

NOTICE AND CALL OF SPECIAL MEETING

Notice is hereby given that I, Jerry Gladbach, President, of the Devil's Den Water District, hereby call a **SPECIAL MEETING** of the **Board of Directors** of the **Devil's Den Water District**.

Said SPECIAL MEETING of the Board to be held on:

**TUESDAY, APRIL 2, 2019 AT 7:00 PM
OR IMMEDIATELY FOLLOWING
THE REGULAR MEETING OF THE
BOARD OF DIRECTORS OF THE
SANTA CLARITA VALLEY WATER AGENCY
AT THE
SANTA CLARITA VALLEY WATER AGENCY
RIO VISTA WATER TREATMENT PLANT
BOARDROOM
27234 BOUQUET CANYON ROAD
SANTA CLARITA, CA 91350**

**DEVIL'S DEN
WATER DISTRICT**
BOARD OF DIRECTORS
PRESIDENT
E.G. "JERRY" GLADBACH
VICE PRESIDENT
WILLIAM C. COOPER
EDWARD A. COLLEY
ROBERT J. DIPRIMIO
R. J. KELLY
GENERAL MANAGER
MATTHEW G. STONE
GENERAL COUNSEL
BEST BEST & KRIEGER, LLP
SECRETARY
APRIL JACOBS

Enclosed with and as part of this Notice and Call is an agenda for the meeting.

Signed: 
Jerry Gladbach

Date: 3-27-2019

Posted on March 27, 2019.

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**DEVIL'S DEN WATER DISTRICT
BOARD OF DIRECTORS
SPECIAL MEETING AGENDA**

**SANTA CLARITA VALLEY WATER AGENCY BOARDROOM
27234 BOUQUET CANYON ROAD
SANTA CLARITA, CA 91350
TUESDAY, APRIL 2, 2019 AT 7:00 PM
OR IMMEDIATELY FOLLOWING THE REGULAR MEETING
OF THE SANTA CLARITA VALLEY WATER AGENCY
BOARD OF DIRECTORS**

**DEVIL'S DEN
WATER DISTRICT
BOARD OF DIRECTORS**

**PRESIDENT
E.G. "JERRY" GLADBACH**

**VICE PRESIDENT
WILLIAM C. COOPER**

EDWARD A. COLLEY
ROBERT J. DIPRIMIO
R. J. KELLY

**GENERAL MANAGER
MATTHEW G. STONE**

**GENERAL COUNSEL
BEST BEST, KRIEGER, LLP.**

**SECRETARY
APRIL JACOBS**

1. REGULAR PROCEDURES

- 1.1 Call to Order
- 1.2 Public Comments – Members of the public may comment as to items not on the Agenda at this time. Members of the public wishing to comment on items covered in this Agenda may do so now or prior to each item as they arise. Please complete and return a comment request form to the Board Secretary. (Comments may, at the discretion of the Board's presiding officer, be limited to three minutes for each speaker.)
- 1.3 Acceptance of the Agenda

2. GENERAL AGENDA ITEMS

PAGE

- 2.1. * Approve Minutes of the October 16, 2018 Special Board Meeting 5
- 2.2. * Approve Receiving and Filing of the Devil's Den Water District Fiscal Year 2017/18 Annual Financial Report and the Auditor's Management Report 11
- 2.3. * Approve Receiving and Filing of the First and Second Quarter FY 2018/19 Investment Reports 61

3. ADJOURNMENT

* Indicates attachment

NOTICES

Any person may make a request for a disability-related modification or accommodation needed that person to be able to participate in the public meeting by telephoning April Jacobs, Secretary to the Board of Directors, at (661) 297-1600, 27234 Bouquet Canyon Road, Santa Clarita, CA 91350. Requests must specify the nature of the disability and the type of accommodation requested. A telephone number or other contact information should be included so that Agency staff may discuss appropriate arrangements. Persons requesting a disability-related accommodation should make the request with adequate time before the meeting for the Agency to provide the requested accommodation.

April 2, 2019
Page 2

Pursuant to Government Code Section 54957.5, non-exempt public records that relate to open session agenda items and are distributed to a majority of the Board less than seventy-two (72) hours prior to the meeting will be available for public inspection at the Santa Clarita Valley Water Agency, located at 27234 Bouquet Canyon Road, Santa Clarita, California 91350, during regular business hours. When practical, these public records will also be made available on the Agency's Internet Website, accessible at <http://www.yourscvwater.com>.

Posted on March 27, 2019.

M65

DRAFT

ITEM NO.
2.1

Minutes of the Special Meeting of the Board of Directors of the Devil's Den Water District Board
– October 16, 2018

The special meeting of the Board of Directors of the Devil's Den Water District Board was held at Santa Clarita Valley Water Agency, 27234 Bouquet Canyon Road, Santa Clarita, CA 91350, at 9:38 PM on Tuesday, October 16, 2018 in the Boardroom. A copy of the Agenda is inserted in the Minute Book of the District preceding these minutes.

DIRECTORS PRESENT: Ed Colley, William Cooper, Robert DiPrimio, Jerry Gladbach and R. J. Kelly were in attendance.

DIRECTORS ABSENT: None.

Also present: Steve Cole, SCV Water Assistant General Manager; Joseph Byrne and Tom Bunn, General Counsel; April Jacobs, Board Secretary; Rochelle Patterson, SCV Water Director of Administrative Services; Beverly Johnson, Treasurer; Cris Perez, SCV Water Director of Tech Services; and members of the public.

President Gladbach called the meeting to order at 9:38 PM. A quorum was present.

