b>			
Current and Other Assets	\$ 10,527,631	\$ 9,743,236	\$ 784,395
Capital Assets	80,981,318	81,637,480	(656,162)
Total Assets	91,508,949	91,380,716	128,233
<b>Deferred Outflows of Resources</b>			
Deferred Amount on Refunding	12,425	36,912	(24,487)
Deferred Outflows Related to Contributions	707,734	261,244	446,490
Total Deferred Outflows of Resources	720,159	298,156	422,003
<b>Liabilities</b>			
Non-Current Liabilities	6,024,106	6,981,052	(956,946)
Current Liabilities	3,573,174	3,418,580	154,594
Total Liabilities	9,597,280	10,399,632	(802,352)
<b>Deferred Inflows of Resources</b>			
Deferred Inflows Related to Pensions	327,501	579,677	(252,176)
<b>Net Position</b>			
Net Investment in Capital Assets	76,149,554	75,126,454	1,023,100
Unrestricted	6,154,773	5,573,109	581,664
Total Net Position	\$ 82,304,327	\$ 80,699,563	\$ 1,604,764

The largest portion of the District's net position \$76 million (or 93%) reflects its net investment in capital assets (e.g. land, structures and equipment, etc.) less any related debt used to acquire those assets that is still outstanding. There was an increase in the District's net investment in capital assets of approximately 1 million from the prior year. This increase is primarily due to the completion of several capital projects consisting of well rehabilitation, new pipeline and pipeline replacements and the ongoing meter replacement program.

Unrestricted net position (which represents the residual balance of total net position after the elimination of net investment in capital assets) increased by \$581 thousand from \$5.57 million at June 30, 2016 to \$6.15 million at June 30, 2017.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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

	2017	2016	Variance
Water Sales	\$ 13,072,393	\$ 11,070,030	\$ 2,002,363
Other Operating Revenues	59,856	12,642	47,214
Taxes and Assessments	571,750	549,459	22,291
Investment Income	76,624	56,841	19,783
Other Nonoperating Income	291,645	1,903,369	(1,611,724)
<b>Total Revenues</b>	<b>14,072,268</b>	<b>13,592,341</b>	<b>479,927</b>
General and Administrative	3,454,103	3,790,153	(336,050)
Depreciation Expense	2,928,917	3,098,454	(169,537)
Source of Supply	2,426,337	2,042,010	384,327
Pumping Plant	1,374,166	1,383,397	(9,231)
Other	557,936	620,439	(62,503)
Transmission and Distribution	461,109	466,301	(5,192)
Customer Accounts	432,327	451,897	(19,570)
Water Treatment	403,652	350,620	53,032
Other Nonoperating Expense	578,841	-	578,841
Interest Expense	187,650	313,558	(125,908)
<b>Total Expenses</b>	<b>12,805,038</b>	<b>12,516,829</b>	<b>288,209</b>
Income Before Capital Contributions	1,267,230	1,075,512	191,718
Capital Contributions	337,534	497,388	(159,854)
Change in Net Position	1,604,764	1,572,900	31,864
Net Position at Beginning of Year	80,699,563	79,126,663	1,572,900
<b>Net Position at End of Year</b>	<b>\$ 82,304,327</b>	<b>\$ 80,699,563</b>	<b>\$ 1,604,764</b>

Charges for water sales and other nonoperating revenues of \$14,072,268 were offset by \$12,805,038 in operating and nonoperating expenses. The increase of \$2 million in water sales from the prior year is largely the result of lifting the mandatory water restrictions as mandated by the Governor of California.

The decrease in other nonoperating income was due to a settlement agreement with the wholesale agency, Castaic Lake Water Agency (CLWA) in FY 2016. In 2013, the District filed a lawsuit challenging CLWA's rate increase. The District prevailed at the trial and appellate courts, which facilitated a settlement agreement.

Total expenses increased by \$288,209. The largest increase in Other Nonoperating Expense is due to a settlement with a property owner (\$578,841 and \$0, respectively). This increase is not expected in subsequent years.

The District received \$337,534 in Capital Contributions in FY 2017 compared to \$497,388 in FY 2016 due in part to the construction of facilities for the new Castaic High School record in FY 2016. It is expected that Capital Contributions will continue to fluctuate.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## *Capital Assets and Debt Administration*

### Capital Assets

The District's capital assets as of June 30, 2017, totaled \$81 million (net of accumulated depreciation). The total decrease in the District's capital assets was less than 1% in FY 2017.

#### Capital Assets

	2017	2016	Variance
Land	\$ 9,808,489	\$ 9,808,489	\$ -
Construction in Progress	480,464	525,862	(45,398)
Water System	99,686,865	98,287,631	1,399,234
Organization Costs	40,486	40,486	-
General Plant	13,658,140	13,162,337	495,803
Depreciation	(42,693,126)	(40,187,325)	(2,505,801)
	<u>\$ 80,981,318</u>	<u>\$ 81,637,480</u>	<u>\$ (656,162)</u>

As shown in the table above, the majority of capital assets added to the District's water system in FY 2017 were related to the completion of a well rehabilitation, major pipeline construction and the meter replacement program. Additional information can be found in Note 4 of the notes to Financial Statements.

### Noncurrent Liabilities

At June 30, 2017, the District had \$6 million in noncurrent liabilities, net of current position. The installment notes payable decreased by \$1.8 million during FY 2017. All decreases in obligations were from the normal repayment of principal on existing outstanding debt.

Additional information on the District's noncurrent liabilities can be found in Note 6 of the Notes to Financial Statements. Noncurrent liabilities consists of the following:

	2017	2016	Variance
Installment Notes Payable	\$ 3,089,752	\$ 4,844,189	\$ (1,754,437)
Net Pension Obligations	2,740,718	1,977,917	762,801
Compensated Absences	193,636	158,946	34,690
Total Noncurrent Liabilities	<u>\$ 6,024,106</u>	<u>\$ 6,981,052</u>	<u>\$ (956,946)</u>

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## *Fiscal Year 2018 Budget*

### Economic Factors

The Districts long-standing commitment to living within our means through both good and bad times has enabled the District to maneuver through the past drought without major impacts on the District customers. It should be clearly understood we have not been immune to its effects. The District continues to evaluate the way we do business and engage our employees to help find innovative and effective ways of serving our customers.

On June 15, 2015, the District adopted changes to the water rate, based on the updated Report of Revenue Requirements and Water Rates, to become effective July 1, 2015. The rate study took into account a 14% reduction in commodity sales and developed a Water Revenue Adjustment Factor (WRAF) as a means to mitigate potential fluctuations in water commodity revenues due to additional conservation. The District adopted Resolution 2015-5 that will allow the District to make adjustments to recover any shortage of revenue due to inflation attributed to fluctuations in real demand and to create a balancing account. The WRAF was implemented at the beginning of FY 2017.

The District is projecting to purchase 37% more water than the previous year due to the availability of increased SWP allocation in order to give the groundwater time to recover. CLWA will be increasing their rates for wholesale water in FY 2018 and is projecting to increase rates each year. The District has established a pass through mechanism to recover costs associated with purchased water (Resolution 2012-5). The unit (CCF) charge for FY 2018 will be \$.7254 versus \$.6474 in FY 2017.

Based on current trends, the District is projecting little growth in FY 2018. In addition, the District has assumed customers (as a whole) will continue to respond to the Districts messages of conservation and efficient use of water and reduce consumption by 25% (from 2013 consumption). The District has already met and exceeded the conservation mandates as required in SBx7-7.

### Financial

Challenging fluctuations in weather continue to impact local and State communities. Southern California has seen its share of highs and lows. The budget was presented nearly eight years after the most challenging period in District history. Like many who were affected by the downturn in the housing market and the increasing cost of goods and supplies, the District has had to adjust its budget to accommodate changing economic conditions. The most recent recession helped prepare the District to react quickly to changes. We have endured eight years of belt tightening and cost containment and will continue to do more through this period of drought and financial instability. We believe we emerged with a budget which meets the needs of our customers. It sets our spending and staffing to affordable and sustainable levels while maintaining a high level of service quality.



# MANAGEMENT'S DISCUSSION AND ANALYSIS

Prior to FY 2011, the District used a 10 year rolling average of consumption by meter size to determine water revenue and the amount of acre feet that needed to be purchased from the wholesaler to serve the District's customers, but due to a reduction in demand from conservation, that average has dramatically decreased. Since FY 2011, the District had used the most current 12-month consumption (nine months actual and three months projected) by meter size to determine revenue projections and purchased water estimates. The District is expecting customers to continue to voluntarily conserve and not return to their pre-drought usage. In an effort to project the FY 2018 water revenues, the District will be projecting water revenues for FY 2018 - FY 2022 based on the previous mandate of a 25% reduction (as compared to calendar year 2013).

Management is unaware of any other conditions that could have a material impact on the District's current financial position or operating results.

## FUTURE OF WATER GOVERNANCE IN THE REGION

The District has been working with Castaic Lake Water Agency (CLWA) for more than two years to settle litigation and create a new water governance structure. This process led to legislation (SB 634 - Wilk) that was signed into law on October 15, 2017 and created the Santa Clarita Valley Water Agency - a new water agency for the region.

The purpose of this new agency is to begin to unify and modernize water governance in the Santa Clarita Valley. Currently, in addition to the District, three other water retailers and one wholesale agency compose a patchwork of water providers that can lead to redundancies, service inefficiencies, conflict, excess costs and reduced economies of scale that limit optimized water management in the region.

According to a comprehensive Governance & Finance Study (Study), the new agency would save costs - upwards of \$14 million in its first 10 years. It would enhance service by integrating currently disparate systems. It would create economies of scale to ensure the development of new water supplies, including a regional recycled water system. It would create a new, modernized water governance structure that is California Voting Rights Act-compliant and provides an equal voice for all corners of the Santa Clarita Valley.

As reported in the Study, the District anticipated limited short-term costs in both its FY 2017 and FY 2018 budgets. These costs are far less than the anticipated litigation that would have advanced if the District and CLWA had not reached compromise. Overall, the new agency will save the District significant amounts in both the short- and long-term. Contacting the District's Financial Management

This financial report is designed to provide a general overview of the Newhall County Water District's finances for the Board of Directors, customers, taxpayers, creditors and other interest parties. Questions concerning any of the information provided in the report or requests for additional information should be addressed to the District's Financial Department, PO Box 220970, Santa Clarita, CA 91322-0970.



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# BASIC FINANCIAL STATEMENTS



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# STATEMENTS OF NET POSITION

## JUNE 30, 2017

	2017	2016
<b>ASSETS</b>		
<b>Current Assets:</b> (Notes 1 and 2)		
Cash and Cash Equivalents	\$ 5,349,974	\$ 4,458,914
Investments	2,240,000	2,240,000
Accounts Receivable, Net	1,653,642	1,361,704
Taxes Receivable	13,363	5,207
Accounts Receivable - Other	262,432	531,973
Accrued Interest Receivable	19,462	15,009
Inventory	728,660	867,912
Prepaid Expenses	64,752	65,786
Total Current Assets	10,332,285	9,546,505
<b>Noncurrent Assets:</b>		
<b>Restricted Assets:</b> (Notes 1, 2, and 3)		
Cash and Cash Equivalents	195,346	196,731
Total Restricted Assets	195,346	196,731
<b>Capital Assets:</b> (Notes 1 and 4)		
Nondepreciable	10,288,954	10,334,351
Depreciable, Net of Accumulated Depreciation	70,692,364	71,303,129
Total Capital Assets, Net	80,981,318	81,637,480
Total Noncurrent Assets	81,176,664	81,834,211
<b>Total Assets</b>	91,508,949	91,380,716
<b>DEFERRED OUTFLOWS OF RESOURCES</b> (Notes 1, 6 and 8)		
Deferred Amount on Refunding	12,425	36,912
Deferred Outflows Related to Contributions	707,734	261,244
Total Deferred Outflows of Resources	720,159	298,156

(Continued)

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

# STATEMENTS OF NET POSITION (Continued)

## JUNE 30, 2017

	2017	2016
<b>LIABILITIES</b>		
<b><u>Current Liabilities:</u></b> (Notes 1, 5 and 6)		
Accounts Payable	\$ 556,168	\$ 533,210
Accrued Expenses and Other Liabilities	55,406	42,536
Accrued Interest Payable	32,156	48,764
Deposits	195,346	196,731
Unearned Revenue	945,595	838,655
Current Portion of Installments Notes Payable	1,754,437	1,703,749
Current Portion of Compensated Absences Payable	34,066	54,935
Total Current Liabilities	3,573,174	3,418,580
<b><u>Noncurrent Liabilities:</u></b> (Notes 1, 6 and 8)		
<b>Long-term Debt:</b>		
Installment Notes Payable, Net of Current Portion	3,089,752	4,844,189
<b>Other Noncurrent Liabilities:</b>		
Net Pension Liability	2,740,718	1,977,917
Compensated Absences Payable, Net of Current Position	193,636	158,946
	2,934,354	2,136,863
Total Noncurrent Liabilities	6,024,106	6,981,052
Total Liabilities	9,597,280	10,399,632
<b><u>Deferred Inflows of Resources:</u></b> (Notes 1 and 8)		
Deferred Inflows Related to Pensions	327,501	579,677
<b><u>Commitments and Contingencies</u></b> (Notes 7, 8 and 9)		
<b><u>NET POSITION:</u></b>		
Net Investment in Capital Assets	76,149,554	75,032,549
Unrestricted	6,154,773	5,667,014
Total Net Position	\$ 82,304,327	\$ 80,699,563

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

# STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

## FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	2017	2016
<b><u>Operating Revenues:</u></b>		
Water Sales	\$ 13,072,393	\$ 11,070,030
Other Operating Revenues	59,856	12,642
Total Operating Revenues	13,132,249	11,082,672
<b><u>Operating Expenses:</u></b>		
General and Administrative	3,454,103	3,790,153
Depreciation and Amortization	2,928,917	3,098,454
Source of Supply	2,426,337	2,042,010
Pumping Plant	1,374,166	1,383,397
Other	557,936	620,439
Transmission and Distribution	461,109	466,301
Customer Accounts	432,327	451,897
Water Treatment	403,652	350,620
Total Operating Expenses	12,038,547	12,203,271
Operating Income (Loss)	1,093,702	(1,120,599)
<b><u>Nonoperating Revenues and (Expenses):</u></b>		
Taxes and Assessments	571,750	549,459
Other Nonoperating Revenue	291,645	1,903,369
Investment Income	76,624	56,841
Other Nonoperating Expense	(578,841)	-
Interest Expense	(187,650)	(313,558)
Total Nonoperating Revenues and (Expenses)	173,528	2,196,111
Income Before Capital Contributions	1,267,230	1,075,512
Capital Contributions	337,534	497,388
Change in Net Position	1,604,764	1,572,900
Net Position at Beginning of Year	80,699,563	79,126,663
<b>NET POSITION AT END OF YEAR</b>	<b>\$ 82,304,327</b>	<b>\$ 80,699,563</b>

