

*Serving the community for over 60 years*



# COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2015

**NEWHALL COUNTY WATER DISTRICT**  
Newhall, CA







# Comprehensive Annual Financial Report

*Fiscal Year Ended June 30, 2015*



Prepared by:  
Finance Department  
Newhall, California

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## Introductory Section



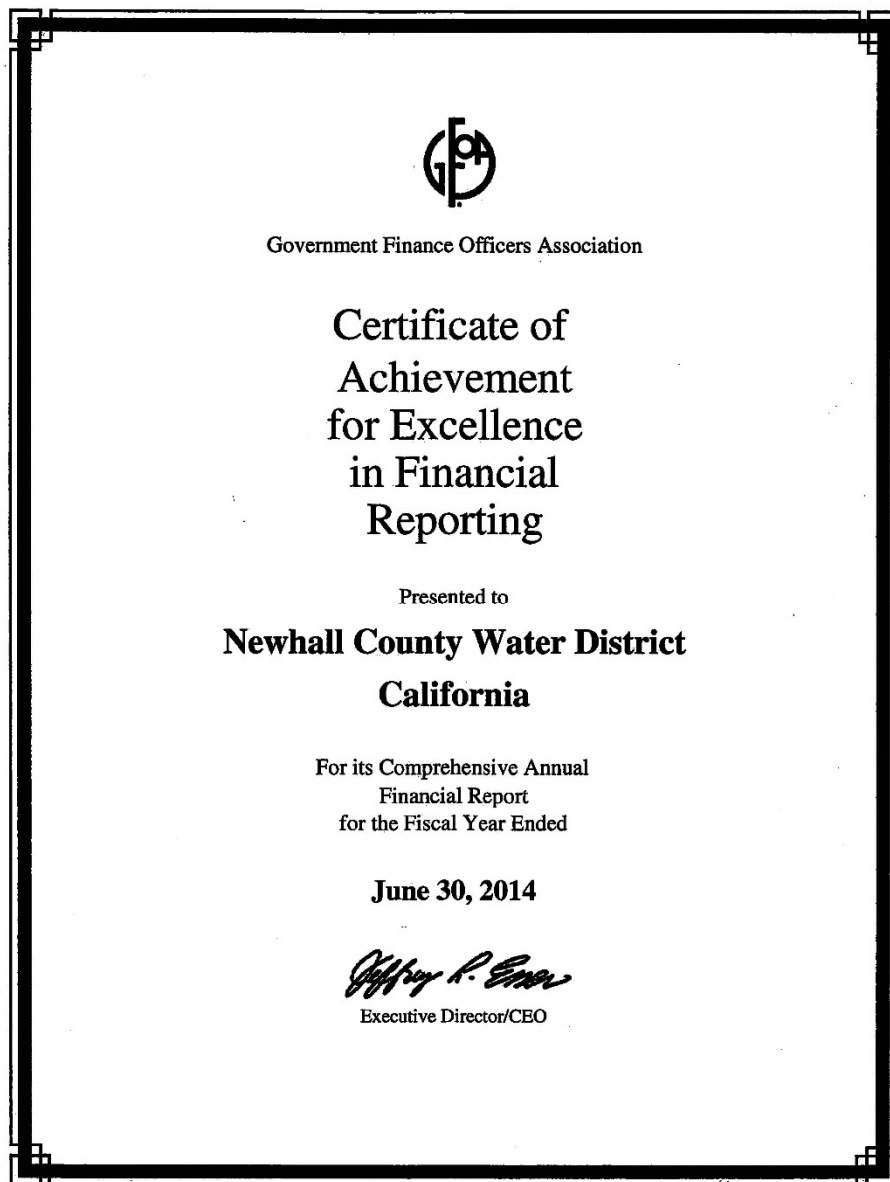
Newhall Avenue - Main and Service Replacements



# 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, 2014.

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.



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Newhall County Water District  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2014**

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director/CEO





## 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)

NCWD

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

November 12, 2015

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, 2015.

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, 2015 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, 2015 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.

## **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 30 under the direction of the Board-appointed General Manager. The General Manager reports directly to the Board of Directors, and through a Director of Operations and a Director of Finance/Administration, oversees day-to-day operations. The Director of Operations oversees the Water Operations and Engineering departments and 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 2015, the District purchased approximately 40% of its water demand from the State Water Project through the wholesaler, Castaic Lake Water Agency. The remaining 60% was pumped from the District’s 11 active groundwater wells.