Upon motion of Director Colley, seconded by Director DiPrimio and carried, the Agenda was approved by the following voice votes (Item 1.4):

President Gladbach	Yes	Vice President Cooper	Yes
Director Colley	Yes	Director DiPrimio	Yes
Director Kelly	Yes		

Upon motion of Vice President Cooper, seconded by Director Kelly and carried, the April 17, 2018 Special Board meeting minutes were approved by the following voice votes (Item 2.1):

President Gladbach	Yes	Vice President Cooper	Yes
Director Colley	Yes	Director DiPrimio	Yes
Director Kelly	Yes		

Upon motion of Vice President Cooper, seconded by Director Colley and carried, the Board approved Resolution No. 18-02 appointing Rochelle Patterson as Treasurer by the following voice votes (Item 2.2):

President Gladbach	Yes	Vice President Cooper	Yes
Director Colley	Yes	Director DiPrimio	Yes
Director Kelly	Yes		

RESOLUTION NO. 18-02

**A RESOLUTION OF THE BOARD OF DIRECTORS
OF THE DEVIL'S DEN WATER DISTRICT
FOR THE APPOINTMENT OF TREASURER**

WHEREAS, it is beneficial for the Devil's Den Water District to, by resolution, appoint individuals to the officer of Treasurer of the District; and

WHEREAS, Rochelle Patterson is well qualified to hold the office of Treasurer.

NOW, THEREFORE, BE IT RESOLVED that Rochelle Patterson is hereby appointed by the required resolution to hold the office of Treasurer of the District.

Upon motion of Director DiPrimio, seconded by Vice President Cooper and carried, the Board approved Resolution No. 18-03 establishing banking authority with Wells Fargo Bank and Resolution No. 18-04 authorizing the investment of monies in the Local Agency Investment Fund (LAIF) by the following voice votes (Item 2.3):

President Gladbach	Yes	Vice President Cooper	Yes
Director Colley	Yes	Director DiPrimio	Yes
Director Kelly	Yes		

RESOLUTION NO. 18-03

RESOLUTION OF THE BOARD OF DIRECTORS OF THE DEVIL'S DEN WATER DISTRICT ESTABLISHING BANKING AUTHORITY WITH WELLS FARGO

WHEREAS, the Devil's Den Water District (the "District"), wishes to enter into a banking relationship with Wells Fargo Bank; and

WHEREAS, said Bank requests that the District define District officials authorized to make withdrawals from and perform other business details concerning said account; and

WHEREAS, consistent with the terms of this resolution, the District's Board finds it to be in the District's best interest to establish authorized District officials to participate in the above banking relationships.

NOW, THEREFORE BE IT RESOLVED that the President, Vice President, Executive Director, Chief Financial and Administrative Officer, Controller or Treasurer is authorized to sign or countersign withdrawal orders, and Wells Fargo is authorized to honor and pay all withdrawal orders – including those drawn to the order of the President, Vice President, Executive Director, Chief Financial and Administrative Officer, Controller or Treasurer signed in the manner required by this resolution.; and

RESOLVED FURTHER that the President, Vice President, Executive Director, Chief Financial and Administrative Officer, Controller or Treasurer is authorized to order withdrawals from said account up to a maximum of \$50,000 per order on his or her signature only, and either said President, Vice President, Executive Director, Chief Financial and Administrative Officer, Controller or Treasurer is authorized to order withdrawals from said accounts exceeding the sum of \$50,000 but not exceeding \$1,000,000 per order on his or her signature when the order is countersigned by one of the authorized signatures of the President, Vice President, Executive Director, Chief Financial and Administrative Officer, Controller or Treasurer; and

RESOLVED FURTHER that the President, Vice President, Executive Director, Chief Financial and Administrative Officer, Controller or Treasurer is authorized to order withdrawals from the account without limit when countersigned by one of the authorized signatures of the President or Vice President; and

RESOLVED FURTHER that any and all of the foregoing six named District Officers are hereby authorized to execute on behalf of the District all Bank forms and agreements which, in their absolute discretion, are consistent with this resolution.

RESOLUTION NO. 18-04

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE
DEVIL'S DEN WATER DISTRICT
AUTHORIZING THE INVESTMENT OF MONIES IN THE
LOCAL AGENCY INVESTMENT FUND (LAIF)**

WHEREAS, Pursuant to Chapter 730 of the statutes of 1976 Section 16429.1 was added to the California Government Code to create a Local Agency Investment Fund in the State Treasury for the deposit of money of a local agency for purposes of investment by the State Treasurer; and

WHEREAS, the Board of Directors does hereby find that the deposit and withdrawal of money in the Local Agency Investment Fund in accordance with the provisions of Section 16429.1 of the Government Code for the purpose of investment as stated therein as in the best interests of the Devil's Den Water District.

NOW THEREFORE, BE IT RESOLVED, that the Board of Directors does hereby authorize the deposit and withdrawal of Devil's Den Water District monies in the Local Agency Investment Fund in the State Treasury in accordance with the provisions of Section 16429.1 of the Government Code for the purpose of investment as stated therein, and verification by the State Treasurer's Office of all banking information provided in that regard.