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

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2017

	<u>2017</u>	<u>2016</u>
<b><u>Cash Flow From Operating Activities:</u></b>		
Cash Received from Customers	\$ 13,215,407	\$ 11,212,315
Cash Payments to Suppliers for Goods and Services	(7,171,084)	(6,559,531)
Cash Payments to Employees for Services	(2,263,317)	(2,793,880)
Other Operating Cash Receipts	291,645	1,903,369
Net Cash Provided by Operating Activities	<u>4,072,651</u>	<u>3,762,273</u>
<b><u>Cash Flow From Noncapital and Related Financing Activities:</u></b>		
Receipts from Taxes, Assessments and Other Nonoperating Income	563,594	550,855
Net Cash Provided By Related Noncapital Financing Activities	<u>563,594</u>	<u>550,855</u>
<b><u>Cash Flows From Capital and Related Financing Activities:</u></b>		
Acquisition and Construction of Capital Assets	(2,272,755)	(2,580,915)
Principal Paid on Installment Notes Payable	(1,703,749)	(2,407,149)
Interest Paid on Installment Notes Payable	(179,771)	(304,715)
Capital Contributions	337,534	497,388
Net Cash Uses in Capital and Related Financing Activities	<u>(3,818,741)</u>	<u>(4,795,391)</u>
<b><u>Cash Flows From Investing Activities:</u></b>		
Investment Income	72,171	54,053
Net Cash (Used In) Provided by Investing Activities	<u>72,171</u>	<u>54,053</u>
Net Increase (Decrease) in Cash and Cash Equivalents	889,675	(428,210)
Cash and Cash Equivalents at Beginning of Year	4,655,645	5,083,855
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>\$ 5,545,320</u></u>	<u><u>\$ 4,655,645</u></u>

(Continued)

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



## STATEMENT OF CASH FLOWS (Continued) FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016
<b><u>Cash Provided by Operating Activities:</u></b>		
Operating Income (Loss)	\$ 1,087,700	\$ (1,120,599)
<b>Adjustments to Reconcile Operating (Loss) Income to Net Cash Provided by Operating Activities:</b>		
Depreciation	2,928,917	3,098,454
Other Nonoperating Cash Receipts	291,645	1,903,369
Other Nonoperating Expense	(578,841)	-
<b>(Increase) Decrease In:</b>		
Accounts Receivable, Net	(291,938)	(148,629)
Accounts Receivable - Other	269,541	(505,695)
Inventory	139,252	(200,965)
Prepaid Expenses	1,034	70,970
Deferred Outflows Related to Contributions	(446,490)	(37,208)
<b>Increase (Decrease) In:</b>		
Accounts Payable	28,960	94,144
Accrued Expenses and Other Liabilities	12,870	(66,938)
Deposits	(1,385)	(20,134)
Unearned Revenue	106,940	804,101
Net Pension Liability	762,801	101,733
Compensated Absences Payable	13,821	8,058
Deferred Inflows Related to Pensions	(252,176)	(218,388)
Net Cash Provided by Operating Activities	\$ 4,072,651	\$ 3,762,273
<b><u>Cash and Cash Equivalents - Financial Statement Classification:</u></b>		
Cash and Cash Equivalents	\$ 5,349,974	\$ 4,458,914
Restricted Cash and Cash Equivalents	195,346	196,731
Total Cash and Cash Equivalents - Financial Statement Classification	\$ 5,545,320	\$ 4,655,645
<b><u>Supplemental Disclosures of Cash Flow Information</u></b>		
Amortization of Deferred Amount on Refunding	\$ 24,487	\$ 36,193

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

# NOTES TO THE FINANCIAL STATEMENTS

## JUNE 30, 2017

<u>NOTE</u>	<u>DESCRIPTION</u>	<u>PAGE</u>
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# NOTES TO THE FINANCIAL STATEMENTS

## JUNE 30, 2017

### **Note 1 - Organization and Significant Accounting Policies:**

The Newhall County Water District (the "District") was organized in January 1953 under provisions of the California Water District Law. Improvement District No. 1 and Improvement Districts 2-S and 2-W were annexed by the District. The District is governed by a Board of Directors made up of five members elected by the qualified voters of the District. The purpose of the District is to finance, construct, operate and maintain a water system to serve properties within the District's boundaries.

The criteria used in determining the scope of the reporting entity are based on the provisions of GASB Cod. Sec. 2100 "Defining the Financial Reporting Entity". The District is the primary government unit. Component units are those entities, which are financially accountable to the primary government, either because the District appoints a voting majority of the component unit's board, or because the component unit will provide a financial benefit or impose a financial burden on the District. The District has no component units.

#### **Significant Accounting Policies**

A summary of the District's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

#### **Method of Accounting**

The District utilizes accounting principles appropriate for an enterprise fund to record its activities. Accordingly, the statements of net position and the statements of revenues, expenses and changes in net position have been prepared using the economic resources measurement focus and the accrual basis of accounting.

The District has not elected to apply the option allowed in GASB Cod. Sec. P80.103 "Proprietary Fund Accounting and Financial Reporting" and as a consequence will continue to apply GASB Statements and Interpretations.

#### **Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### **Revenue Recognition**

The District recognizes revenues from water sales and other operating revenues when they are earned. Operating activities generally result from providing services and producing and delivering goods. As such, the District considers fees received from water sales and other operating revenues to be operating revenues. Taxes and assessments are recognized as revenue based upon amounts reported to the District by the County of Los Angeles, net of an allowance for estimated uncollectible taxes.

# NOTES TO THE FINANCIAL STATEMENTS

## JUNE 30, 2017

### Note 1 - Organization and Significant Accounting Policies: (Continued)

#### Significant Accounting Policies (Continued)

##### Investments

Investments are stated at their fair value, which represents the quoted or stated market value. Investments that are not traded on a market, such as investments in external pools, are valued based on the stated fair value as represented by the external pool.

##### Allowance for Doubtful Accounts

Bad debts are recognized on the allowance method based on historical experience and management's evaluation of outstanding receivables. The allowance for doubtful accounts receivables totaled \$4,048 and \$3,385 at June 30, 2017 and 2016, respectively.

##### Taxes and Assessments

Property taxes and assessments are billed by the County of Los Angeles to property owners. The District's property tax calendar for the fiscal year ended June 30, 2017 was as follows:

Lien Date:	January 1
Levy Date:	July 1
Due Date:	First Installment - November 1 Second Installment - February 1
Delinquent Date:	First Installment - December 10 Second Installment - April 10

Taxes receivable of \$13,363 and \$5,207 at June 30, 2017 and 2016, respectively have been reduced by an allowance for estimated uncollectible taxes receivable in the amount of \$-0- and \$1,588 at June 30, 2017 and 2016, respectively.

##### Inventory

Inventory consists primarily of materials used in the construction and maintenance of capital assets and is valued at a moving weighted average cost.

# NOTES TO THE FINANCIAL STATEMENTS

## JUNE 30, 2017

### Note 1 - Organization and Significant Accounting Policies: (Continued)

#### Significant Accounting Policies (Continued)

##### Capital Assets

Capital assets purchased or acquired with a cost exceeding \$5,000 and an estimated useful life of more than one year are reported at historical cost. Contributed assets are recorded at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Donated capital assets, donated works of art and similar items, and capital assets received in service concession agreements are reported at acquisition value. Depreciation is calculated on the straight-line method over the following estimated useful lives:

Transmission and distribution	14 - 61 years
General plant	4 - 88 years
Organization costs	30 - 33 years

Depreciation and amortization aggregated \$3,098,454 and \$2,934,848 for the years ended June 30, 2016 and 2015, respectively.

##### Interest

Depreciation and amortization aggregated \$2,928,917 and \$3,098,454 for the years ended June 30, 2017 and 2016, respectively.

##### Compensated Absences

Accumulated and unpaid vacation and sick leave totaling \$227,702 and \$213,881 is accrued when incurred and included in noncurrent liabilities, net of current portion, at June 30, 2017 and 2016, respectively.

##### Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources and deferred inflows of resources are defined as a consumption of net assets by the District that is applicable to a future period and an acquisition of net assets by the District that is applicable to a future reporting period respectively. Deferred outflows of resources include a deferred amount on refunding. Deferred outflows of resources and deferred inflows of resources related to pensions are more fully described in Note 8.

# NOTES TO THE FINANCIAL STATEMENTS

## JUNE 30, 2017

### Note 1 - Organization and Significant Accounting Policies: (Continued)

#### Significant Accounting Policies (Continued)

##### Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District pays an annual premium for commercial insurance covering general liability, automobile, real and personal property, cyber liability, employee dishonesty, excess liability and notification and credit monitoring. The general liability coverage limits are \$1,000,000 per occurrence and \$3,000,000 in aggregate with a \$5,000 deductible. Automobile coverage is \$1,000,000 with a \$1,000 deductible. Real and personal property is covered up to \$32,147,642 with a \$5,000 deductible per occurrence. Employee dishonesty coverage limits are \$1,000,000 per occurrence with a \$5,000 deductible. Excess liability coverage is \$5,000,000 in excess of underlying coverage limits. In addition, the District carries commercial insurance for all other risks of loss including workers compensation and employee health and life insurance. The District also carries pollution and remediation legal liability coverage with a \$1 million limit each loss and in aggregate with a \$25,000 retention for each loss.

The District purchased earthquake and flood insurance with coverage limits of \$10,000,000 per occurrence and in the annual aggregate, with an earthquake deductible of 15% per unit of insurance including time element business income, extra expense and rental value. The minimum deductible for earthquake and flood insurance is \$50,000 and a \$25,000 deductible for all other perils. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

##### Pensions

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

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

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Measurement Period	June 30, 2015 to June 30, 2016

# NOTES TO THE FINANCIAL STATEMENTS

## JUNE 30, 2017

### Note 1 - Organization and Significant Accounting Policies: (Continued)

#### Significant Accounting Policies (Continued)

##### Fair Value Measurements

Fair value accounting standards define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value and enhance disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

- Level 1 inputs are quoted prices in active markets for identical investments that the investment manager has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the investment, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the investment.

The District's statements of financial position include the following financial instruments that are required to be measured at fair value on a recurring basis:

- U.S. Agency securities and negotiable certificates of deposit are considered Level 2 assets and are reported at the fair value reported by the counter-party.
- Investments in the California Local Agency Investment Fund (LAIF) are considered Level 2 assets and are reported at the fair value of the underlying assets as provided LAIF.

##### Economic Dependency

The District purchases more than 50% of its water from the Castaic Lake Water Agency. Interruption of this source would impact the District negatively.

##### Cash and Cash Equivalents

For purposes of the statement of cash flows the District considers all investment instruments purchased with a maturity of three months or less to be cash.

##### Subsequent Events

The District has evaluated events and transactions for potential recognition and disclosure through December 14, 2017, which is the date the financial statements were available for issuance, and concluded that there were no events or transactions that needed to be disclosed except as disclosed in Note 11.

# NOTES TO THE FINANCIAL STATEMENTS

## JUNE 30, 2017

### Note 1 - Organization and Significant Accounting Policies: (Continued)

#### Significant Accounting Policies (Continued)

##### Reclassification

The District has reclassified certain prior year information to conform with the current year presentation.

### Note 2 - Cash and Investments:

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

The table below identifies the investment types that are authorized for the District by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District, rather than the general provision of the California Government Code or the District's investment policy:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Percentage of Portfolio</u>	<u>Quality Requirements</u>
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State Obligations	5 years	None	None
CA. Local Agency Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Bankers Acceptances	180 days	40%	None
Commercial Paper	270 days	25%	A1
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20%	None
Medium-Term Notes	5 years	30%	A Rating
Mutual Funds	N/A	20%	Multiple
Money Market Mutual Funds	N/A	20%	Multiple
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-Through Securities	5 years	20%	AA Rating
Time Deposits	5 years	None	None
California Local Agency Investment Fund (LAIF)	N/A	None	None
County Pooled Investments	N/A	None	None

The District's Investment Policy is more restrictive than the California Government Code in the following ways:

- The District shall not invest any funds covered by this investment policy in inverse floaters, range notes, interest only strips derived from mortgage pools or any investment that may result in a zero interest accrued if held to maturity.



# NOTES TO THE FINANCIAL STATEMENTS

## JUNE 30, 2017

### Note 2 - Cash and Investments: (Continued)

#### Investments Authorized by the California Government Code and the District's Investment Policy (Continued)

Cash and investments held by the District were comprised of the following at June 30:

	Maturity in Years		2017 Total	2016 Total
	One Year or Less	1 - 5 Years		
Cash on Hand	\$ 1,175	\$ -	\$ 1,175	\$ 1,175
Deposits with Financial Institutions	1,119,059	-	1,119,059	757,415
California Local Agency Investment Fund	4,425,086	-	4,425,086	3,897,055
Investments:				
Negotiable Certificates of Deposit	200,000	2,040,000	2,240,000	2,140,000
U.S. Securities	-	-	-	100,000
Total Cash and Investments	<u>\$5,745,320</u>	<u>\$2,040,000</u>	<u>\$7,785,320</u>	<u>\$6,895,645</u>

#### Financial Statement Classification:

##### Current:

Cash and Cash Equivalents	\$5,349,974	\$4,458,914
Investments	2,240,000	2,240,000

##### Restricted:

Cash and Cash Equivalents	195,346	196,731
Total Cash and Investments	<u>\$7,785,320</u>	<u>\$6,895,645</u>

### Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by purchasing a combination of shorter-term investments and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing over time as necessary to provide the cash flows and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments (including investments held by the bond trustee) to market interest rate fluctuations is provided in the previous table that shows the distribution of the District's investments by maturity at June 30, 2017.

# NOTES TO THE FINANCIAL STATEMENTS

## JUNE 30, 2017

### Note 2 - Cash and Investments: (Continued)

#### Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of the year-end for each investment type.

	Rating as of Year End Standard & Poors
California Local Agency Investment Fund	Not Rated
Negotiable Certificates of Deposit	Not Rated

The District's investment policy does not address credit risk for the above investments.

#### Concentration of Credit Risk

Concentration of credit is the risk of loss attributed to the magnitude of the District's investment in a single issue.

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. As of June 30, 2017, the District had no investments (other than U.S. Treasury securities, mutual funds, and external investment 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, the District 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 counter-party (e.g., broker-dealer) the District 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 (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

# NOTES TO THE FINANCIAL STATEMENTS

## JUNE 30, 2017

**Note 2 - Cash and Investments: (Continued)**

**Custodial Credit Risk (Continued)**

At June 30, 2017, none of the District's deposits with financial institutions in excess of federal depository insurance limits was held in uncollateralized accounts. At June 30, 2017, no District investments were held by the same broker-dealer (counterparty) that was used by the District to buy the securities. In addition, certain financial institutions used by the District participate in the certificates of deposit account registry service in an effort to further reduce custodial credit risk.