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

The District produces nearly eight million gallons of treated water on an average daily basis through 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 facing one of the worst dry periods in over a decade, the District is doing its part in conveying the importance of conservation to its customers. The District has planned for a reduction in water sales and has adjusted its rate structure 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 slow recovery are evident in the District's projections for new service connection applications in future years, account growth and water consumption. Specifically, it is projected that no new service connections will be added in FY 2016.

As our economy begins to recover, we do not expect to return to pre-recession revenue levels for several years. We have endured five 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 reduced revenue due to water conservation efforts by our customers to continue through the coming fiscal year. As a result, the District will continue to monitor and make appropriate adjustments to ensure the organization's financial integrity is maintained, while continuing to meet its obligation to provide a safe and reliable water supply.

## BUDGET SUMMARY

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, such as the effects of the 66% increase in purchased water rates from CLWA in FY 2013 and subsequent cost of legal challenges. 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.

In June 2015, the District approved a new water rates based on the Revenue Requirement and Water Rates report, updated in April 2015. The rates were designed to appropriately recover water system cost, address customer affordability issues for the average customer and promote the efficient use of water resources. The adopted rates also incorporated a Water Revenue Adjustment Factor allowing for adjustments to the commodity rate based on inflation or deflation in unit costs attributed to fluctuations in real demand. Directional, strategic and policy guidance around the preparation of the report was developed from several Board of Director and staff meetings.

The new water rates aim to protect the District's long-term financial stability through June 2020. The adopted rates estimate no utilization of the District's operating reserves, which are maintained to support the financial position of the District.

The District is not expecting to add any new services in FY 2016 with water revenues expected to be \$12,079,178 (total revenues \$13,626,485) which is a 3% decrease from the previous budget year. Since FY 2011, the District made an adjustment to the demand projection methodology used resulting in a more conservative projection of future revenues. This method uses the last recorded eight months (July 2014 - February 2015) of actual usage and four months of estimated usage to more accurately estimate operating revenues.

The last few years of drought and economically challenging conditions 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 actions have made the District more adaptable, effective and responsive to customer needs.

The \$13,626,485 Operating Budget, which is an increase of 1.2% from the previous budget year and consists of three components; operating expenses, capital, and debt service. These categories include forecasting the costs of purchased water, purchased power, vehicle operating costs, asset maintenance, employee benefits, and the increase of day-to-day business responsibilities.

This year's Capital Improvement Plan (CIP) places emphasis on completion of pipeline replacements, meter replacements and re-occurring projects. CIP is expected to be \$1,980,000, which is a 7.9% decrease from the prior year. The District's 5-year CIP project list is estimated at \$10,015,000 including projects, such as; pipeline replacements and reservoir rehabilitations. Each year the projects are reviewed and prioritized based on need and available funding.

Significant aspects of the Operating Budget are:

- A balanced budget meeting the needs of customers and the goals set by the District
- An updated CIP plan incorporating Master Plan goals
- Implementation of Resolution 2015-8 setting the water rates
- No additions or deletions to the employee count
- Funding to complete CIP
- Continuation of water use efficiency programs
- No utilization of reserves
- Debt retirement on target to move to pay-as-you-go for CIP
- Benefit reform continues to set the District apart as a leader in the industry

## 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, 2014, with special recognition in the area of performance measures. The District has received the award for seven consecutive years.

In addition, the District has also received the Certificate of Achievement for Excellence in Financial Reporting for Fiscal Year ending June 30, 2014 from GFOA. The District has received this award for five consecutive years. These prestigious awards recognize conformance with the highest standards for preparation of state and local government financial reports.

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.