BE IT FURTHER RESOLVED, that the following Devil's Den Water District officers or their successors in office shall be authorized to order the deposit or withdrawal of monies in the Local Agency Investment Fund:

E.G. "Jerry" Gladbach, President

Eric Campbell,
Chief Financial and Administrative Officer

Rochelle Patterson,
Director of Finance and Administration & Treasurer

Amy Aguer, Controller

April Jacobs, Board Secretary

Upon motion of Director Kelly, seconded by Vice President Cooper and carried, the Board approved Resolution No. 18-05 changing/setting a regular annual meeting date and place for the Devil's Den Water District Board by the following voice votes (Item 2.4):

President Gladbach	Yes	Vice President Cooper	Yes
Director Colley	Yes	Director DiPrimio	Yes
Director Kelly	Yes		

RESOLUTION NO. 18-05

**RESOLUTION OF THE BOARD OF DIRECTORS OF
THE DEVIL'S DEN WATER DISTRICT CHANGING/SETTING
A REGULAR ANNUAL MEETING DATE AND PLACE**

WHEREAS, the Bylaws, Article IX, Section 1, provides the Board of Directors shall hold its regular meetings at such time and place as may be agreed upon by resolution; and

WHEREAS, the Annual Devil's Den Water District Board was held on the second Wednesday, in the month of November of each year, following the regular Castaic Lake Water Agency Board meeting, which commenced at 6:15 PM at 27234 Bouquet Canyon Road, Santa Clarita, CA 91350 as set forth in Resolution No. 10-01; and

WHEREAS, since the Castaic Lake Water Agency and the Newhall County Water District pursuant to SB 634 have merged to form the Santa Clarita Valley Water Agency and that Board meets on the first and third Tuesday's of the month, it would be appropriate to change the Devil's Den Water District Annual meeting to follow the Santa Clarita Valley Water Agency regular Board meeting; and

WHEREAS, the Devil's Den Water District Board of Directors desires to change the date of its Annual Meeting to follow the regular Santa Clarita Valley Water Agency Board meeting held on the first Tuesday of the month of November of each year.

NOW THEREFORE, BE IT RESOLVED,

1. Resolution No. 10-01 is hereby repealed effective November 1, 2018.
2. The Annual Meeting of the Board of Directors shall be held on the first Tuesday of November of each year following the regular Santa Clarita Valley Water Agency Board meeting, which commences at 6:30 PM at 27234 Bouquet Canyon Road, Santa Clarita, CA 91350 commencing in the year 2018.

Upon motion of Director Colley, seconded by Director DiPrimio and carried, the Board received and filed the Devil's Den Water District Third and Fourth Quarter Fiscal Year 2017/18 Investment Reports by the following voice votes (Item 2.5):

President Gladbach	Yes	Vice President Cooper	Yes
Director Colley	Yes	Director DiPrimio	Yes
Director Kelly	Yes		

Upon motion of Director Kelly, seconded by Director Colley and carried, the meeting was adjourned at 9:45 PM by the following voice votes (Item 3):

President Gladbach	Yes	Vice President Cooper	Absent
Director Colley	Yes	Director DiPrimio	Yes
Director Kelly	Yes		

April Jacobs, Board Secretary

ATTEST:

President

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Devil's Den Water District

Annual Financial Report

For the Fiscal Years Ended June 30, 2018 and 2017



27234 Bouquet Canyon Road, Santa Clarita, California 91350

Devil's Den Water District
Annual Financial Report
For the Fiscal Years Ended June 30, 2018 and 2017

Prepared by:
Rochelle Patterson, Treasurer

**Devil’s Den Water District
Annual Financial Report
For the Fiscal Years Ended June 30, 2018 and 2017**

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Introductory Section

**DEVIL'S DEN WATER DISTRICT
27234 Bouquet Canyon Road
Santa Clarita, CA 91350-2173**

March 5, 2019

Board of Directors
Devil's Den Water District
Santa Clarita, California

It is our pleasure to submit the Annual Financial Report for the Devil's Den Water District (District) for the fiscal years ended June 30, 2018 and 2017. District staff, following guidelines set forth by the Governmental Accounting Standards Board (GASB), prepared this financial report. The District is ultimately responsible for both the accuracy of the data and the completeness and the fairness of presentation, including all disclosures in this financial report. We believe that the data presented is accurate in all material respects. This report is designed in a manner that we believe necessary to enhance your understanding of the District's financial position and activities.

State Law and District by-laws require the District to obtain an annual audit of its financial statements by an independent certified public accountant. The accounting firm of Fedak and Brown, LLP has conducted the audit of the District's financial statements. Their unmodified Independent Auditor's Report appears in the Financial Section.

Generally Accepted Accounting Principles (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of a Management's Discussion and Analysis (MD&A) section. 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 Independent Auditor's Report.

District Profile

The District, organized in 1962 as a public agency under the provisions of the California Water Code, encompasses 8,676 acres of irrigated farm land in King and Kern counties. In 1963, the District entered into a water supply contract with the California Department of Water Resources (D.W.R.) for delivery of irrigation water from the Coastal Aqueduct. The term of the contract is equal to the State's project repayment period or 75 years, whichever period is longer. Under the original contract, the District's annual water entitlement was 12,700 acre-feet and surplus water was available to be purchased as available. On October 25, 1988, substantially all the land within the District was purchased by the Castaic Lake Water Agency. Per an agreement between the District, Castaic Lake Water Agency (the Agency), and the D.W.R., dated January 3, 1991, the District's annual water entitlements were transferred to the Agency effective January 1, 1992.