**Investment in State Investment Pool**

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

The statements of cash flows have been prepared by considering all investment instruments purchased with a maturity of three months or less to be cash equivalents. Following is a detail at June 30:

	2017	2016
California Local Agency Investment Fund	\$ 4,425,086	\$ 3,897,055
Deposits with Financial Institutions	1,119,059	757,415
Cash on Hand	1,175	1,175
	\$ 5,545,320	\$ 4,655,645

**Note 3 - Restricted Assets:**

Restricted assets were provided by, and are to be used for, the following at June 30:

Funding Source	Use	2017	2016
Receipts from Customers	Deposits	\$ 195,346	\$ 196,731

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

# NOTES TO THE FINANCIAL STATEMENTS

## JUNE 30, 2017

### Note 4 - Capital Assets:

Capital assets consist of the following at June 30:

	2017			Balance at June 30, 2017
	Balance at June 30, 2016	Additions	Deletions	
<b>Capital Assets, Not Being Depreciated:</b>				
Land, Franchises and Water Rights	\$ 9,808,489	\$ -	\$ -	\$ 9,808,489
Construction in Progress	525,862	2,282,749	(2,328,146)	480,465
Total Capital Assets, Not Being Depreciated	10,334,351	2,282,749	(2,328,146)	10,288,954
<b>Capital Assets, Being Depreciated:</b>				
Transmission and Distribution	98,287,631	1,822,349	(423,115)	99,686,865
General Plant	13,162,337	495,803	-	13,658,140
Organization Costs	40,486	-	-	40,486
Total Capital Assets, Being Depreciated	111,490,454	2,318,152	(423,115)	113,385,491
<b>Less Accumulated Depreciation for:</b>				
Transmission and Distribution	(35,316,739)	(2,569,169)	423,115	(37,462,793)
General Plant	(4,845,831)	(358,487)	-	(5,204,318)
Organization Costs	(24,755)	(1,261)	-	(26,016)
Total Accumulated Depreciation	(40,187,325)	(2,928,917)	423,115	(42,693,127)
Net Capital Assets Being Depreciated	71,303,129	(610,765)	-	70,692,364
<b>Net Capital Assets</b>	<b>\$ 81,637,480</b>	<b>\$ 1,671,984</b>	<b>\$ (2,328,146)</b>	<b>\$ 80,981,318</b>

	2016			Balance at June 30, 2016
	Balance at June 30, 2015	Additions	Deletions	
<b>Capital Assets, Not Being Depreciated:</b>				
Land, Franchises and Water Rights	\$ 9,808,489	\$ -	\$ -	\$ 9,808,489
Construction in Progress	234,725	2,582,505	(2,291,368)	525,862
Total Capital Assets, Not Being Depreciated	10,043,214	2,582,505	(2,291,368)	10,334,351
<b>Capital Assets, Being Depreciated:</b>				
Transmission and Distribution	96,984,535	1,932,533	(629,437)	98,287,631
General Plant	13,032,895	357,245	(227,803)	13,162,337
Organization Costs	40,486	-	-	40,486
Total Capital Assets, Being Depreciated	110,057,916	2,289,778	(857,240)	111,490,454
<b>Less Accumulated Depreciation for:</b>				
Transmission and Distribution	(33,387,778)	(2,558,398)	629,437	(35,316,739)
General Plant	(4,534,839)	(538,795)	227,803	(4,845,831)
Organization Costs	(23,494)	(1,261)	-	(24,755)
Total Accumulated Depreciation	(37,946,111)	(3,098,454)	857,240	(40,187,325)
Net Capital Assets Being Depreciated	72,111,805	(808,676)	-	71,303,129
<b>Net Capital Assets</b>	<b>\$ 82,155,019</b>	<b>\$ 1,773,829</b>	<b>\$ (2,291,368)</b>	<b>\$ 81,637,480</b>

# NOTES TO THE FINANCIAL STATEMENTS

## JUNE 30, 2017

### **Note 5 - Unearned Revenue:**

Unearned revenue consists of unearned connection fees and other contract related costs for the installation of services and other infrastructure. Unearned revenue totaled \$945,595 and \$838,655 at June 30, 2017 and 2016, respectively.

### **Note 6 - Noncurrent Liabilities:**

Noncurrent liabilities consist of the following at June 30:

	2017				
	Balance at June 30, 2016	Additions	Deletions	Balance at June 30, 2017	Current Portion
<b>Long-Term Debt:</b>					
Installment Notes Payable:					
Municipal Leasing Associates:					
2007	\$ 3,382,614	\$ -	\$ (354,974)	\$ 3,027,640	\$ 365,702
2009	696,477	-	(132,729)	563,748	135,934
Municipal Finance Corporation:					
2012	2,468,847	-	(1,216,046)	1,252,801	1,252,801
Total Long-Term Debt	<u>6,547,938</u>	<u>-</u>	<u>(1,703,749)</u>	<u>4,844,189</u>	<u>1,754,437</u>
<b>Other Noncurrent Liabilities:</b>					
Net Pension Obligation	1,977,917	1,135,657	(372,856)	2,740,718	-
Compensated Absences	213,881	246,000	(232,179)	227,702	34,066
Total Other Noncurrent Liabilities	<u>2,191,798</u>	<u>1,381,657</u>	<u>(605,035)</u>	<u>2,968,420</u>	<u>34,066</u>
Total Noncurrent Liabilities	<u>\$ 8,739,736</u>	<u>\$1,381,657</u>	<u>\$ (2,308,784)</u>	<u>\$ 7,812,609</u>	<u>\$1,788,503</u>
2016					
	Balance at June 30, 2015	Additions	Deletions	Balance at June 30, 2016	Current Portion
<b>Long-Term Debt:</b>					
Installment Notes Payable:					
Municipal Leasing Associates:					
2007	\$ 3,727,173	\$ -	\$ (344,559)	\$ 3,382,614	\$ 354,973
2009	1,578,697	-	(882,220)	696,477	132,730
Municipal Finance Corporation:					
2012	3,649,217	-	(1,180,370)	2,468,847	1,216,046
Total Long-Term Debt	<u>8,955,087</u>	<u>-</u>	<u>(2,407,149)</u>	<u>6,547,938</u>	<u>1,703,749</u>
<b>Other Noncurrent Liabilities:</b>					
Net Pension Obligation	1,876,184	101,733	-	1,977,917	-
Compensated Absences	205,823	8,058	-	213,881	54,935
Total Other Noncurrent Liabilities	<u>2,082,007</u>	<u>109,791</u>	<u>-</u>	<u>2,191,798</u>	<u>54,935</u>
Total Noncurrent Liabilities	<u>\$ 11,037,094</u>	<u>\$ 109,791</u>	<u>\$ (2,407,149)</u>	<u>\$ 8,739,736</u>	<u>\$1,758,684</u>

# NOTES TO THE FINANCIAL STATEMENTS

## JUNE 30, 2017

### **Note 6 - Noncurrent Liabilities: (Continued)**

Debt service requirements on the installment notes payable are as follows:

Years Ended June 30	Principal				Interest			
	MLA 2007	MLA 2009	MFC 2012	Total	MLA 2007	MLA 2009	MFC 2012	Total
2018	\$ 365,702	\$ 135,934	\$ 1,252,801	\$ 1,754,437	\$ 88,107	\$ 12,719	\$ 28,258	\$ 129,084
2019	376,756	139,216	-	515,972	77,054	9,437	-	86,491
2020	388,143	142,577	-	530,720	65,666	6,076	-	71,742
2021	399,875	146,021	-	545,896	53,934	2,634	-	56,568
2022	411,961	-	-	411,961	41,848	-	-	41,848
2023 - 2026	1,085,203	-	-	1,085,203	49,320	-	-	49,320
Total	<u>\$ 3,027,640</u>	<u>\$ 563,748</u>	<u>\$ 1,252,801</u>	<u>\$ 4,844,189</u>	<u>\$ 375,929</u>	<u>\$ 30,866</u>	<u>\$ 28,258</u>	<u>\$ 435,053</u>

#### **Municipal Leasing Associates, Inc. (2007)**

On October 18, 2007, the District entered into an Installment Sale Agreement with Municipal Leasing Associates, Inc. (MLA). MLA provided \$5,500,000 for the purpose of financing the cost of the District's administrative facility. The Installment Sale Agreement was amended on October 26, 2012. The original 4.5% installment note was payable over twenty years in semi-annual installments of principal and interest of \$209,976. The amended Installment Sale Agreement is payable in semi-annual installments of \$226,905 of principal and interest at 3% payable in April and October each year and matures October 2024. The Installment Sale Agreement had an outstanding balance of \$3,027,640 and \$3,382,614 at June 30, 2017 and 2016, respectively.

The District covenants that it shall fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Water System during each fiscal year (which, together with existing unencumbered cash which is lawfully available to the District) are at least equal to 115% of the aggregate amount of the installment payments and all principal of the interest on the prior parity obligations and any additional parity obligations as they become due and payable during such fiscal year.

#### **Municipal Leasing Associates, Inc. (2009)**

On April 1, 2009, the District entered into an Installment Sale Agreement with MLA. MLA provided \$2,000,000 for the purpose of financing costs related to the construction of a new administrative facility. The Installment Sale Agreement was amended June 8, 2016. The original 4.65% installment note was payable over 20 years in semi-annual installments of principal and interest of \$77,342. The Amended Installment Sale Agreement is payable in semi-annual installments of \$74,320 of principal and interest at 2.4% payable in June and December each year and matures June 2021. The Installment Sale Agreement had an outstanding balance of \$563,748 and \$696,477 at June 30, 2017 and 2016, respectively.

The District covenants that it shall fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Water System, which, together with existing unencumbered cash, which are lawfully available to the District, are at least equal to 115% of the aggregate amount of parity obligations coming due and payable during the fiscal year.

# NOTES TO THE FINANCIAL STATEMENTS

## JUNE 30, 2017

### **Note 6 - Noncurrent Liabilities: (Continued)**

#### **Municipal Finance Corporation (2012)**

On December 15, 2011, the District entered into an installment sale agreement with Municipal Finance Corporation (MFC). MFC provided \$6,986,579 for the purpose of a current refunding of the G.E. Government Finance 2003 note payable and the City National Bank note payable, resulting in defeasance of debt. The liability for the two notes have been removed from long-term debt. The MFC 2012 note is payable over six years in semi-annual installments of principal and interest of \$640,530 payable in August and February each year. The note bears interest at 3.0%. The installment sale agreement had an outstanding balance of \$1,252,801 and \$2,468,847 at June 30, 2017 and 2016, respectively.

The District covenants that it shall fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Water System, which, together with existing unencumbered cash (which are lawfully available to the District) are at least equal to 115% of the aggregate amount of parity obligations coming due and payable during the fiscal year.

Although the refunding resulted in a deferred amount on refunding of \$20,991, the deferred amount on refunding from the previous current refunding of the City National Bank note at the time of the refunding was \$250,712. This resulted in a total deferred amount on refunding of \$271,703. The District in effect reduced its aggregate debt service payments by approximately \$263,718 over the next six years and obtained an economic gain (difference between the present values of the old and the new debt service payments) of approximately \$213,161. The deferred amount on refunding is being amortized over the remaining life of the refunded debt. The amortization expense totaled \$24,487 and \$36,193 for the years ended June 30, 2017 and 2016, respectively and is included in interest expense. The deferred amount on refunding was \$12,425 and \$36,912 at June 30, 2017 and 2016, respectively and is recognized as a deferred outflow of resources in the statements of net position.

### **Note 7 - Post Employment Benefits:**

#### **Plan Description**

The District's defined benefit postemployment healthcare plan, (Newhall County Water District Retiree Healthcare Plan, NCWDRHP) provides medical and dental benefits to eligible retired District employees. To be eligible, an employee must be hired prior to November 1, 2009 and eligible for retirement under PERS. Eligible employees are also entitled to receive continued coverage under the District's health plan, provided that the employee is at least fifty-five (55) years old and has at least ten (10) years of service with the District at time of retirement. NCWDRHP is part of the Public Agency portion of the California Employers' Retiree Benefit Trust Fund (CERBT), a multiple-employer defined benefit healthcare plan administered by California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements is established by State statute within the Public Employee's Retirement Law. NCWDRHP selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through District resolution. CalPERS issues a Comprehensive Annual Financial Report (CAFR). The CAFR may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.



# NOTES TO THE FINANCIAL STATEMENTS

## JUNE 30, 2017

### Note 7 - Post Employment Benefits: (Continued)

#### Funding Policy and Annual OPEB Costs

The contribution requirements of the District are established and may be amended annually by the Board of Directors. The District's annual other post employment benefit (OPEB) cost (expense) for the plan is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with GASB Cod. Sec. P50 "Post-Employment Benefits Other Than Pension Benefits - Employer Reporting". The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The District opted to amortize the unfunded actuarial liability over a period of one year. The following table shows the components of the District's annual OPEB cost, the amount actually contributed to the plan, and changes in the District's net OPEB obligation for the years ended June 30:

	2017	2016
Annual Required Contribution	\$ 70,528	\$ 74,458
Interest on Net OPEB Obligation	-	-
Adjustment to Annual Required Contribution	-	-
Annual OPEB Cost (Expense)	70,528	74,458
Contributions (Including Benefits Paid)	(70,528)	(74,458)
Increase (Decrease) in Net OPEB Asset	-	-
Net OPEB Asset - Beginning of Year	-	-
Net OPEB Asset - End of Year	\$ -	\$ -

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the five preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
June 30, 2012	\$ 25,274	100%	\$ -
June 30, 2013	51,900	100%	-
June 30, 2014	53,669	100%	-
June 30, 2015	72,322	100%	-
June 30, 2016	74,458	100%	-
June 30, 2017	70,528	100%	-

# NOTES TO THE FINANCIAL STATEMENTS

## JUNE 30, 2017

### Note 7 - Post Employment Benefits: (Continued)

#### Funding Status and Funding Progress

As of June 30, 2015, the most recent actuarial valuation date, the District's actuarial accrued liability for benefits was \$2,067,577 of which \$336,050 was over funded. The covered payroll (annual payroll of active employees covered by plan) was \$2,121,526 with a ratio of the Net OPEB Liability (NOL) previously referred to as the Unfunded Actuarial Accrued Liability (UAAL) to the covered payroll of (16%).

Actuarial Valuation Date	Actuarial Value of Assets (A)	Total OPEB Liability (TOL) (B)	Net OPEB Liability (NOL) (B - A)	Funded Status (A/B)	Covered Payroll (C)	NOL as a Percentage of Covered Payroll [(B-A)/C]
June 30, 2010	\$ 1,474,977	\$ 1,214,311	\$ (260,666)	121%	\$ 1,983,006	-13%
June 30, 2011	1,678,959	1,574,859	(104,100)	107%	1,916,197	-5%
June 30, 2013	1,851,284	2,029,498	178,214	91%	2,057,758	9%
June 30, 2015	2,403,627	2,067,577	(336,050)	116%	2,121,526	-16%

Actuarial valuations of an 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 employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

#### 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 benefits and costs between employer and plan members 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.

The actuarial cost method used for determining the benefit obligations is the Entry Age Normal Cost Method. The actuarial assumptions included a 7.5% investment rate of return, which is the assumed rate of the expected long-term investment returns on plan assets calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 9 percent initially, reduced by decrements of .5% per year to an ultimate rate of 6.5% after the ninth year. Both rates included a 3% inflation assumption. The UAAL is being amortized as a level percentage of projected payroll over a closed amortization period of 30 years. It is assumed the District's payroll will increase 3.25% per year.

# NOTES TO THE FINANCIAL STATEMENTS

## JUNE 30, 2017

**Note 8 - Defined Benefit Pension Plan:**

**General Information About the Pension Plan**

**Plan Description** - All qualified permanent and probationary employees are eligible to participate in the Miscellaneous Plan of the Newhall County Water District, (All Plans) a cost sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

**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. The Plan's provisions and benefits in effect at June 30, 2017, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or After January 1, 2013
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50 - 55	52 - 62
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7.00%	6.25%
Required employer contribution rates	10.338%	6.237%

**Contribution Description** - Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers are 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 the CalPERS annual actuarial process. The Plans 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. For the measurement period ended June 30, 2016 (measurement date), the active employee contribution rate is for employees hired prior to January 1, 2013 is 7.0% of annual payroll with the District paying 3.662% of that amount, and the employer's contribution rate is 10.338% of annual payroll. The active employee contribution rate for those employees hired on or after January 1, 2013 is 6.25% of annual pay, and the average employer contribution rate is 6.237% of annual payroll. Employer contribution rates may change if plan contracts are amended. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any employer paid member contributions or situations where members are paying a portion of the employer contribution.