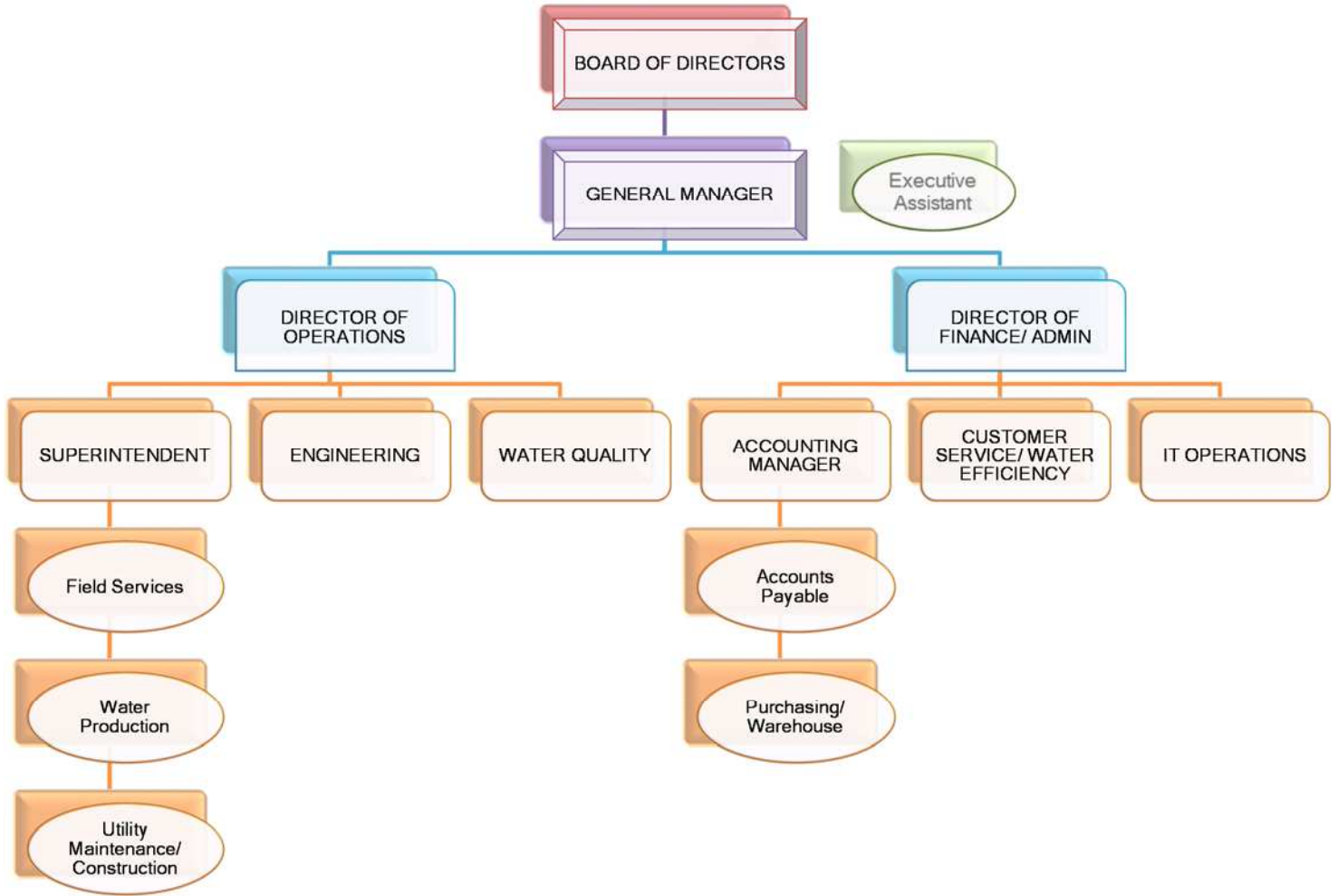
Respectfully submitted,



Stephen L. Cole  
General Manager



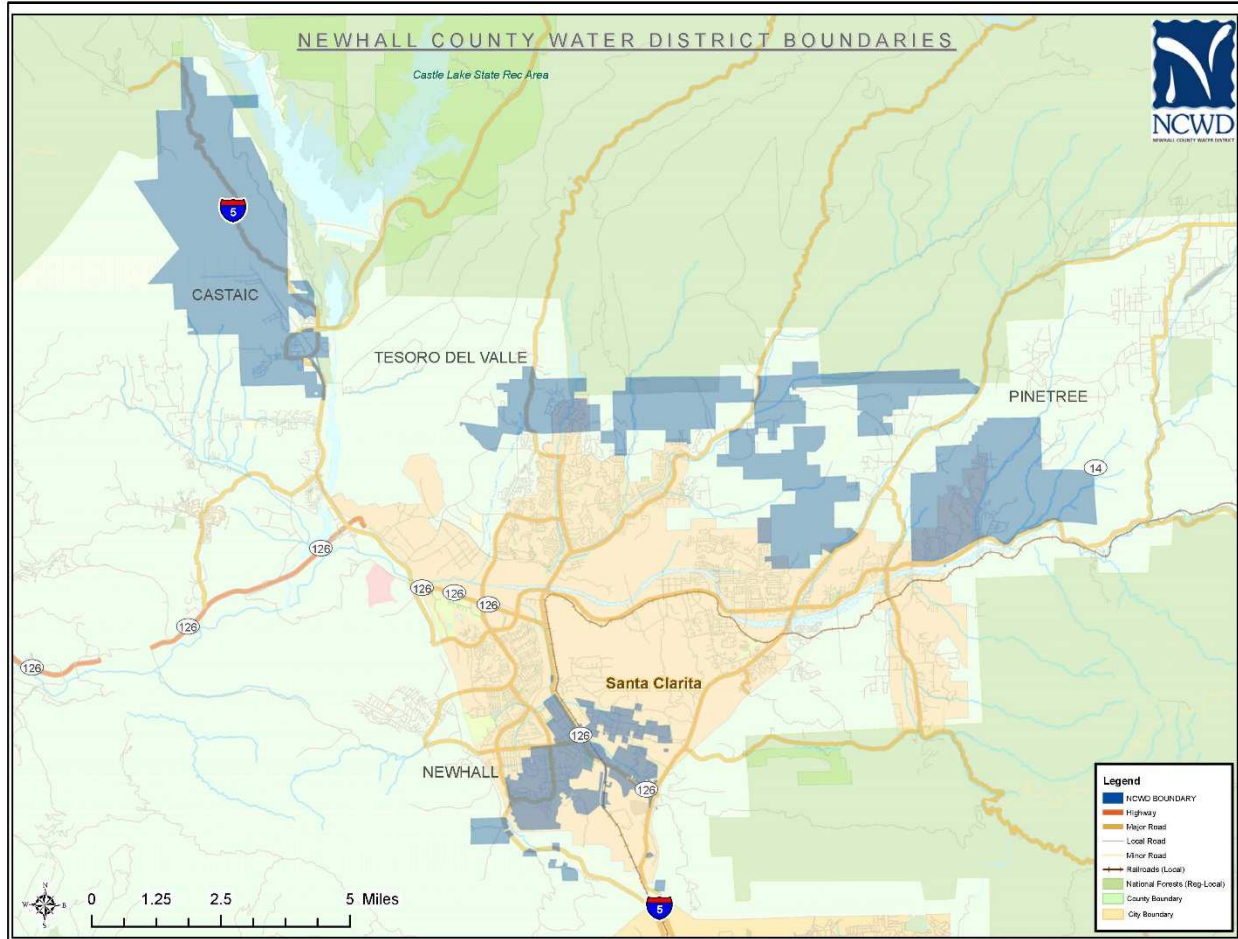
## Organizational Chart





# NEWHALL COUNTY WATER DISTRICT

## Service Area Map





# LIST OF DISTRICT OFFICIALS

## Fiscal Year 2015

### Board of Directors



B. J. Atkins  
President



Maria Gutzeit  
Vice President



Daniel R. Mortensen  
Director



Kathy Colley  
Director



Lynne Plambeck  
Director

### District Financial Management

Stephen L. Cole - General Manager

Karin J. Russell - Director of Finance/Administration

Michael E. Alvord - Director of Operations

Rochelle D. Patterson - Accounting Manager





## **FINANCIAL SECTION**



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 statement of net position as of June 30, 2015, and the related statements of revenues, expenses, and changes in net position and cash flows for the year 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 audit. We conducted our audit 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, 2015, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### **Change in Accounting Principle**

As described in Note 11 to the financial statements, the District changed its method of accounting and financial reporting for pensions in order to conform with "Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions." Our opinion is not modified with respect to this matter.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the schedule of proportionate share of the net pension liability and the schedule of district 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 audit 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 audit was conducted for the purpose of forming an opinion on the financial statements of the Newhall County Water District. The introductory section, and statistical section, 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 audit 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 November 12, 2015, 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  
November 12, 2015



# 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, 2015. 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 assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$79 million (net position). Of this amount, \$6 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 decreased by \$3 million during the year ended June 30, 2015. This is attributable to the decrease in income before capital contributions (\$494,026), and the adoption of GASB 68 ("Accounting and Financial Reporting for Pensions").