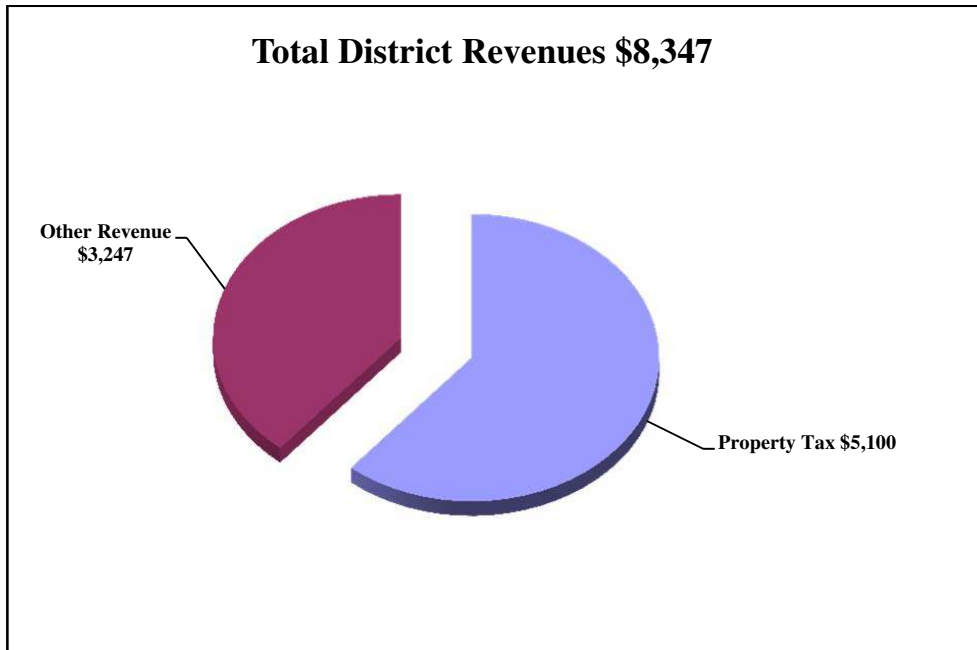
On October 15, 2017, the Governor of the State of California signed into law SB-634, which reorganized the Agency and Newhall County Water District to create Santa Clarita Valley Water Agency (Successor Agency). Effective January 1, 2018, the Successor Agency was created.

Revenue Sources

The District’s major revenue sources are as follows:

- One Percent Property Tax Revenues – The Counties of King and Kern levy a 1% property tax on behalf of all taxing entities in the County, including the District. The taxes are allocated to the taxing entities within the County on the basis of a formula established by State Law enacted in 1979 and modified from time to time. Under this formula, the County and all other taxing entities receive a base year allocation plus an allocation on the basis of “situs” growth in assessed value (due to new construction, change of ownership, or a 2% allowance allowed under Article XIII A of the State Constitution) prorated among the jurisdictions which serve the tax rate area within which the growth occurs.
- Other Sources of Revenue – Investment income and other.

The following chart reflects the District’s revenue mix for the year ending June 30, 2018, as follows:



Internal Controls

District management is responsible for the establishment and maintenance of the internal control structure that ensures that the assets of the District are protected from loss, theft, or misuse. The internal control structure also ensures that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The District’s internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

Acknowledgments

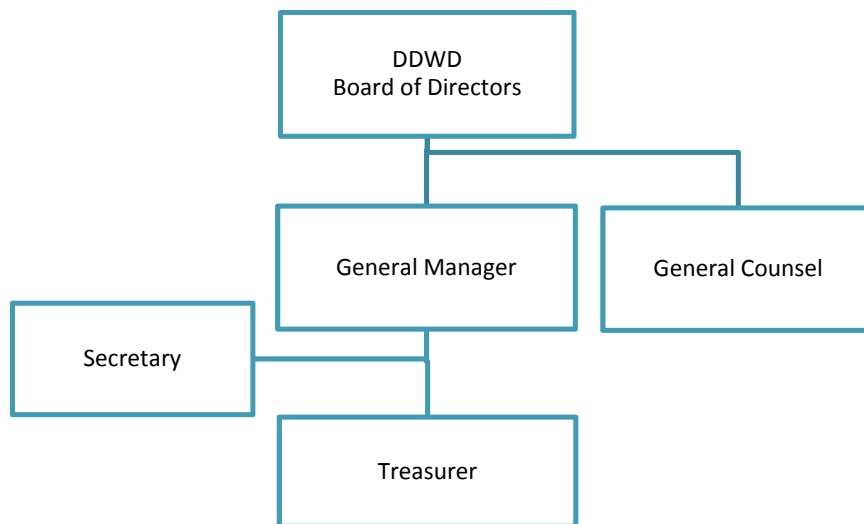
Preparation of this report was accomplished by the combined efforts of District staff. We appreciate the dedicated efforts and professionalism that our staff members bring to the District. We would also like to thank the members of the Board of Directors for their continued support in the planning and implementation of Devil's Den Water District's fiscal policies.

Respectfully submitted,

Matthew G. Stone
General Manager

Rochelle Patterson
Treasurer

Devil's Den Water District Organizational Chart



Devil's Den Water District

Board of Directors as of June 30, 2018

Name	Title	Term Expires
E.G. "Jerry" Gladbach	President	November 2019
William Cooper	Vice-President	November 2021
R.J. Kelly	Director	November 2019
Edward Colley	Director	November 2021
Robert J. DiPrimio	Director	November 2019

Matthew G. Stone, General Manager
27234 Bouquet Canyon Road
Santa Clarita, California 91350-2173
(661) 297-1600

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Financial Section



Fedak & Brown LLP
Certified Public Accountants

Cypress Office:
6081 Orange Avenue
Cypress, California 90630
(657) 214-2307
FAX (714) 527-9154

Riverside Office:
1945 Chicago Avenue, Suite C-1
Riverside, California 92507
(951) 783-9149

Independent Auditor's Report

Board of Directors
Devil's Den Water District
Santa Clarita, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Devil's Den Water District (District) as of and for the year ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 Comptroller 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 our audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District, as of June 30, 2018 and 2017, and the respective changes in financial position, and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Independent Auditor's Report, continued

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 8 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2019, 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. This report can be found on pages 22 and 23.