# NOTES TO THE FINANCIAL STATEMENTS

## JUNE 30, 2017

### Note 8 - Defined Benefit Pension Plan: (Continued)

#### General Information About the Pension Plan (Continued)

The District's contribution to the Plan for the year ended June 30, 2017 were as follows:

Contributions - Employer	\$ 204,306
Contributions - Employee (Paid by Employer)	\$ 54,479

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

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

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' membership data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

#### Change of Assumptions

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate was changed from 7.50% (net of administrative expense in 2014) to 7.65% as of the June 30, 2015 measurement date to correct the adjustment, which previously reduced the discount rate for administrative expense.

# NOTES TO THE FINANCIAL STATEMENTS

## JUNE 30, 2017

### Note 8 - Defined Benefit Pension Plan: (Continued)

#### Actuarial Methods and Assumptions Used to Determine Total Pension Liability (Continued)

##### Discount Rate

The discount rate used to measure the total pension liability was 7.65%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each 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 of the plans, the test revealed that the assets would not run out. Therefore, the current 7.65% discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65% 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 on CalPERS' website under the GASB 68 section.

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

In determining the long-term expected rate of return, staff 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 on 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 the set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10</u>	<u>Real Return Years 11 +</u>
Growth	61.0%	5.4%	7.2%
Income	20.0	7.1	7.2
Real Assets	12.0	(0.1)	7.3
Liquidity	1.0	1.7	3.0
Inflation	6.0	N/A	N/A

# NOTES TO THE FINANCIAL STATEMENTS

## JUNE 30, 2017

### Note 8 - Defined Benefit Pension Plan: (Continued)

#### Allocation of Net Pension Liability and Pension Expense to Individual Employers

The following table shows the District's proportionate share of the net pension liability over the measurement period.

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Pension (b)	Net Pension Liability (c) = (a) - (b)
Balance at June 30, 2015	\$ 12,573,985	\$ 10,596,068	\$ 1,977,917
Balance at June 30, 2016	12,753,176	10,012,458	2,740,718
Net Changes During 2015 - 2016	<u>\$ 179,191</u>	<u>\$ (583,610)</u>	<u>\$ 762,801</u>

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 liabilities was determined by an actuarial valuation of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the plan as of June 30, 2015 and 2016 was as follows:

	Miscellaneous
Proportion - June 30, 2015	0.072096%
Proportion - June 30, 2016	<u>0.088580%</u>
Change - Increase (Decrease)	<u>0.016484%</u>

#### Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Plan as of the Measurement Date, calculated using the discount rate of 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65%) or 1 percentage-point higher (8.65%) than the current rate:

	Discount Rate -1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate +1% (8.65%)
Plan's Net Pension Liability	<u>\$ 4,457,693</u>	<u>\$ 2,740,718</u>	<u>\$ 1,321,723</u>

# NOTES TO THE FINANCIAL STATEMENTS

## JUNE 30, 2017

### Note 8 - Defined Benefit Pension Plan: (Continued)

#### Allocation of Net Pension Liability and Pension Expense to Individual Employers (Continued)

#### Amortization of Deferred Outflows and Deferred Inflows of Resources

Under GASB 68, actuarial 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 inflows and deferred outflows to be recognized in future pension expense.

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

Net difference between projected and actual earnings on pension plan investment	5 year straight-line amortization
All other amounts	Straight-line amortization over the expected remaining service lifetime (EARSL) of all members that are provided with pensions (active, inactive, and retired) as of the beginning of the measurement period

The Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments is amortized over a five-year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period, and the remaining Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments at the measurement date is to be amortized over the remaining four-year period. The Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments in the schedule of Collective Pension Amounts represents the unamortized balance relating to the current measurement period and the prior measurement period on a net basis.

Deferred outflows of resources and deferred inflows of resources relating to Differences Between Expected and Actual Experience, Changes of Assumptions and employer-specific amounts should be amortized over the EARSL of members provided with pensions through the Plan. The EARSL for the Plan for the June 30, 2016 measurement date is 3.7 years, which was obtained by dividing the total service years by the total number of participants (active, inactive, and retired) in the Plan. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.



# NOTES TO THE FINANCIAL STATEMENTS

## JUNE 30, 2017

### Note 8 - Defined Benefit Pension Plan: (Continued)

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

For the years ended June 30, 2017 and 2016, the District recognized a pension expense of \$332,549 and \$92,976 for the Plan. As of June 30, 2017, the District reports deferred outflows of resources and deferred inflows of resources related to pensions as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 268,414	\$ -
Differences between actual contributions made and the proportionate share of contributions	-	175,456
Differences between expected and actual expense	6,772	-
Changes of assumptions	-	83,108
Net difference between projected and actual earnings on pension plan investments	432,548	-
Adjustments due to difference in proportions	-	68,937
Total	<u>\$ 707,734</u>	<u>\$ 327,501</u>

The \$268,414 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows and deferred inflows of resources in the previous chart will be recognized in future pension expense as follows:

<u>Measurement Period Ended June 30</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2018	\$ 23,735
2019	23,735
2020	(43,787)
2021	108,136
Total	<u>\$ 111,819</u>

### Note 9 - Contingencies:

In the opinion of District counsel and management, the District had no material claims which would require loss provision in the financial statements at June 30, 2017 and 2016.

# NOTES TO THE FINANCIAL STATEMENTS

## JUNE 30, 2017

### **Note 10 - New Governmental Accounting Standards:**

#### **GASB No. 73**

In June 2015, The Governmental Accounting Standards Board issued Statement 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 requirements of this statement addressing accounting and financial reporting for employers that are not within the scope of GASB 68 are effective for financial statements for fiscal years beginning after June 15, 2016. All other provisions are effective for periods beginning after June 15, 2015. This pronouncement did not have a material effect on the financial statements of the District in the year of implementation.

#### **GASB No. 74**

In June 2015, the Governmental Accounting Standards Board issued Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other than Pension Plans." This pronouncement is effective for financial statements for fiscal years beginning after June 15, 2016. Earlier application is encouraged. This pronouncement did not have a material effect on the financial statements of the District in the year of implementation.

#### **GASB No. 75**

In June 2015, the Government Accounting Standards Board issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pension". This Statement is effective for financial statements for fiscal years beginning after June 15, 2017. Earlier application is encouraged. The District has not yet determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

#### **GASB No. 77**

In August 2015, the Governmental Accounting Standards Board issued Statement No. 77, "Tax Abatement Disclosures". The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged. This pronouncement did not have a material effect on the financial statements of the District in the year of implementation.

#### **GASB No. 78**

In December 2015, the Governmental Accounting Standards Board issued Statement No. 78, "Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plan". The requirements of this Pronouncement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged. This pronouncement did not have a material effect on the financial statements of the District in the year of implementation.

# NOTES TO THE FINANCIAL STATEMENTS

## JUNE 30, 2017

### Note 10 - New Governmental Accounting Standards: (Continued)

#### GASB No. 80

In January 2016, the Government Accounting Standards Board issued Statement No. 80, "Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14". The requirements of this pronouncement are effective for reporting period beginning after June 15, 2016. Earlier application is encouraged. This pronouncement did not have a material effect on the financial statements of the District in the year of implementation.

#### GASB No. 81

In March 2016, the Governmental Accounting Standards Board issued Statement No. 81, "Irrevocable Split-Interest Agreements". The requirements of this Pronouncement are effective for financial statements for period beginning after December 15, 2016, and should be applied retroactively. Earlier application is encouraged. The District has not yet determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

#### GASB No. 82

In March 2016, the Governmental Accounting Standards Board issued Statement No. 82, "Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73". The requirements of this Pronouncement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged. The District has not yet determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

#### GASB No. 83

In November 2016, the Governmental Accounting Standards Board issued Statement No. 83 "Certain Asset Retirement Obligations". The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier Application is encouraged. The District has not determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

#### GASB No. 84

In January 2017, the Governmental Accounting Standards Board issued Statement No. 84 "Fiduciary Activities". The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier Application is encouraged. The District has not determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

# NOTES TO THE FINANCIAL STATEMENTS

## JUNE 30, 2017

### **Note 10 - New Governmental Accounting Standards: (Continued)**

#### **GASB No. 85**

In March 2017, the Governmental Accounting Standards Board issued Statement No. 85 "Omnibus 2017". The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The District has not determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

#### **GASB No. 86**

In May 2017, the Governmental Accounting Standards Board issued Statement No. 86 "Certain Debt Extinguishment Issues". The requirements of this Statement are effective for reporting periods beginning after December 15, 2017. Earlier Application is encouraged. The District has not determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

#### **GASB No. 87**

In June 2017, the Governmental Accounting Standards Board issued Statement No. 87 "Leases". The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The District has not determined the effects of this pronouncement on the financial statements of the District in the year of implementation.

Pronouncement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The requirements of this Pronouncement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged. The District has not yet determined the effects of this pronouncement on the financial statements of the District in the year of implementation

### **Note 11 - Subsequent Event**

On October 15, 2017, the Governor of the State of California signed into law SB-634, which reorganized Castaic Lake Water Agency and Newhall County Water District to create Santa Clarita Valley Water Agency (New Agency). The agreement creating this New Agency will be effective January 1, 2018.

## REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2017

### SCHEDULES OF PLAN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY LAST TEN YEARS \*

	Measurement Date <u>June 30, 2016</u>	Measurement Date <u>June 30, 2015</u>	Measurement Date <u>June 30, 2014</u>
Proportion of the Collective Net Pension Liability	0.088580%	0.072096%	0.075913%
Proportionate Share of the Collective Net Pension Liability	2,740,718	1,977,917	1,876,184
Covered-Employee Payroll	2,581,137	2,376,060	2,372,536
Proportionate Share of the Collective Net Pension Liability as Percentage of Covered-Employee Payroll	106.18%	83.24%	79.08%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.51%	84.27%	84.71%

**Notes to Schedule:**

**Benefit Changes** - The figures above do not include any liability impact that may have resulted from plan changes, which occurred after the June 30, 2014 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (aka Golden Handshakes).

**Changes in Assumptions** - The discount rate was changes from 7.5 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expense.

\*Fiscal year 2015 was the first year of implementation, therefore only three years are shown.

# REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2017

## SCHEDULES OF PLAN CONTRIBUTIONS LAST TEN YEARS \*

	Fiscal Year 2016 - 2017	Fiscal Year 2015 - 2016	Fiscal Year 2014 - 2015
Actuarial Determined Contribution	\$ 268,414	\$ 246,839	\$ 224,036
Contributions in Relation to the Actuarially Determined Contribution	(268,414)	(246,839)	(224,036)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Covered Payroll	 <u>\$ 2,276,893</u>	 <u>\$ 2,581,137</u>	 <u>\$ 2,376,060</u>
 Contributions as a Percentage of Covered- Employee Payroll	 11.79%	 9.56%	 9.43%

### Notes to Schedule:

Fiscal Year End	June 30, 2017	June 30, 2016	June 30, 2015
Valuation Date	June 30, 2014	June 30, 2013	June 30, 2012

### Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age	Entry Age	Entry Age
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Asset Valuation Method	Market Value	Market Value	Market Value
Discount Rate	7.50%	7.50%	7.50%
Projected Salary Increase	3.30% to 14.20% depending on Age, Service and Type of employment	3.30% to 14.20% depending on Age, Service and Type of employment	3.30% to 14.20% depending on Age, Service and Type of employment
Inflation	2.75%	2.75%	2.75%
Payroll Growth	3.00%	3.00%	3.00%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual production inflation growth of 0.25%	A merit scale varying by duration of employment coupled with an assumed annual production inflation growth of 0.25%	A merit scale varying by duration of employment coupled with an assumed annual production inflation growth of 0.25%

\*Fiscal year 2015 was the first year of implementation; therefore, only three years are shown.



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**Independent Auditor's Report on Internal Control  
Over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards***

To the Board of Directors  
Newhall County Water District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Newhall County Water District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Newhall County Water District's basic financial statements, and have issued our report thereon dated December 14, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Newhall County Water District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Newhall County Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of Newhall County Water District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this selection and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

San Diego, California  
December 14, 2017



# STATISTICAL SECTION



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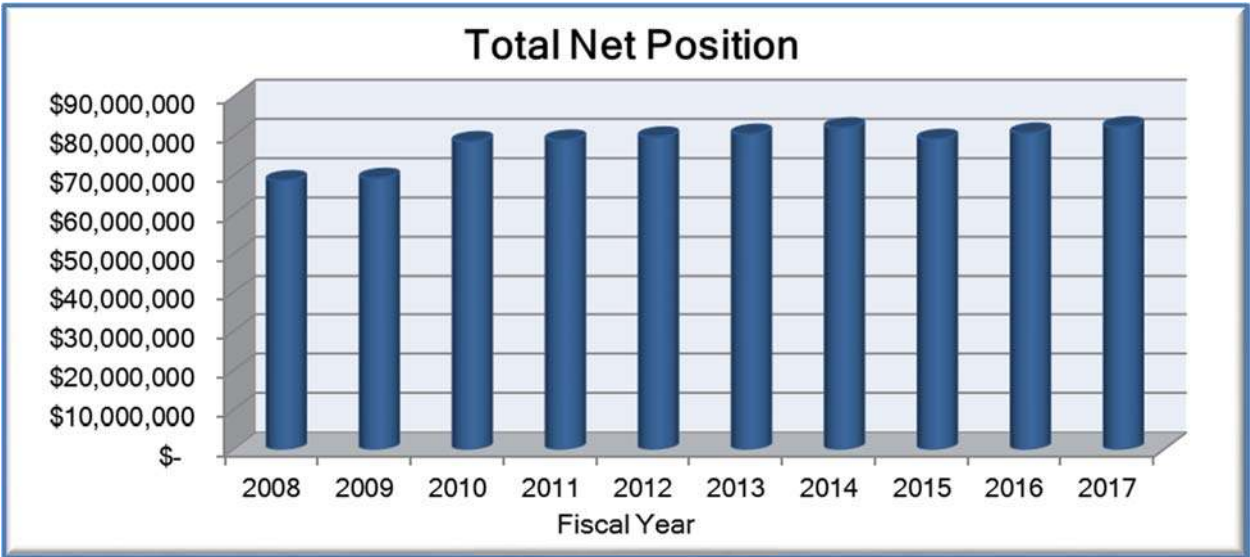
# STATISTICAL SCHEDULES

This part of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the accompanying financial statements and notes to the basic financial statements say about the District's overall financial health.

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	66
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the factors affecting the District's ability to generate its water revenue.	71
<b>Debt</b> These schedules present information to help the reader assess the affordability of the District's current level of outstanding debt and the District's ability to issue additional debt in the future.	78
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place and to help make comparisons over time and with other agencies.	81
<b>Operating Information</b> These schedules contain information about the District's operation and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs.	85
<b>Sources</b> Unless otherwise noted, the information in these schedules is derived from the budgets and annual financial reports of the relevant year.	