### *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.





## MANAGEMENT'S DISCUSSION AND ANALYSIS

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 \$79 million as of the close of the most recent fiscal year.

By far, the largest portion of the District's net assets, \$73.1 million (92%), 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.



# MANAGEMENT'S DISCUSSION AND ANALYSIS

## Statements of Net Position

	2015	*2014	Variance
<b>Assets</b>			
Current and Other Assets	\$ 9,385,735	\$ 10,759,047	\$(1,373,312)
Capital Assets	82,155,019	83,032,925	(877,906)
<b>Total Assets</b>	<b>91,540,754</b>	<b>93,791,972</b>	<b>(2,251,218)</b>
<b>Deferred Outflows of Resources</b>			
Deferred Amount on Refunding	73,105	120,662	(47,557)
Deferred Outflows Related to Contributions	224,036		224,036
<b>Total Deferred Outflows of Resources</b>	<b>297,141</b>	<b>120,662</b>	<b>176,479</b>
<b>Liabilities</b>			
Non-Current Liabilities	9,400,627	9,117,524	283,103
Current Liabilities	2,512,540	2,741,560	(229,020)
<b>Total Liabilities</b>	<b>11,913,167</b>	<b>11,859,084</b>	<b>54,083</b>
<b>Deferred Inflows of Resources</b>			
Deferred Inflows Related to Pensions	798,065		798,065
<b>Net Position</b>			
Net Investment in Capital Assets	73,152,045	72,547,586	604,459
Unrestricted	5,974,618	9,505,964	(3,531,346)
<b>Total Net Position</b>	<b>\$ 79,126,663</b>	<b>\$ 82,053,550</b>	<b>\$(2,926,887)</b>

*\*FY 2014 numbers have not been restated as the deferred outflows of resources and deferred inflows of resources resulting from the implementation of GASB 68. "Accounting and Financial Reporting for Pensions" were not available for the year ended June 30, 2014.*

In FY 2015, the total Net Position decreased by \$2.9 million to \$79 million. The decrease in Net Position is primarily attributable to a \$2.4 million adjustment in Net Position as a result of implementing GASB 68 and a loss, before capital contributions, of \$0.5 million.

Net Investment in Capital Assets continues to increase. In FY 2015, several capital projects consisting of pipeline replacements and the ongoing meter replacement program were completed and added to the capital assets of the District.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

	2015	*2014	Variance
Water Sales	\$ 11,204,859	\$ 13,008,264	\$(1,803,405)
Other Operating Revenues	25,298	8,367	16,931
Taxes and Assessments	531,672	497,330	34,342
Investment Income	48,917	43,913	5,004
Other Nonoperating Income	436,549	224,886	211,663
<b>Total Revenues</b>	<b>12,247,295</b>	<b>13,782,760</b>	<b>(1,535,465)</b>
General and Administrative	3,506,553	3,486,969	19,584
Depreciation Expense	2,934,848	2,772,774	162,074
Source of Supply	2,453,096	2,647,046	(193,950)
Pumping Plant	1,517,510	1,415,627	101,883
Other	590,349	604,271	(13,922)
Transmission and Distribution	560,112	451,283	108,829
Customer Accounts	459,680	418,990	40,690
Water Treatment	356,863	326,414	30,449
Loss on Disposal of Capital Assets	-	35,483	(35,483)
Interest Expense	362,310	420,776	(58,466)
<b>Total Expenses</b>	<b>12,741,321</b>	<b>12,579,633</b>	<b>161,688</b>
Income Before Capital Contributions	(494,026)	1,203,127	(1,697,153)
Capital Contributions	30,802	430,391	(399,589)
Change in Net Position	(463,224)	1,633,518	(2,096,742)
Net Position at Beginning of Year	79,589,887	80,420,032	(830,145)
<b>Net Position at End of Year</b>	<b>\$ 79,126,663</b>	<b>\$ 82,053,550</b>	<b>\$(2,926,887)</b>

*\*FY 2014 numbers have not been restated as the deferred outflows of resources and deferred inflows of resources resulting from the implementation of GASB 68. "Accounting and Financial Reporting for Pensions" were not available for the year ended June 30, 2014.*

Water Sales decreased by \$1,803,405 in FY 2015 due to water consumption restrictions as mandated by the Governor. Other Nonoperating Income increase by \$211,663. This increase results from several rebates related to facilities improvements and are not expected in subsequent years.