Fedak & Brown LLP

Fedak & Brown LLP

Cypress, California

March 5, 2019

Devil's Den Water District
Management's Discussion and Analysis
For the Years Ended June 30, 2018 and 2017

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Devil's Den Water District (District) provides an introduction to the financial statements of the District for the fiscal years ended June 30, 2018 and 2017. We encourage readers to consider the information presented here in conjunction with the transmittal letter in the Introductory Section and with the basic financial statements and related notes, which follow this section.

Financial Highlights

- The District's net position decreased by \$1,107 to \$247,000 in 2018.
- The District's revenues totaled \$8,347 in 2018.
- The District's expenses totaled \$9,454 in 2018.

Required Financial Statements

This annual report consists of a series of financial statements. The Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position and Statements of Cash Flows provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies.

The Statements of Net Position includes all of the District's investments in resources (assets), deferred outflows of resources, obligations to creditors (liabilities), and deferred inflows of resources. It also provides the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenue and expenses are accounted for in the Statements of Revenues, Expenses and Changes in Net Position. This statement measures the success of the District's operations over the past year and can be used to determine if the District has successfully recovered all of its costs through its revenues. This statement can also be used to evaluate profitability and credit worthiness. The final required financial statement is the Statements of Cash Flows, which provides information about the District's cash receipts and cash payments during the reporting period. The Statements of Cash Flows reports cash receipts, cash payments and net changes in cash resulting from operations and investing. It also provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Financial Analysis of the District

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the District in a way that helps answer this question. These statements include all assets, and deferred outflows of resources, liabilities, and deferred inflows of resources using the *accrual basis of accounting*, which is similar to the accounting method used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District's *net position* and changes in them. You can think of the District's net position – the difference between assets, deferred outflows of resources, and liabilities and deferred inflows of resources – as one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position are one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, zoning and new or changed government legislation, such as changes in Federal and State water quality standards.

Devil's Den Water District
Management's Discussion and Analysis
For the Years Ended June 30, 2018 and 2017

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 14 through 21.

Statements of Net Position

Condensed Statements of Net Position

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Assets:			
Current assets	\$ 251,578	252,601	(1,023)
Total assets	<u>251,578</u>	<u>252,601</u>	<u>(1,023)</u>
Liabilities:			
Current liabilities	4,578	4,494	84
Total liabilities	<u>4,578</u>	<u>4,494</u>	<u>84</u>
Net position:			
Unrestricted	247,000	248,107	(1,107)
Total net position	<u>\$ 247,000</u>	<u>248,107</u>	<u>(1,107)</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets of the District exceeded liabilities by \$247,000 and \$248,107, as of June 30, 2018 and 2017, respectively.

Statement of Revenues, Expenses and Changes in Net Position

Condensed Statements of Revenues, Expenses and Changes in Net Assets

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Revenues:			
Non-operating revenues	\$ 8,347	6,556	1,791
Total revenues	<u>8,347</u>	<u>6,556</u>	<u>1,791</u>
Expenses:			
Operating expenses	9,454	9,045	409
Total expenses	<u>9,454</u>	<u>9,045</u>	<u>409</u>
Change in net assets	(1,107)	(2,489)	1,382
Net assets, beginning of year	<u>248,107</u>	<u>250,596</u>	<u>(2,489)</u>
Net assets, end of year	<u>\$ 247,000</u>	<u>248,107</u>	<u>(1,107)</u>

The statement of revenues, expenses and changes of net position shows how the District's net position changed during the fiscal years. In the case of the District, net position decreased by \$1,107 and \$2,489 for the fiscal years ended June 30, 2018 and 2017, respectively, as a result of ongoing operations.

Devil's Den Water District
Management's Discussion and Analysis
For the Years Ended June 30, 2018 and 2017

Requests for Information

This financial report is designed to provide the District's customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about the report or need additional financial information, contact the Devil's Den Water District's Treasurer at 27234 Bouquet Canyon Road, Santa Clarita, California 91350-2173 or (661) 297-1600.

Basic Financial Statements

Devil's Den Water District
Statements of Net Position
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Current assets:		
Cash and cash equivalents (note 2)	\$ 250,380	251,983
Property tax receivable	50	67
Interest receivable	<u>1,148</u>	<u>551</u>
Total current assets	<u>251,578</u>	<u>252,601</u>
Total assets	<u>251,578</u>	<u>252,601</u>
 Current liabilities:		
Accounts payable	<u>4,578</u>	<u>4,494</u>
Total liabilities	<u>4,578</u>	<u>4,494</u>
 Net assets:		
Unrestricted	<u>247,000</u>	<u>248,107</u>
Total net position	<u>\$ 247,000</u>	<u>248,107</u>

See accompanying notes to the basic financial statements

Devil's Den Water District
Statements of Revenues, Expenses and Changes in Net Position
For the Fiscal Years Ended June 30, 2018 and 2017

	2018	2017
Operating expenses:		
Professional services	\$ 4,578	4,494
Other operating expense	4,876	4,551
Total operating expenses	9,454	9,045
Operating loss	(9,454)	(9,045)
Non-operating revenue:		
Property tax revenue	5,100	5,171
Investment earnings	3,247	1,385
Total non-operating revenues	8,347	6,556
Change in net assets	(1,107)	(2,489)
Net assets, beginning of year	248,107	250,596
Net assets, end of year	\$ 247,000	248,107