## TABLE I - NET POSITION BY COMPONENT LAST TEN FISCAL YEARS

Fiscal Year	Net Investment in Capital Assets	Restricted	Unrestricted	Total Net Position
2017	\$ 76,149,554	\$ -	\$ 6,154,773	\$ 82,304,327
2016	75,032,549	-	5,667,014	80,699,563
2015	73,152,045	-	5,974,618	79,126,663
2014	72,547,586	-	9,505,964 <sup>1</sup>	82,053,550
2013	71,660,490	-	8,759,542	80,420,032
2012	70,853,289	-	8,864,535	79,717,824
2011	71,700,345	509,659	6,724,370	78,934,374
2010	72,142,619	-	6,388,970	78,531,589
2009	62,724,820	193,555	6,251,661	69,170,036
2008	60,684,967	493,407	7,403,219	68,581,593

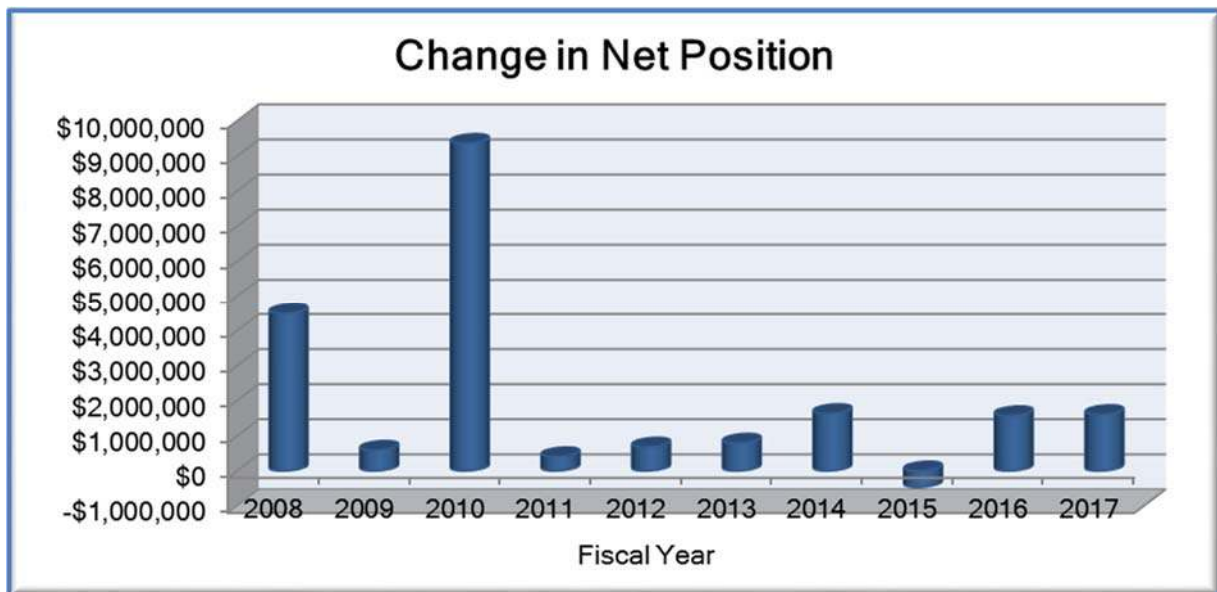


1 - Unrestricted decreased as a result of the implementation of GASB 68. "Accounting and Financial Reporting for Pensions"

Source: Newhall County Water District

## TABLE II - CHANGES IN NET POSITION LAST TEN FISCAL YEARS

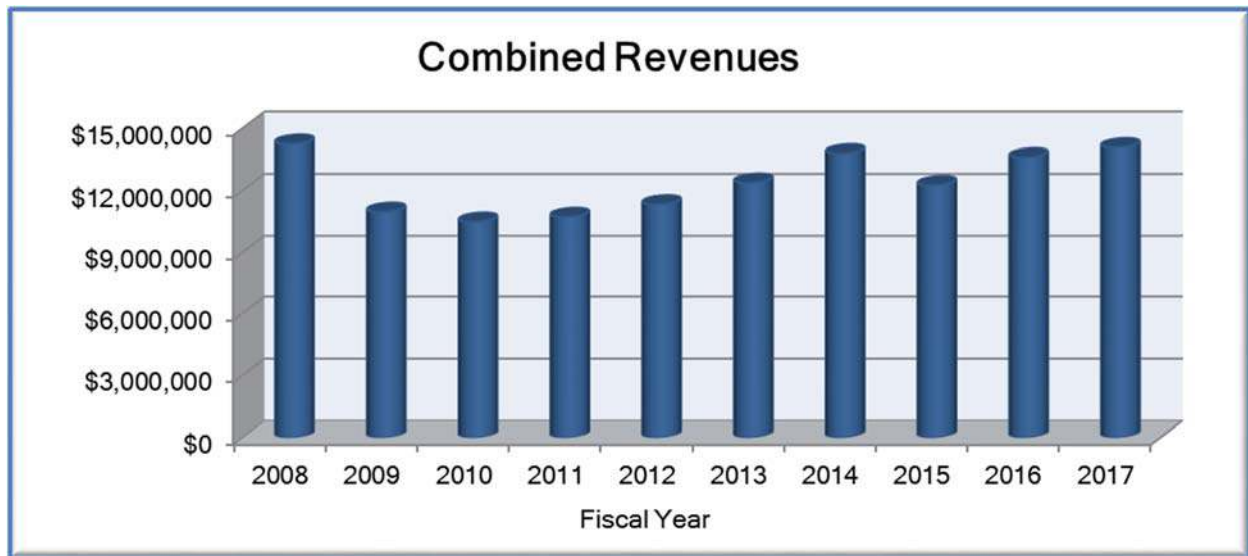
Fiscal Year	Operating Revenues	Operating Expenses	Operating Income/ (Loss)	Total Non-Operating Revenues/ (Expenses)	Income (Loss) Before Capital Contributions	Capital Contributions	Special Items	Change in Net Position
2017	\$ 13,132,249	\$ 12,038,547	\$ 1,093,702	\$ 173,528	\$ 1,267,230	\$ 337,534	\$ -	\$ 1,604,764
2016	11,082,672	12,203,271	(1,120,599)	2,196,111	1,075,512	497,388	-	1,572,900
2015	11,230,157	12,379,011	(1,148,854)	654,828	(494,026)	30,802	-	(463,224)
2014	13,016,631	12,123,374	893,257	309,870	1,203,127	430,391	-	1,633,518
2013	11,499,825	11,152,630	347,195	367,549	714,744	74,616	-	789,360
2012	10,585,011	10,072,035	512,976	108,908	621,884	57,381	-	679,265
2011	9,971,457	10,316,776	(345,319)	21,496	(323,823)	726,608	-	402,785
2010	9,757,539	10,009,873	(252,334)	286,121	33,787	9,000,628	327,138	9,361,553
2009	9,937,715	9,874,862	62,853	229,746	292,599	295,844	-	588,443
2008	10,011,031	9,758,816	252,215	3,229,054	3,481,269	1,009,089	-	4,490,358



Source: Newhall County Water District

## TABLE III - OPERATING REVENUES BY SOURCE LAST TEN FISCAL YEARS

Fiscal Year	Operating Revenues		Non-operating Revenues			Percent Change
	Water Sales	Connection and Other Fees	Property Taxes	Investment and Other Income	Total	
2017	\$ 13,072,393	\$ 59,856	\$ 571,750	\$ 368,269	\$14,072,268	3.53%
2016	11,070,030	12,642	549,459	1,960,210 <sup>2</sup>	13,592,343	10.98%
2015	11,204,859	25,298	531,672	485,466	12,247,295	-11.14%
2014	13,008,264	8,367	497,330	268,799	13,782,760	11.43%
2013	11,482,554	17,271	533,884	335,145	12,368,854	9.25%
2012	10,510,558	74,453	492,128	244,337	11,321,476	5.68%
2011	9,828,183	143,274	494,467	247,491	10,713,415	2.23%
2010	9,491,331	266,208	459,920	262,685	10,480,144	-4.38%
2009	9,814,009	123,706	541,836	480,364	10,959,915	-23.04%
2008	10,011,031	232,006	519,330	3,479,472 <sup>1</sup>	14,241,839	24.05%



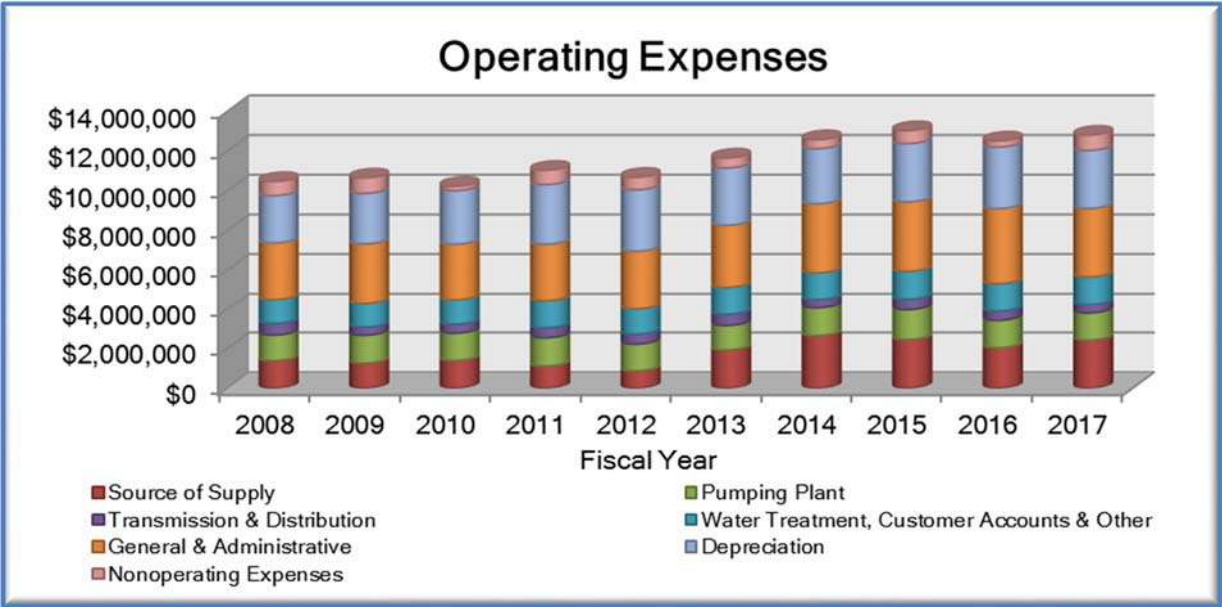
1 - The District received a litigation settlement of \$2.5 million in Fiscal Year 2008.

2 - The District received a litigation settlement of \$1.6 million in Fiscal Year 2016.

*Source: Newhall County Water District*

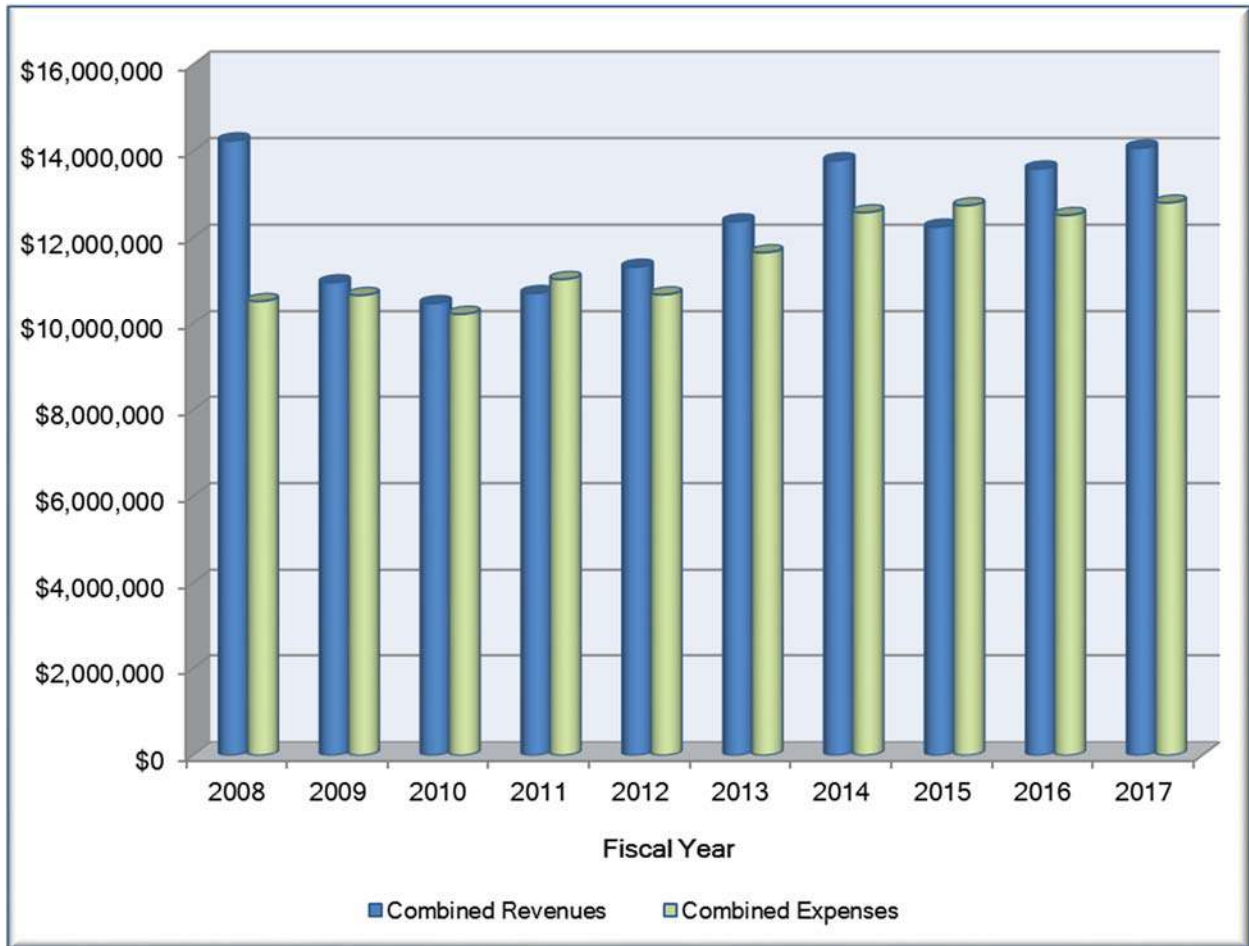
# TABLE IV - EXPENSES BY FUNCTION LAST TEN FISCAL YEARS

Operating Expenses									
Fiscal Year	Source of Supply	Pumping Plant	Transmission & Distribution	Water Treatment, Customer Accounts & Other	General & Administrative	Depreciation	Non-Operating Expenses	Total	Percent Change
2017	\$ 2,426,337	\$ 1,374,166	\$ 461,109	\$ 1,393,915	\$ 3,454,103	\$ 2,928,917	\$ 766,491	\$ 12,805,038	0.50%
2016	2,042,010	1,383,397	466,301	1,422,956	3,790,153	3,098,454	313,558	12,516,829	-0.50%
2015	2,453,096	1,517,510	560,112	1,406,892	3,506,553	2,934,848	362,310	12,741,321	9.33%
2014	2,647,046	1,415,627	451,283	1,349,675	3,486,969	2,772,774	456,259	12,579,633	7.94%
2013	1,926,141	1,238,141	559,540	1,401,187	3,138,271	2,889,350	501,480	11,654,110	9.09%
2012	874,101	1,355,990	496,600	1,274,254	2,957,338	3,096,719	627,557	10,682,559	-3.21%
2011	1,113,337	1,430,663	502,026	1,406,846	2,856,965	3,006,939	720,462	11,037,238	7.87%
2010	1,396,816	1,381,196	447,040	1,274,035	2,811,106	2,699,680	222,240	10,232,113	-4.08%
2009	1,261,369	1,414,290	407,289	1,241,327	3,000,307	2,550,280	792,454	10,667,316	1.32%
2008	1,386,572	1,295,922	579,390	1,250,859	2,858,669	2,387,404	769,748	10,528,564	3.77%



Source: Newhall County Water District

## CHART I - REVENUE AND EXPENSES LAST TEN FISCAL YEARS



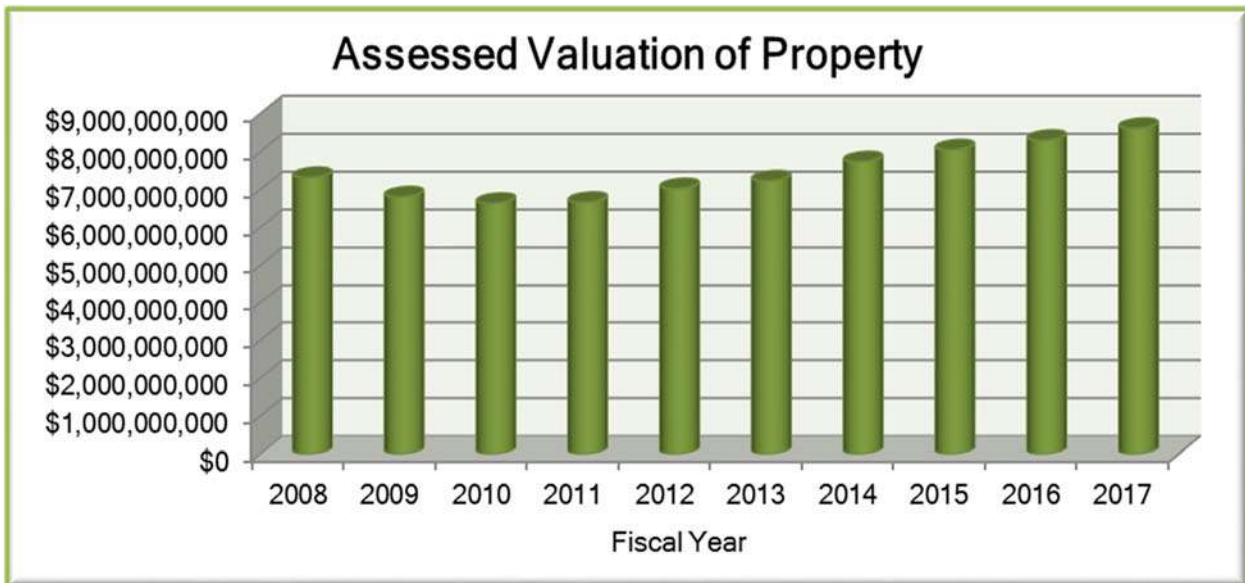
2008 - Increase due to the District receiving a litigation settlement of \$2.5 million and a rate increase.