The District received \$30,802 in Capital Contributions in FY 2015 compared to \$430,391 in FY 2014 due in part to the volume of new construction of homes in the District's service area. It is expected that Capital Contributions will continue to fluctuate.

The District is not expecting a large fluctuation in the Net Position in FY 2016.



# MANAGEMENT'S DISCUSSION AND ANALYSIS

## *Capital Assets and Debt Administration*

### Capital Assets

The District's capital assets as of June 30, 2015, totaled \$82 million (net of accumulated depreciation). The total decrease in the District's capital assets was approximately 1% in FY 2015.

#### Capital Assets

	2015	2014	Variance
Land	\$ 9,808,489	\$ 9,808,489	\$ -
Construction in Progress	234,725	666,979	(432,254)
Water System	96,984,535	95,258,063	1,726,472
Organization Costs	40,486	40,486	-
General Plant	13,032,895	12,906,559	126,336
Depreciation	(37,946,111)	(35,647,651)	(2,298,460)
	<u>\$ 82,155,019</u>	<u>\$ 83,032,925</u>	<u>\$ (877,906)</u>

As shown in the table above, the majority of capital assets added to the District's water system in FY 2015 were related to the completion of major pipeline replacements and the meter replacement program. Additional information can be found in Note 4 of the notes to Financial Statements.

### Noncurrent Liabilities

At June 30, 2015, the District had \$9.4 million in noncurrent liabilities that is described in detail in Note 6 of the Notes to Financial Statements and consists of the following:

Installment Notes Payable	\$ 7,347,939
Net Pension Obligations	1,876,184
Compensated Absences	176,504
Total Noncurrent Liabilities	<u>\$ 9,400,627</u>



# MANAGEMENT'S DISCUSSION AND ANALYSIS

## *Fiscal Year 2016 Budget*

### Economic Factors

The District is projecting to purchase 10% less water than the previous year due to the reduction in demand in response to the drought. The District's water wholesaler, Castaic Lake Water Agency, will be increasing their rates for wholesale water by 3.0% in FY 2016, and is projected to continue to increase each year. The District has established a pass through mechanism to recover costs associated with increases in purchased water costs (Resolution 2012-5).

Based on current trends, the District is conservatively projecting no growth in FY 2016. In addition, the District has assumed customers (as a whole) will respond to the District's messages of conservation and efficient use of water and reduce consumption by 28% (from FY 2013 consumption). The District has already met the conservation mandates as required by California Senate Bill x7-7.

The total reduction in water use was not incorporated into the calculation estimate of revenues at proposed rates. As a means to mitigate potential fluctuations in water commodity revenues, the District adopted Resolution 2015-5 that will allow the District to make adjustments in response to the rise and fall of commodity revenues in order to recover any lost revenues.

### Financial

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 the reduction in demand resulting from mandatory conservation, the average has dramatically decreased. Since FY 2011, the District has 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 projects the current drought restrictions will continue through FY 2016.

On June 15, 2015, the District adopted changes to the water rates, based on the updated Report of Revenue Requirements and Water Rates to become effective July 1, 2015. The updated rates take into account the 15% reduction in commodity sales the District endured in FY 2015.

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

### 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.



## **BASIC FINANCIAL STATEMENTS**



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# Statements of Net Position

June 30, 2015

	<u>2015</u>
<b>ASSETS</b>	
<b>Current Assets:</b> (Notes 1 and 2)	
Cash and Cash Equivalents	\$ 4,866,990
Investments	2,240,000
Accounts Receivable, Net	1,213,075
Taxes Receivable	6,603
Accounts Receivable - Other	26,278
Accrued Interest Receivable	12,221
Inventory	666,947
Prepaid Expenses	136,756
Total Current Assets	<u>9,168,870</u>
<b>Noncurrent Assets:</b> (Notes 1, 2, 3 and 4)	
<b>Restricted Assets:</b>	
Cash and Cash Equivalents	216,865
Total Restricted Assets	<u>216,865</u>
<b>Capital Assets</b>	
Nondepreciable	10,043,214
Depreciable, Net of Accumulated Depreciation	<u>72,111,805</u>
Total Capital Assets, Net	<u>82,155,019</u>
Total Noncurrent Assets	<u>82,371,884</u>
<b>Total Assets</b>	<u>91,540,754</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b> (Notes 1, 6, 8, and 11)	
Deferred Amount on Refunding	73,105
Deferred Outflows Related to Contributions	<u>224,036</u>
Total Deferred Outflows of Resources	<u>297,141</u>