See accompanying notes to the basic financial statements

Devil's Den Water District
Statements of Cash Flows
For the Fiscal Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Payments to vendors for materials and services	\$ (9,370)	(8,961)
Net cash used by operating activities	<u>(9,370)</u>	<u>(8,961)</u>
Cash flows from non-capital financing activities:		
Proceeds from property taxes	5,117	5,178
Net cash provided by non-capital financing activities	<u>5,117</u>	<u>5,178</u>
Cash flows from investing activities:		
Interest earnings	2,650	1,164
Net cash provided by investing activities	<u>2,650</u>	<u>1,164</u>
Net decrease in cash and cash equivalents	(1,603)	(2,619)
Cash and cash equivalents, beginning of year	<u>251,983</u>	<u>254,602</u>
Cash and cash equivalents, end of year	<u>\$ 250,380</u>	<u>251,983</u>
 Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (9,454)	(9,045)
Increase in liabilities:		
Accounts payable	84	84
Total adjustments	<u>84</u>	<u>84</u>
Net cash used by operating activities	<u>\$ (9,370)</u>	<u>(8,961)</u>

See accompanying notes to the basic financial statements

Devil's Den Water District
Notes to the Financial Statements
For the Fiscal Years Ended June 30, 2018 and 2017

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

The District, organized in 1962 as a public agency under the provisions of the California Water Code, encompasses 8,676 acres of irrigated farm land in King and Kern counties. In 1963, the District entered into a water supply contract with the California Department of Water Resources (D.W.R.) for delivery of irrigation water from the Coastal Aqueduct. The term of the contract is equal to the State's project repayment period or 75 years, whichever period is longer. Under the original contract, the District's annual water entitlement was 12,700 acre-feet and surplus water was available to be purchased as available. On October 25, 1988 substantially all the land within the District was purchased by the Castaic Lake Water Agency. Per an agreement between the District, Castaic Lake Water Agency (the Agency), and the D.W.R., dated January 3, 1991, the District's annual water entitlements were transferred to the Agency effective January 1, 1992.

On October 15, 2017, the Governor of the State of California signed into law SB-634, which reorganized the Agency and Newhall County Water District to create Santa Clarita Valley Water Agency (Successor Agency). Effective January 1, 2018, the Successor Agency was created.

B. Basis of Accounting and Financial Reporting

The basic financial statements are prepared using the economic resource measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The District distinguishes operating revenues and expenses from non-operating items. Operating revenues include property taxes. Operating expenses include service fees and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to enterprise funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District solely operates as a special-purpose government which means it is only engaged in business-type activities; accordingly, activities are reported in the District's proprietary fund.

The District has adopted the following GASB pronouncements in the current year:

Government Accounting Standards Board Statement No. 75

In June 2015, the GASB issued Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

This Statement replaces the requirements of Statement No. 45 – *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57 – *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB.

Government Accounting Standards Board Statement No. 81

In March 2016, the GASB issued Statement No. 81 – *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

Devil's Den Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2018 and 2017

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

B. Basis of Accounting and Financial Reporting, continued

Government Accounting Standards Board Statement No. 81, continued

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

Government Accounting Standards Board Statement No. 85

In March 2017, the GASB issued Statement No. 85 – *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).

Government Accounting Standards Board Statement No. 86

In May 2017, the GASB issued Statement No. 86 – *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

C. Assets, Liabilities and Net Position

1. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in net assets during the reporting period. Actual results could differ from those estimates.

2. Cash and Cash Equivalents

Substantially all of the District's cash is invested in interest bearing accounts. The District considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

3. Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the assets, as follows:

- Level 1 – Valuation is based on quoted prices in active markets for identical assets.
- Level 2 – Valuation is based on directly observable and indirectly observable inputs. These inputs are derived principally from or corroborated by observable market data through correlation or market-corroborated inputs. The concept of market-corroborated inputs incorporates observable market data such as interest rates and yield curves that are observable at commonly quoted intervals.

Devil's Den Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2018 and 2017

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Assets, Liabilities and Net Position, continued

- Level 3 – Valuation is based on unobservable inputs where assumptions are made based on factors such as prepayment rates, probability of defaults, loss severity and other assumptions that are internally generated and cannot be observed in the market.

4. Property Taxes and Assessments

The Counties of King and Kern Assessor's Office assesses all real and personal property within the County each year. The Counties of King and Kern Tax Collector's Offices bills and collects the District's share of property taxes and assessments. The Counties of King and Kern Treasurer's Office remits current and delinquent property tax collections to the District throughout the year. Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countywide assessed valuations.

Property taxes receivable at year-end are related to property taxes collected by the Counties of King and Kern which have not been credited to the District's cash balance as of June 30. The property tax calendar is as follows:

Lien date	March 1
Levy date	July 1
Due dates	November 1 and March 1
Collection dates	December 10 and April 10

5. Net Position

- The District follows the financial reporting requirements of the GASB and reports net position under the following classifications:
- *Net Investment in Capital Assets* – Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and amortization, and reduced by outstanding balances of any debt, or other long-term borrowings that are attributable to the acquisition, construction, or improvement of those asserts.
- *Restricted* – Restricted consists of assets that have restrictions placed upon their use by external constraints imposed either by creditors (debt covenants), grantors, contributors, or laws and regulations of other governments or constraints imposed by law through enabling legislation.
- *Unrestricted* – Unrestricted consists of any remaining balance of the District's net position that do not meet the definition of "restricted" or "net investment in capital assets".

(2) Cash and Investments

Cash and cash equivalents as of June 30, are as follows:

	2018	2017
Cash and cash equivalents	\$ 250,380	251,983

Devil's Den Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2018 and 2017

(2) Cash and Investments, continued

Cash and cash equivalents as of June 30, consist of the following:

	2018	2017
Deposits with financial institutions	\$ 8,950	13,178
Local Agency Investment Fund (LAIF)	241,430	238,805
Total	\$ 250,380	251,983

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

The table below identifies the investment types that are authorized by the District in accordance with the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment in One Issuer
U.S. Treasury Obligations	5 years	None	None
U.S. Government Sponsored Enterprise Securities	5 years	None	None
Bankers Acceptances	180 days	30%	5%
Commercial Paper	270 days	10%	5%
Certificates of Deposit and Time Deposits	5 years	30%	10%
Municipal Obligations	5 years	30%	5%
Medium-Term Notes	5 years	30%	5%
Repurchase Agreements	30 days	10%	None
Money Market Mutual Funds	N/A	20%	None
Los Angeles County Pooled Investment Fund (LACPIF)	N/A	20%	None
California Local Agency Investment Fund (LAIF)	N/A	None	None
Investment Trust of California (CalTRUST)	N/A	20%	None

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, 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.