*Source: Newhall County Water District*



## TABLE V - ASSESSED VALUATION OF TAXABLE PROPERTY WITHIN THE DISTRICT LAST TEN FISCAL YEARS

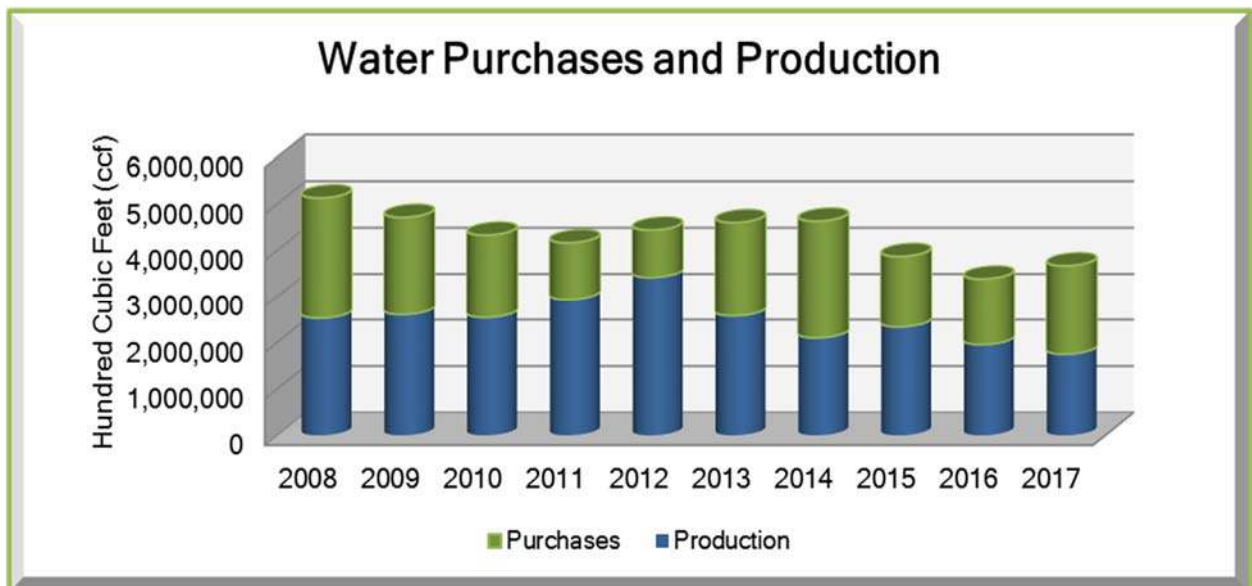
Fiscal Year	Secured	Unsecured	Total	Percent Change
2017	\$ 8,505,401,321	\$ 106,226,565	\$ 8,611,627,886	3.79%
2016	8,186,478,451	110,413,636	8,296,892,087	3.13%
2015	7,937,081,768	107,854,861	8,044,936,629	4.07%
2014	7,617,073,044	113,380,987	7,730,454,031	7.00%
2013	7,105,967,424	118,736,964	7,224,704,388	2.89%
2012	6,905,323,651	116,267,358	7,021,591,009	5.43%
2011	6,547,844,272	112,303,789	6,660,148,061	0.41%
2010	6,528,764,359	104,308,699	6,633,073,058	-2.54%
2009	6,678,347,480	127,425,854	6,805,773,334	-6.97%
2008	7,188,585,632	127,441,354	7,316,026,986	3.43%



*Source: County of Los Angeles, Auditor-Controller/Tax Division*

## TABLE VI - WATER PURCHASES, PRODUCTION AND SALES LAST TEN FISCAL YEARS

Fiscal Year	Potable Water <sup>1</sup> Per 100 Cubic Feet		
	Purchases	Production	Sales
2017	1,921,280	1,745,943	3,417,019
2016	1,429,130	1,951,846	3,168,411
2015	1,534,938	2,334,225	3,698,800
2014	2,535,969	2,095,538	4,631,507
2013	2,026,365	2,573,966	4,290,532
2012	1,023,591	3,414,688	4,099,907
2011	1,228,200	2,936,837	3,907,432
2010	1,789,764	2,539,031	4,040,662
2009	2,111,089	2,602,402	4,638,079
2008	2,608,135	2,523,942	4,737,197

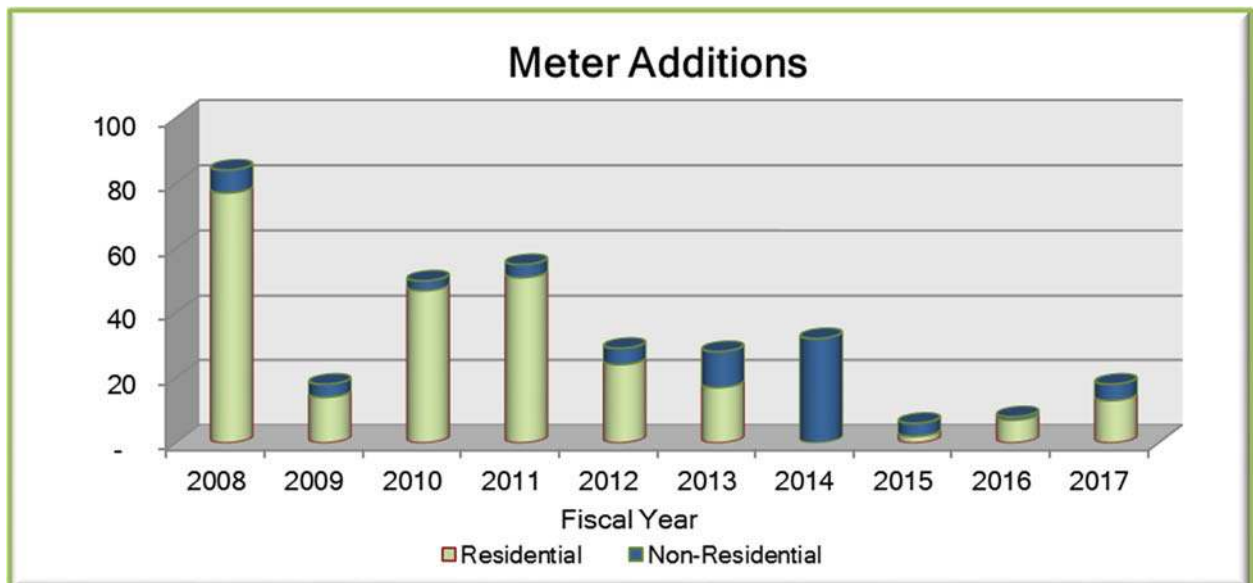


1 - Rates are not presented on this schedule because the District has multiple water rates for various meter sizes and cannot represent rates in a meaningful manner with a weighted average rate. See Water Rates on page 76 for meter sizes and their corresponding water rates.

Source: Newhall County Water District

## TABLE VII - METER ADDITIONS BY CUSTOMER CLASS LAST TEN FISCAL YEARS

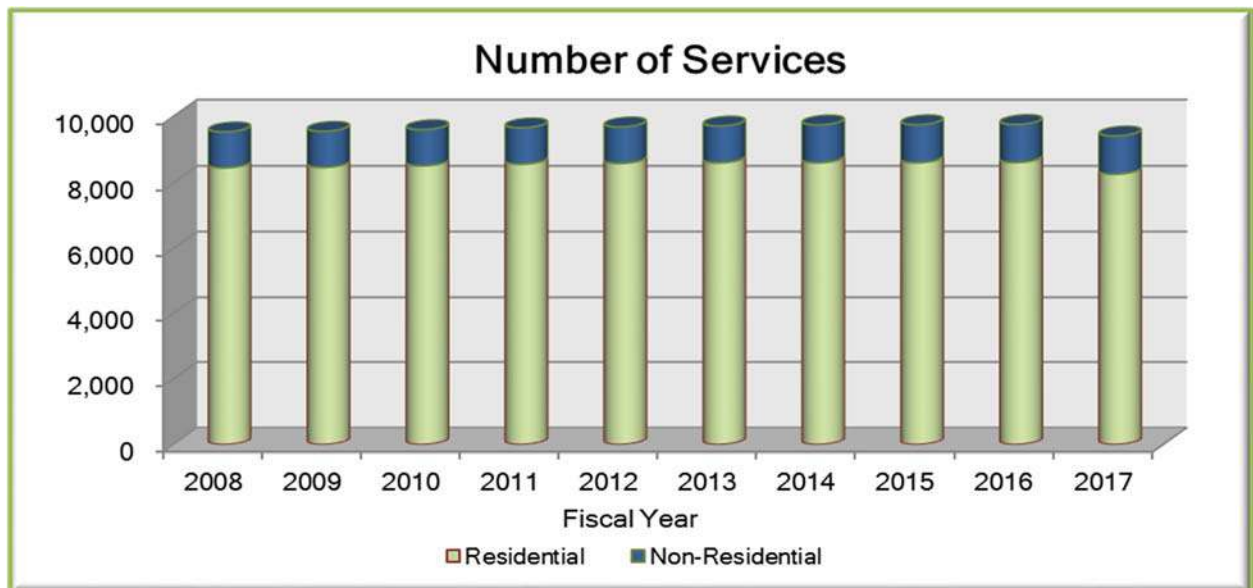
Fiscal Year	Residential	Non-Residential	Total
2017	13	5	18
2016	7	1	8
2015	2	4	6
2014	0	32	32
2013	17	11	28
2012	24	5	29
2011	51	4	55
2010	47	3	50
2009	14	4	18
2008	77	7	84



*Source: Newhall County Water District*

## TABLE VIII - NUMBER OF SERVICES BY CUSTOMER CLASS LAST TEN FISCAL YEARS

Fiscal Year	Residential	Non-Residential	Total
2017	8,629	1,143	9,772
2016	8,616	1,138	9,754
2015	8,609	1,137	9,746
2014	8,607	1,133	9,740
2013	8,607	1,101	9,708
2012	8,590	1,090	9,680
2011	8,566	1,085	9,651
2010	8,515	1,081	9,596
2009	8,468	1,078	9,546
2008	8,454	1,074	9,528

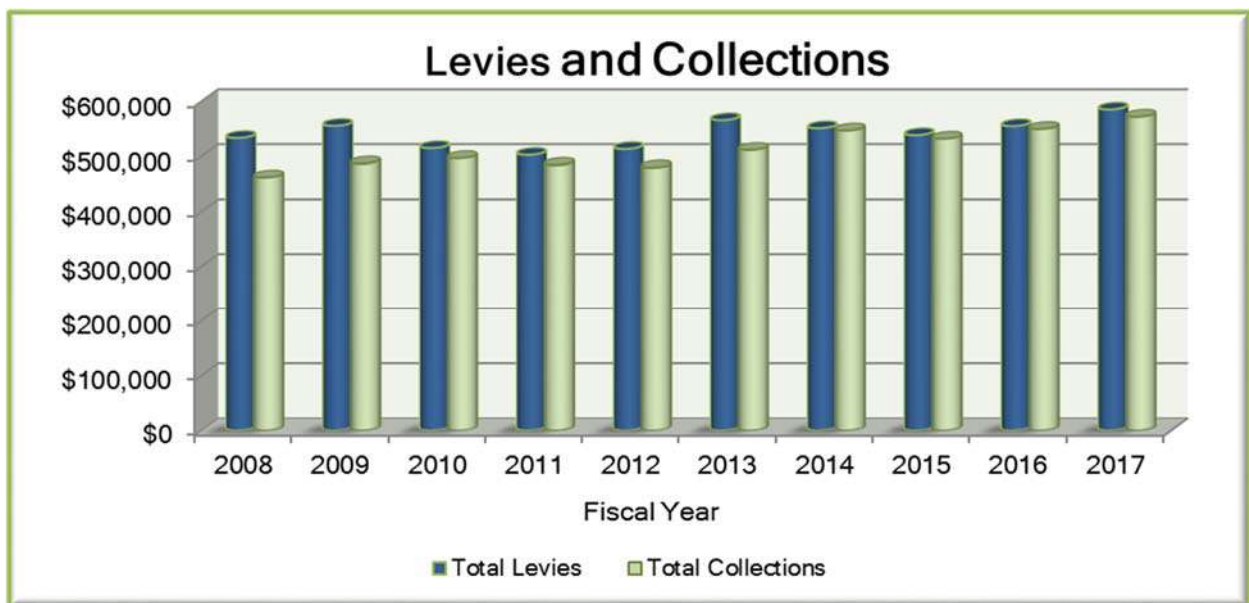


*Source: Newhall County Water District*

## TABLE IX - PROPERTY TAX LEVIES & COLLECTIONS LAST TEN FISCAL YEARS

### PROPERTY TAX LEVIES AND COLLECTIONS<sup>1</sup>

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2017	\$ 585,113	\$ 571,750	97.72%	\$ 13,363	\$585,113	100.00%
2016	554,666	549,459	99.06%	5,207	554,666	100.00%
2015	538,275	531,672	98.77%	6,603	538,275	100.00%
2014	550,872	546,602	99.22%	4,271	550,872	100.00%
2013	565,572	511,134	90.37%	54,438	565,572	100.00%
2012	513,148	479,618	93.47%	33,530	513,148	100.00%
2011	502,536	484,214	96.35%	18,322	502,536	100.00%
2010	514,699	496,394	96.44%	18,305	514,699	100.00%
2009	555,262	486,771	87.67%	68,491	555,262	100.00%
2008	533,174	461,853	86.62%	71,321	533,174	100.00%



1 - Total tax collection does not include debt service direct assessments. There has been no Special Assessment and Collections for the last ten fiscal years.