(Continued)

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



## Statements of Net Position (Continued)

June 30, 2015

	<u>2015</u>
<b>LIABILITIES</b>	
<b><u>Current Liabilities:</u></b> (Notes 1, 5 and 6)	
Accounts Payable	\$ 439,066
Accrued Expenses and Other Liabilities	109,474
Accrued Interest Payable	76,114
Deposits	216,865
Unearned Revenue	34,554
Current Portion of Installments Notes Payable	1,607,148
Current Portion of Compensated Absences Payable	29,319
Total Current Liabilities	<u>2,512,540</u>
<b><u>Noncurrent Liabilities:</u></b> (Notes 1 and 6)	
<b>Long-term Debt:</b>	
Installment Notes Payable, Net of Current Portion	<u>7,347,939</u>
<b>Other Noncurrent Liabilities:</b>	
Net Pension Liability	1,876,184
Compensated Absences Payable, Net of Current Position	176,504
Total Noncurrent Liabilities	<u>2,052,688</u>
Total Noncurrent Liabilities	<u>9,400,627</u>
Total Liabilities	<u>11,913,167</u>
<b><u>Deferred Inflows of Resources:</u></b> (Notes 1, 8 and 11)	
Deferred Inflows Related to Pensions	<u>798,065</u>
<b><u>Commitments and Contingencies</u></b> (Notes 7, 8 and 9)	
<b><u>NET POSITION:</u></b> (Note 11)	
Net Investment in Capital Assets	73,152,045
Unrestricted	5,974,618
Total Net Position	<u>\$ 79,126,663</u>

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



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

For the Year Ended June 30, 2015

	<u>2015</u>
<b><u>Operating Revenues:</u></b>	
Water Sales	\$ 11,204,859
Other Operating Revenues	25,298
Total Operating Revenues	<u>11,230,157</u>
<b><u>Operating Expenses:</u></b>	
General and Administrative	3,506,553
Depreciation and Amortization	2,934,848
Source of Supply	2,453,096
Pumping Plant	1,517,510
Other	590,349
Transmission and Distribution	560,112
Customer Accounts	459,680
Water Treatment	356,863
Total Operating Expenses	<u>12,379,011</u>
Operating Income	<u>(1,148,854)</u>
<b><u>Nonoperating Revenues and (Expenses):</u></b>	
Taxes and Assessments	531,672
Other Nonoperating Revenue	436,549
Investment Income	48,917
Interest Expense	(362,310)
Total Nonoperating Revenues and (Expenses)	<u>654,828</u>
(Loss) Income Before Capital Contributions	(494,026)
Capital Contributions	30,802
Change in Net Position	(463,224)
Net Position at Beginning of Year, as restated (Note 11)	<u>79,589,887</u>
<b>NET POSITION AT END OF YEAR</b>	<b><u>\$ 79,126,663</u></b>

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



## Statements of Cash Flows

### For the Year Ended June 30, 2015

	<u>2015</u>
<b><u>Cash Flow From Operating Activities:</u></b>	
Cash Received from Customers	\$ 11,792,423
Cash Payments to Suppliers for Goods and Services	(7,314,692)
Cash Payments to Employees for Services	(2,303,850)
Other Operating Cash Receipts	436,549
	<hr/>
Net Cash Provided by Operating Activities	2,610,430
	<hr/>
<b><u>Cash Flow From Noncapital and Related Financing Activities:</u></b>	
Receipts from Taxes, Assessments and Other Nonoperating Income	529,378
	<hr/>
Net Cash Provided By Related Noncapital Financing Activities	529,378
	<hr/>
<b><u>Cash Flows From Capital and Related Financing Activities:</u></b>	
Acquisition and Construction of Capital Assets	(2,056,942)
Principal Paid on Installment Notes Payable	(1,558,716)
Interest Paid on Installment Notes Payable	(330,837)
Capital Contributions	30,802
	<hr/>
Net Cash Uses in Capital and Related Financing Activities	(3,915,693)
	<hr/>
<b><u>Cash Flows From Investing Activities:</u></b>	
Investment Income	48,655
	<hr/>
Net Cash (Used In) Provided by Investing Activities	48,655
	<hr/>
Net Decrease in Cash and Cash Equivalents	(727,230)
Cash and Cash Equivalents at Beginning of Year	5,811,085
	<hr/>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 5,083,855</b>
	<hr/> <hr/>