Devil's Den Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2018 and 2017

(2) Cash and Investments, continued

Custodial Credit Risk, continued

The District had deposits with bank balances of \$8,950 and \$13,178 as of June 30, 2018 and 2017, respectively. Any amount in excess of \$250,000 is federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Code and the District's investment policy contain legal and policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

Interest Rate Risk

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

Credit Risk

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.

Concentration of Credit Risk

The District's investment policy contains no limitations on the amounts that can be invested in any one issuer as beyond that stipulated by the California Government Code. There were no investments in any one issuer (other than for U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District's investments at June 30, 2018 and 2017.

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the 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 District's deposit and withdrawal restrictions and limitations are as follows:

- Same day transaction processing occurs for orders received before 10:00 a.m.
- Next day transactions processing occurs for orders received after 10:00 a.m.
- Maximum limit of 15 transactions (combination of deposits and withdrawals) per month.
- Minimum transaction amount requirement of \$5,000, in increments of a \$1,000 dollars.
- Withdrawals of \$10,000,000 or more require 24 hours advance notice.
- Prior to funds transfer, an authorized person must call LAIF to do a verbal transaction.

Devil's Den Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2018 and 2017

3) Governmental Accounting Standards Board Statement Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2018, that has effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 83

In November 2016, the GASB issued Statement No. 83 – *Certain Asset Retirement Obligations*. This Statement (1) addresses accounting and financial reporting for certain asset retirement obligations (AROs), (2) establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs, (3) requires that recognition occur when the liability is both incurred and reasonably estimable, (4) requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred, (5) requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually, and (6) requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 84

In January 2017, the GASB issued Statement No. 84 – *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 87

In June 2017, the GASB issued Statement No. 87 – *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

Devil's Den Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2018 and 2017

(3) Governmental Accounting Standards Board Statement Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 88

In April 2018, the GASB issued Statement No. 88 – *Certain Disclosures Related to Debt Including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 89

In June 2018, the GASB issued Statement No. 89 – *Accounting for Interest Cost incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

Devil's Den Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2018 and 2017

(4) Commitments and Contingencies

Litigation

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

(5) Subsequent Events

Events occurring after June 30, 2018, have been evaluated for possible adjustment to the financial statements or disclosure as of March 5, 2019, which is the date the financial statements were made available to be issued.

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Report on Internal Controls and Compliance



Charles Z. Fedak, CPA, MBA
Christopher J. Brown, CPA, CGMA
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Independent Auditor's Report on Internal Controls Over Financial Reporting And on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Devil's Den Water District
Santa Clarita, California

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 the Devil's Den Water District (District), which comprise the statement of financial position as of June 30, 2018 and 2017, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 5, 2019.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered the 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 section 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 the 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 audits, 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*.

**Independent Auditor's Report on Internal Controls Over Financial Reporting
And on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*, (continued)**

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Fedak & Brown LLP

Fedak & Brown LLP
Cypress, California
March 5, 2019

Devil's Den Water District

Management Report

June 30, 2018



Fedak & Brown LLP
Certified Public Accountants

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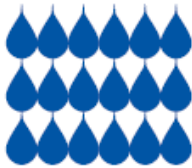
Devil's Den Water District

Management Report

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Board of Directors
Devil's Den Water District
Santa Clarita, California

Dear Members of the Board:

In planning and performing our audit of the financial statements of the Devil's Den Water District (District) as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

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

Our comments, all of which have been discussed with the appropriate members of management, are summarized as follows:

Summary of Current Year Comments and Recommendations

No items to note.

Status of Comments and Recommendations Made in the Previous Year

No items to note.

This report is intended solely for the information and use of management and the Board of Directors of the District. This restriction is not intended to limit the distribution of this letter, which is a matter of public record.

We appreciate the courtesy and cooperation extended to us during our examination. We would be pleased to discuss the contents of this letter with you at your convenience. Please do not hesitate to contact us.

Fedak & Brown LLP

Fedak & Brown LLP
Cypress, California
March 5, 2019

APPENDIX

Devil's Den Water District

Audit/Finance Committee Letter

June 30, 2018

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Board of Directors
Devil's Den Water District
Santa Clarita, California

We have audited the basic financial statements of the Devil's Den Water District (District) for the year ended June 30, 2018 and have issued our report thereon dated March 5, 2019. Generally accepted auditing standards require that we provide the Governing Board and management with the following information related to our audit of the District's basic financial statements.

Auditor's Responsibility under United States Generally Accepted Auditing Standards

As stated in our Audit Engagement Letter dated July 31, 2018, our responsibility, as described by professional standards, is to express an opinion about whether the basic financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with United States generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of its responsibilities.

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Governmental Auditing Standards*.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing requirements previously communicated to management.

Qualitative Aspects of Accounting Practices

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

We noted no transactions entered into by the District during fiscal year 2018 for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Management's Judgments, Accounting Estimates and Financial Disclosures

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

Management's estimate of the fair value of cash and investments is based on information provided by financial institutions. We evaluated the key factors and assumptions used to develop the fair value of cash and investments in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain basic financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the basic financial statements was:

The disclosure of fair value of cash and investments in Note 2 to the basic financial statements represents amounts susceptible to market fluctuations.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no misstatements that was detected as a result of audit procedures and corrected by management to the original trial balance presented to us to begin our audit of the District.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction that could be significant to the basic financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit of the District.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 5, 2019.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Restriction on Use

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

Conclusion

We appreciate the cooperation extended us by Rochelle Patterson, Treasurer, in the performance of our audit testwork.