*Source: County of Los Angeles, Auditor-Controller/Tax Division*

## TABLE X - WATER RATES LAST TEN FISCAL YEARS

Monthly Service Charge (Meter Size)	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<u>All Customers</u> (exl Special Fire)										
3/4"	15.75	\$ 15.52	\$ 15.27	\$ 19.18	\$ 18.82	\$ 17.04	\$ 17.04	\$ 17.04	\$ 17.04	\$ 17.04
1"	26.30	25.92	25.50	32.03	31.43	28.44	28.44	28.44	28.44	28.44
1 1/2"	52.45	51.68	50.84	63.87	62.67	56.72	56.72	56.72	56.72	56.72
2"	83.95	82.72	81.38	102.23	100.31	90.77	90.77	90.77	90.77	90.77
2 1/2"	126.00	124.15	122.14	153.44	150.56	136.26	136.26	136.26	136.26	136.26
3"	157.50	155.19	152.68	191.80	188.20	170.32	170.32	170.32	170.32	170.32
4"	262.55	258.70	254.51	319.73	313.73	283.92	283.92	283.92	283.92	283.92
6"	524.95	517.25	508.87	639.27	627.27	567.65	567.65	567.65	567.65	567.65
8"	839.95	827.64	814.22	1,022.87	1,003.67	908.28	908.28	908.28	908.28	908.28
10"	1,207.55	1,189.85	1,170.56	1,470.53	1,442.93	1,305.78	1,305.78	1,305.78	1,305.78	1,305.78
<u>Special Fire Service</u>										
2"	22.29	22.07	69.04	67.67	66.40	56.98	56.98	56.98	56.98	56.98
4"	71.26	70.21	130.57	127.97	125.57	113.69	113.69	113.69	113.69	113.69
6"	134.78	132.79	204.26	200.20	196.45	177.86	177.86	177.86	177.86	177.86
<b>Usage Rate (per CCF)</b>										
<u>Residential</u>										
Uniform Volume	1.9675	1.8495	1.7262							
Tier 1		-	-	1.0670	1.0150	0.8000	0.8000	0.8000	0.8000	0.8000
Tier 2		-	-	1.5760	1.5240	0.8800	0.8800	0.8800	0.8800	0.8800
Tier 3		-	-	1.9810	1.9830	1.1000	1.1000	1.1000	1.1000	1.1000
Tier 4		-	-	-	-	1.4560	1.4560	1.4560	1.4560	1.4560
<u>Non-Residential</u>	1.9675	1.8495	1.7262	1.5760	1.5240	0.9680	0.9680	0.9680	0.9680	0.9680
<u>Other Charges</u>										
Construction Meter	1.9675	1.8495	1.7262	1.5760	1.5240	1.4980	1.4980	1.4980	1.4980	1.4980
Energy Charge		-	-	-	-	0.2900	0.2900	0.2900	0.2850	0.3180
Infrastructure Replacement Surcharge		-	-	-	-	0.0890	0.0890	0.0890	0.0890	0.0890
CLWA Pass Thru	0.6474	0.6787	0.5764	0.5854	0.3100	0.4570	0.4230	0.3470	0.1810	0.1310

Source: Newhall County Water District

## TABLE XI - TEN LARGEST CUSTOMERS CURRENT AND NINE YEARS AGO

### FISCAL YEAR 2017

Customer Name	Classification	Annual Revenues	% of Water Sales
1 Stonegate Castaic HOA	Mobile Home Park	\$ 202,559	2.13%
2 The Village	Apartment-Master Meter	192,268	2.03%
3 Wm S Hart High School	Schools	102,923	1.08%
4 Polynesian MHP	Mobile Home Park	77,049	0.81%
5 Peachland Owners Assoc.	Condo-Master Meter	59,067	0.62%
6 The Master's College	Schools	57,454	0.61%
7 CalMark-Bell Development	Apartment-Master Meter	45,550	0.48%
8 Cimarron Oaks HOA	Condo-Master Meter	39,053	0.41%
9 Newhall School District	Schools	38,263	0.40%
10 CIII - Asset Management	Business	36,566	0.39%
Total (10 Largest)		850,752	8.96%
Other Customers		12,221,641	91.04%
Total Water Sales		<u>\$ 13,072,393</u>	<u>100.00%</u>

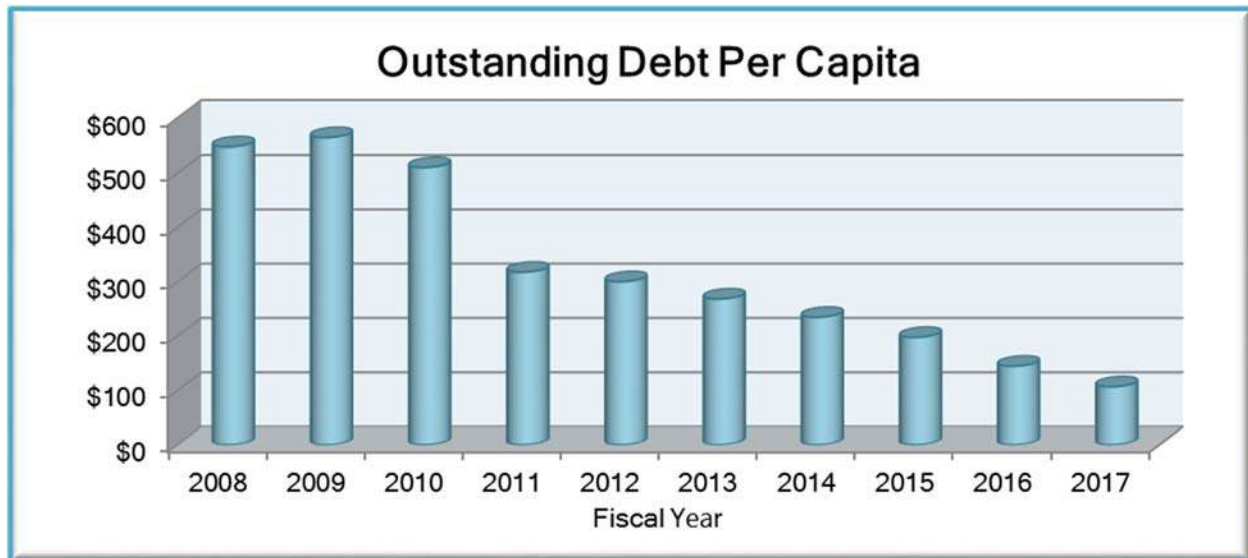
### FISCAL YEAR 2008

Customer Name	Classification	Annual Revenues	% of Water Sales
1 Tesoro del Valle HOA	Land-Single Family	\$ 181,787	3.08%
2 Stonegate Castaic HOA	Mobile Home Park	149,702	2.54%
3 The Village	Apartment-Master Meter	127,023	2.15%
4 The Terrace	Apartment-Master Meter	123,168	2.09%
5 City of Santa Clarita	Land-Single Family	116,375	1.97%
6 K. Hovnanian	Land-Single Family	109,401	1.86%
7 Stone Crest HOA	Land-Single Family	97,674	1.66%
8 The Master's College	Schools	87,179	1.48%
9 LACO Parks & Rec	Land-Business	72,688	1.23%
10 Valencia Vista HOA	Condo-Master Meter	68,471	1.16%
Total (10 Largest)		1,133,468	19.22%
Other Customers		8,877,563	80.78%
Total Water Sales		<u>\$ 10,011,031</u>	<u>100.00%</u>

*Source: Newhall County Water District*

## TABLE XII - RATIOS OF OUTSTANDING DEBT BY TYPE LAST TEN FISCAL YEARS

Fiscal Year	Population Estimate <sup>1</sup>	GO Bond	Notes	Capital Leases	Total	Per Capita	As a Share of Personal Income <sup>2</sup>
2017	45,748	\$ -	\$ 4,844,189	\$ -	\$ 4,844,189	\$105.89	0.19%
2016	45,513	-	6,547,938	-	6,547,938	143.87	0.26%
2015	45,466	-	8,955,087	-	8,955,087	196.96	0.36%
2014	44,933	-	10,513,803	-	10,513,803	233.99	0.46%
2013	44,933	-	12,025,565	-	12,025,565	267.63	0.58%
2012	44,873	-	13,440,754	-	13,440,754	299.53	0.65%
2011	44,655	-	14,150,290	-	14,150,290	316.88	0.74%
2010	31,667	-	16,132,175	5,754	16,137,929	509.61	1.22%
2009	31,502	50,000	17,697,947	11,239	17,759,186	563.75	1.38%
2008	31,433	170,000	16,980,471	39,086	17,189,557	546.86	1.30%



1 - In FY 2011, Multi-Family population has been included in District population

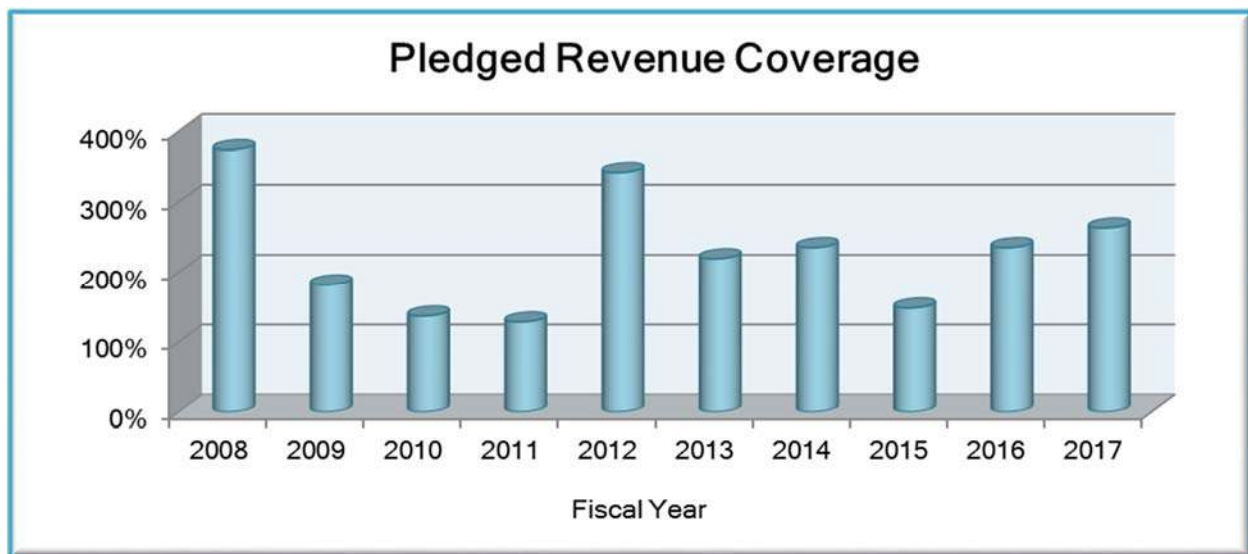
2 - See the Demographics and Economic Statistics schedule on page 81 for personal income data.

*Source: Newhall County Water District*



## TABLE XIII - PLEDGED REVENUE COVERAGE LAST TEN FISCAL YEARS

Fiscal Year	Adjusted Revenue <sup>1</sup>	Adjusted Operating Expense <sup>2</sup>	Net Revenue Available for Debt Service	Debt Service Requirements <sup>3</sup>			Coverage Factor <sup>4</sup>
				Principal	Interest	Total	
2017	\$ 14,072,268	\$ 9,109,630	\$ 4,962,638	\$ 1,703,749	\$ 179,773	\$ 1,883,522	263%
2016	13,592,341	9,104,817	4,487,524	1,607,148	304,714	1,911,862	235%
2015	12,247,295	9,444,163	2,803,132	1,558,716	330,837	1,889,553	148%
2014	13,782,760	9,350,600	4,432,160	1,511,762	377,791	1,889,553	235%
2013	12,368,854	8,263,280	4,105,574	1,415,199	457,425	1,872,624	219%
2012	11,321,476	6,958,283	4,363,193	731,270	545,485	1,276,755	342% <sup>5</sup>
2011	10,713,415	7,309,837	3,403,578	1,981,885	676,588	2,658,473	128%
2010	10,480,144	7,310,193	3,169,951	1,565,772	754,669	2,320,441	137%
2009	10,959,915	7,324,582	3,635,333	1,282,524	721,090	2,003,614	181%
2008	14,241,839	7,371,412	6,870,427	1,181,866	656,392	1,838,258	374%



1 - Adjusted revenues include water sales, connection and other fees, property taxes and other income.

2 - Adjusted operating expenses exclude non-operating expenses and depreciation.

3 - Pledged debt are Installment Notes.

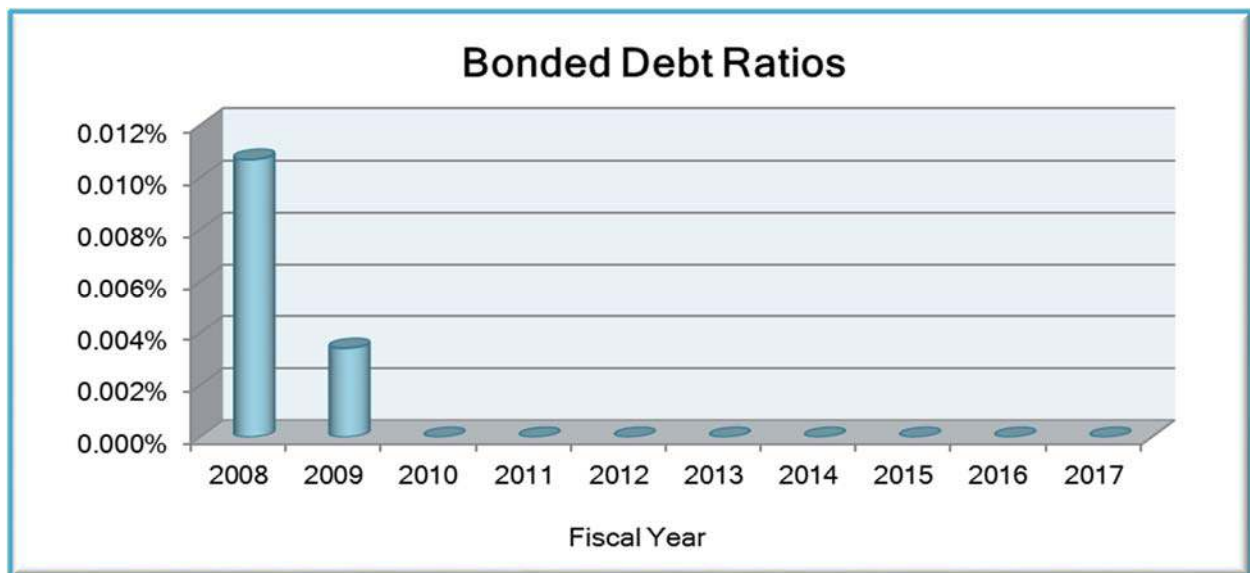
4 - The District's bond/loan covenants require a minimum coverage factor of 115%.

5 - In FY 2012, two loans were refinanced, resulting in one less installment payment.