We will be pleased to respond to any question you have about the foregoing. We appreciate the opportunity to continue to be of service to the District.

Fedak & Brown LLP

Fedak & Brown LLP
Cypress, California
March 5, 2019

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ITEM NO.
2.3

Devil's Den Water District

Approve Receiving and Filing

Of the

First Quarter FY 2018/19


Investment Report

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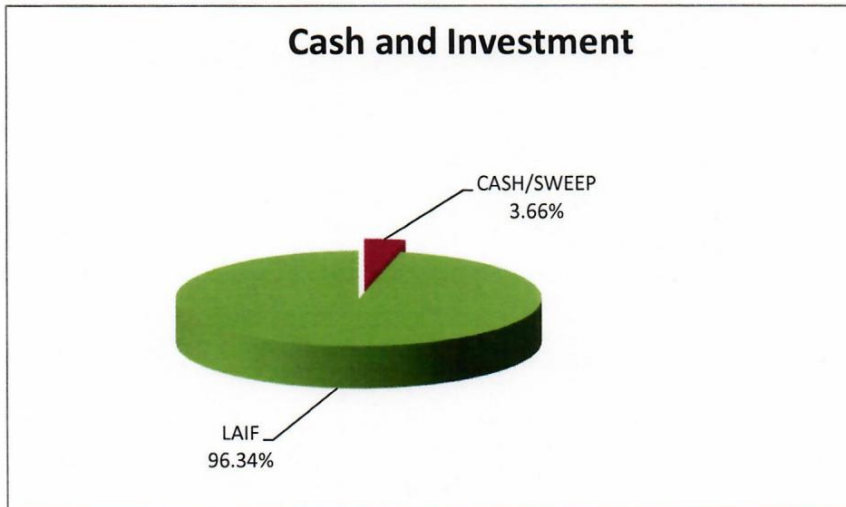
**Devil's Den Water District
Cash and Investment Summary
As of September 30, 2018**

	BALANCE	% OF TOTAL	WGHTD. AVG. YIELD
Cash & Sweep Account	\$ 9,281	3.66%	0.03%
LAIF	244,351	96.34%	2.16%
Total Cash and Investment	\$ 253,632	100.00%	

I certify the cash and investments balance of the Devil's Den Water District.



Rochelle Patterson
Treasurer



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Cash and Investment Activity as of September 2018

	CASH & SWEEP	LAIF	TOTAL
Cash & Investments @ 7/1/2018	8,950	243,031	251,981
Cash & Sweep Transactions:			
Receipts:			
Taxes	330		330
Interest	1		1
Disbursements:			0
			0
			0
Investment Transactions:			
LAIF Transactions:			
Interest Deposited		1,320	1,320
Cash & Investments @ 9/30/18	9,281	244,351	253,632

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Devil's Den Water District

Approve Receiving and Filing

Of the

Second Quarter FY 2018/19

Investment Report

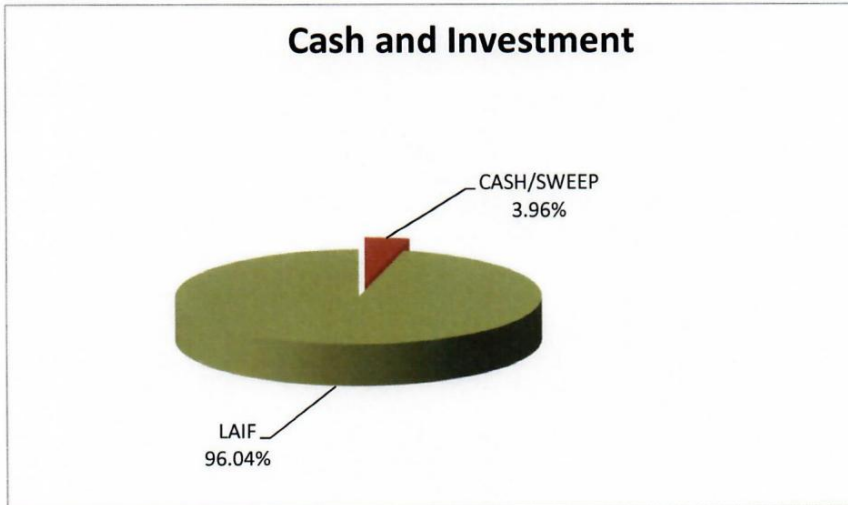
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**Devil's Den Water District
Cash and Investment Summary
As of December 30, 2018**

	BALANCE	% OF TOTAL	WGHTD. AVG. YIELD
Cash & Sweep Account	\$ 10,123	3.96%	0.03%
LAIF	245,828	96.04%	2.40%
Total Cash and Investment	\$ 255,951	100.00%	

I certify the cash and investments balance of the Devil's Den Water District.

Rochelle Patterson
Treasurer



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Cash and Investment Activity as of December 2018

	CASH & SWEEP	LAIF	TOTAL
Cash & Investments @ 10/1/2018	9,281	244,351	253,632
Cash & Sweep Transactions:			
Receipts:			
Taxes	2,980		2,980
Interest	1		1
Disbursements:			
ACWA/JPIA Check #553 (Auto and General Liability)	(2,139)		(2,139)
Investment Transactions:			
LAIF Transactions:			
Interest Deposited		1,477	1,477
Cash & Investments @ 12/31/18	10,123	245,828	255,951