*Source: Newhall County Water District*

## TABLE XIV - RATIOS OF GENERAL BONDED DEBT OUTSTANDING LAST TEN FISCAL YEARS

Fiscal Year	Population Estimate <sup>1</sup>	General Obligation Bonds	Assessed Valuation of Property	Net Bonded Debt to Assessed Valuation <sup>2</sup>	Net Bonded Debt Per Capita
2017	45,748	-	N/A	N/A	N/A
2016	45,513	-	N/A	N/A	N/A
2015	45,466	-	N/A	N/A	N/A
2014	44,933	-	N/A	N/A	N/A
2013	44,933	-	N/A	N/A	N/A
2012	44,873	-	N/A	N/A	N/A
2011	44,655	-	N/A	N/A	N/A
2010	31,667	-	N/A	N/A	N/A
2009	31,502	\$ 50,000	\$ 1,468,138,897	0.003%	1.59
2008	31,433	170,000	1,590,732,691	0.011%	5.41



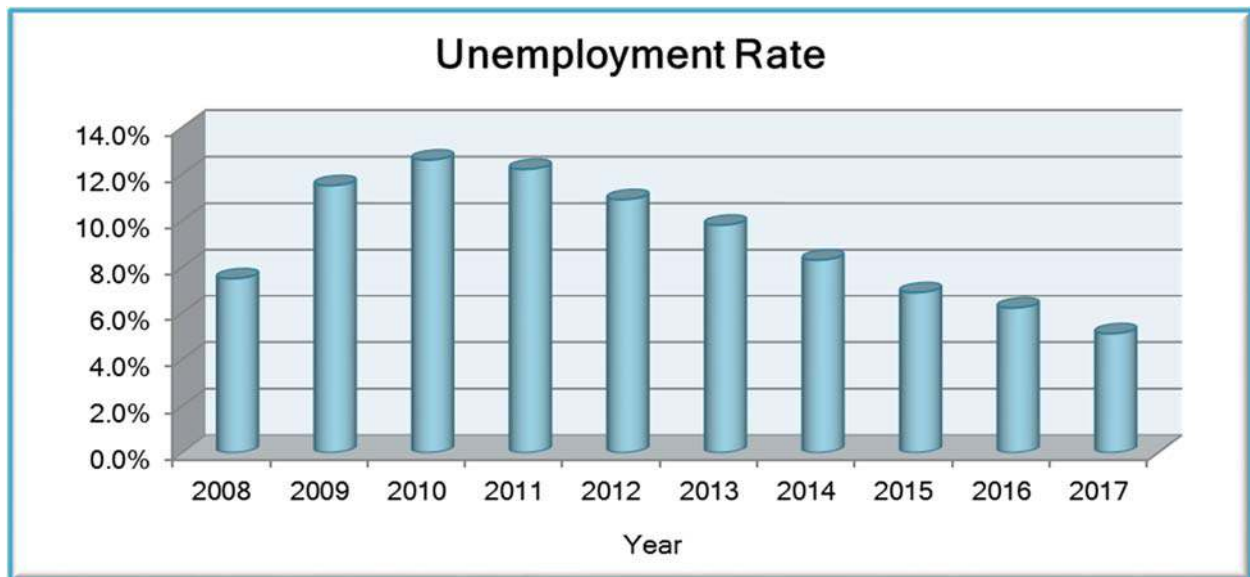
1 - In FY 2011, Multi-Family population has been included in District population.

2 - No outstanding bonds for FY 2010 - FY 2017.

*Source: Newhall County Water District*

## TABLE XV - DEMOGRAPHIC AND ECONOMIC STATISTICS LAST TEN FISCAL YEARS

Year	City of Santa Clarita Population <sup>1</sup>	County of Los Angeles			
		Unemployment Rate <sup>2</sup>	Population <sup>2</sup>	Personal Income (in 000's) <sup>2</sup>	Personal Income Per Capita <sup>2</sup>
2017	216,350	5.1%	10,241,278	\$ 557,400,000	\$ 54,427
2016	219,611	6.2%	10,241,335	563,907,868	55,624
2015	215,890	6.9%	10,231,861	549,073,019	54,298
2014	209,130	8.3%	10,041,797	514,516,564	51,111
2013	204,951	9.8%	9,958,091	483,578,594	46,530
2012	177,445	10.9%	9,959,800	486,733,508	45,800
2011	176,971	12.2%	9,920,100	454,935,533	42,564
2010	177,641	12.6%	9,880,600	424,813,015	41,791
2009	177,150	11.5%	9,831,900	411,495,352	40,867
2008	177,045	7.5%	9,771,500	425,573,170	42,195



*Sources:*

*1 - City of Santa Clarita (FY 2016 population estimated)*

*2 - California Employment Development Department*

## TABLE XVI - PRINCIPAL EMPLOYERS FISCAL YEAR 2017 and 2008

Employer <sup>1</sup>	2017	
	Number of Employees	Percent of Total Employment
Six Flags Magic Mountain	3,200	11.91%
Princess Cruises	2,026	7.54%
Henry Mayo Newhall Memorial Hospital	1,948	7.25%
Boston Scientific	900	3.35%
California Institute of the Arts	700	2.61%
The Master's College	760	2.83%
Woodward HRT	650	2.42%
Wal-Mart	624	2.32%
Aerospace Dynamics	608	2.26%
Quest Diagnostics	594	2.21%
<b>Total</b>	<b>12,010</b>	<b>44.71%</b>
All Others	16,492	55.29%
Total Employment in Santa Clarita <sup>1</sup>	28,502	100.00%

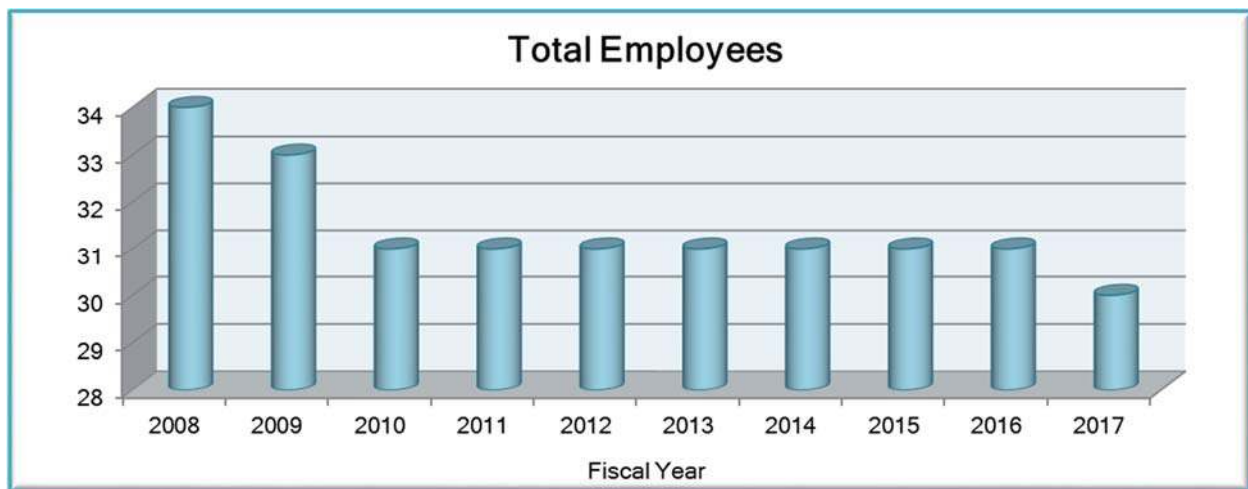
Employer <sup>1</sup>	2008	
	Number of Employees	Percent of Total Employment
Six Flags Magic Mountain	3,689	13.34%
Princess Cruises	2,100	7.60%
Henry Mayo Newhall Memorial Hospital	1,212	4.38%
HR Textron	845	2.62%
The Masters College	755	2.73%
Specialty Laboratories	725	3.06%
Arvato Services	586	N/A
California Institute of the Arts	500	1.81%
Aerospace Dynamics	450	N/A
Fanfare Media Works	407	1.63%
<b>Total</b>	<b>11,269</b>	<b>37.17%</b>
All Others	12,323	62.83%
Total Employment in Santa Clarita <sup>1</sup>	23,592	100.00%

1 - Non-governmental employers

*Source: Santa Clarita Valley Economic Development Corporation*

## TABLE XVII - NUMBER OF EMPLOYEES BY FUNCTION LAST TEN FISCAL YEARS

Department	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Manager	1	1	1	1	1	1	1	1	1	1
Finance <sup>1</sup>	7	8	8	8	8	8	8	8	11	13
Operations/Maintenance <sup>1</sup>	19	19	19	19	19	19	19	19	17	16
Engineering	1	1	1	1	1	1	1	1	1	1
Administrative Services	1	1	1	1	1	1	1	1	2	2
IT	1	1	1	1	1	1	1	1	1	1
<b>Total</b>	<b>30</b>	<b>31</b>	<b>31</b>	<b>31</b>	<b>31</b>	<b>31</b>	<b>31</b>	<b>31</b>	<b>33</b>	<b>34</b>

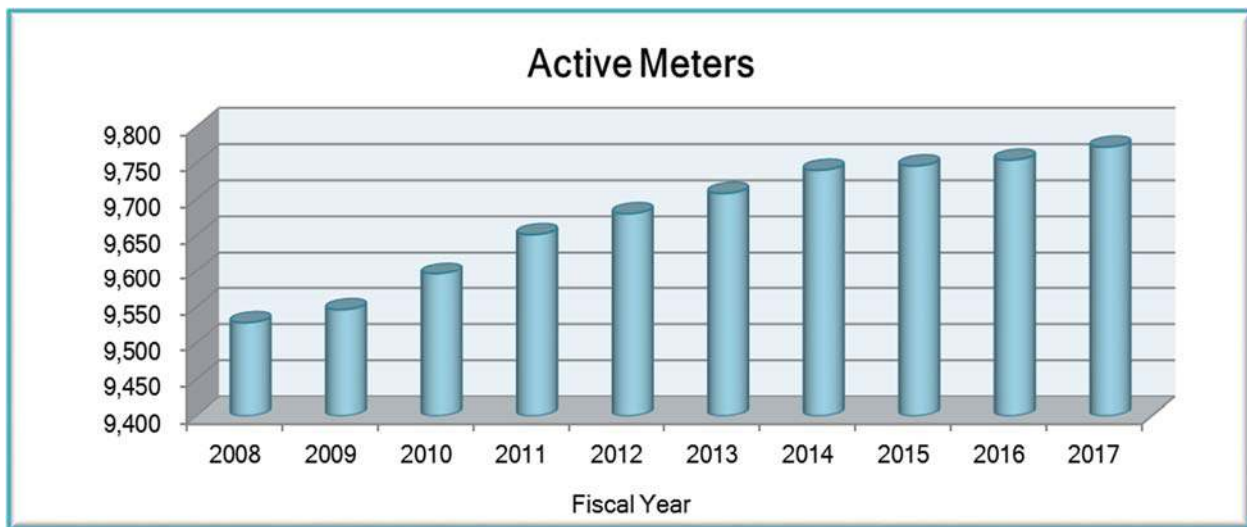


1 - Field Customer Service positions transferred from Finance to Operations/Maintenance in FY 2010.

*Source: Newhall County Water District*

## TABLE XVIII - ACTIVE METERS BY SIZE LAST TEN FISCAL YEARS

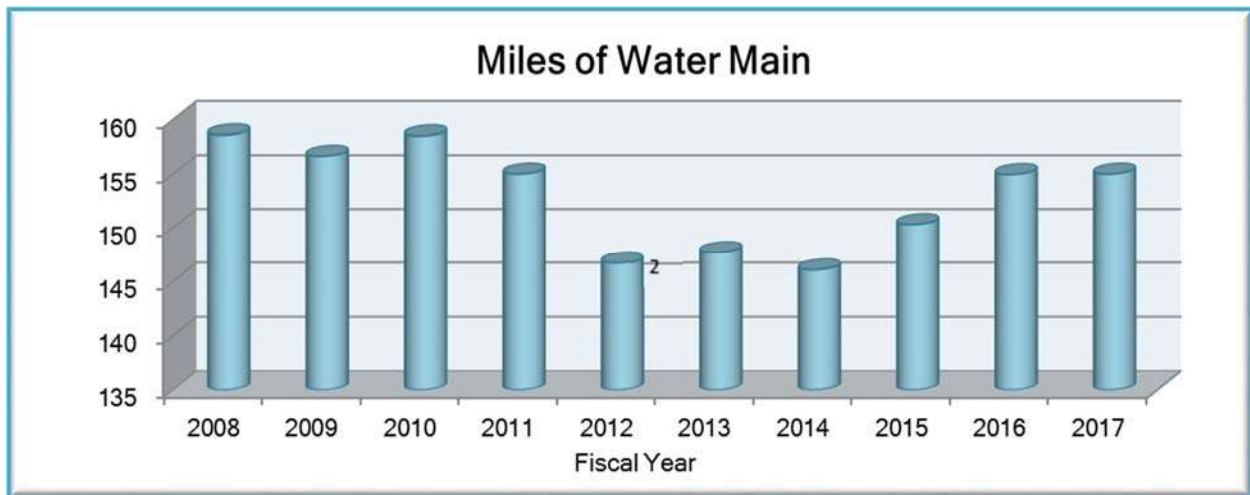
Meter Size	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
3/4"	8219	8218	8213	8,196	8,184	8,167	8,149	8,103	8,050	8,039
1"	840	840	839	838	838	838	834	832	833	828
1 1/2"	147	142	142	142	140	142	142	138	135	135
2"	433	431	430	442	433	416	416	416	416	411
2 1/2"	27	23	20	22	19	22	20	18	22	25
3"	1	1	1	1	1	0	1	1	1	1
4"	48	46	46	47	41	40	38	39	40	42
6"	31	29	29	29	29	31	29	27	27	26
8"	23	21	22	20	20	21	19	19	19	18
10"	3	3	4	3	3	3	3	3	3	3
<b>Total</b>	<b>9,772</b>	<b>9,754</b>	<b>9,746</b>	<b>9,740</b>	<b>9,708</b>	<b>9,680</b>	<b>9,651</b>	<b>9,596</b>	<b>9,546</b>	<b>9,528</b>
% Change	0.18%	0.08%	0.06%	0.33%	0.29%	0.30%	0.57%	0.52%	0.19%	0.89%
Increase	18	8	6	32	28	29	55	50	18	84



*Source: Newhall County Water District*

## OPERATING AND CAPITAL INDICATORS LAST TEN FISCAL YEARS

Water System	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Service Area (in Acres)	24,168	24,662	24,217	24,217	24,217	23,708	23,763 <sup>1</sup>	18,722	18,722	18,722
Miles of Water Main	150.10	154.96	150.30	146.06	147.68	146.71 <sup>2</sup>	154.87	158.51	156.65	158.60
Number of Storage Reservoirs	22	22	22	22	22	23	23	23	23	23
Water Storage Capacity (In Million Gallons)	25	25	25	25	25	25	25	25	25	25
Total Water Connections (Active Meters)	9,772	9,754	9,746	9,740	9,708	9,680	9,651	9,596	9,546	9,528
Number of Booster Pump Stations	15	15	15	15	15	15	15	15	15	15
Number of Valves	3,678	3,561	3,530	3,480	3,376	3,361	3,360	3,267	3,100	2,963
Number of Hydrants	1,147	1,124	1,123	1,117	1,116	1,113	1,114	1,112	1,083	1,022
Number of Wells in Service	11	11	11	11	11	11	11	11	10	10
In Service Wells GPM	8,500	10,175	10,175	10,175	10,825	10,825	10,825	10,725	10,225	9,525



1 - Annexations were recorded for the Tesoro Service Area in FY 2011.

2 - Fire hydrant laterals were removed from total miles of water main in FY 2012.

*Source: Newhall County Water District*