(Continued)

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



## Statements of Cash Flows (Continued)

For the Year Ended June 30, 2015

	2015
<b><u>Cash Provided by Operating Activities:</u></b>	
Operating (Loss) Income	\$ (1,148,854)
<b>Adjustments to Reconcile Operating (Loss) Income to</b>	
<b>Net Cash Provided by Operating Activities:</b>	
Depreciation and Amortization	2,934,848
Other Nonoperating Revenue	436,549
<b>(Increase) Decrease In:</b>	
Accounts Receivable, Net	499,729
Accounts Receivable - Other	28,018
Inventory	189,420
Prepaid Expenses	(68,529)
Deferred Outflows Related to Contributions	(18,878)
<b>Increase (Decrease) In:</b>	
Accounts Payable	(310,792)
Accrued Expenses and Other Liabilities	15,206
Deposits	(35)
Unearned Revenue	34,554
Net Pension Liability	(792,637)
Compensated Absences Payable	13,766
Deferred Inflows Related to Pensions	798,065
Net Cash Provided by Operating Activities	\$ 2,610,430
 <b><u>Cash and Cash Equivalents - Financial Statement Classification:</u></b>	
Cash and Cash Equivalents	\$ 4,866,990
Restricted Cash and Cash Equivalents	216,865
Total Cash and Cash Equivalents - Financial Statement Classification	\$ 5,083,855
 <b><u>Noncash, Investing, Capital and Financing Activities:</u></b>	
Amortization of Deferred Amount on Refunding	\$ 47,557

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





# Notes to Financial Statements

June 30, 2015

<u>NOTE</u>	<u>DESCRIPTION</u>	<u>PAGE</u>
1	Organization	29
2	Cash and Investments	33
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5	Unearned Revenue	37
6	Noncurrent Liabilities	38
7	Post Employment Benefits	40
8	Defined Benefit Pension Plan	42
9	Commitments and Contingencies	48
10	New Governmental Accounting Standards	48
11	Change in Accounting Principle	50



# Notes to Financial Statements

June 30, 2015

## **Note 1 - Organization:**

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 Financial Statements

June 30, 2015

## Note 1 - Organization: (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 receivables totaled \$3,093 at June 30, 2015.

#### 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, 2015 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 \$6,603 as of June 30, 2015 have been reduced by an allowance for estimated uncollectible taxes in the amount of \$-0-.

#### 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 Financial Statements

June 30, 2015

## Note 1 - Organization: (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. 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 \$2,934,848 for the year ended June 30, 2015.

#### Interest

The District incurred interest charges on long-term debt. No interest was capitalized as a cost of construction for the year ended June 30, 2015.

#### Compensated Absences

Accumulated and unpaid vacation and sick leave totaling \$205,823 is accrued when incurred and included in noncurrent liabilities, net of current portion, at June 30, 2015.

#### 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 government that is applicable to a future period and an acquisition of net assets by the government 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 Financial Statements

June 30, 2015

## Note 1 - Organization: (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 a 15% per building deductible subject to a \$50,000 minimum per occurrence for earthquake and flood insurance. 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 deferred 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 CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS website.

#### 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.



# Notes to Financial Statements

June 30, 2015

## Note 1 - Organization: (Continued)

### Significant Accounting Policies (Continued)

#### Subsequent Events

In preparing these financial statements, the District has evaluated events and transactions for potential recognition and disclosure through November 12, 2015, the date the financial statements were available.

## 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>Maximum 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 Financial Statements

June 30, 2015

## 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, 2015:

	<u>Maturity in Years</u>		
	<u>One Year or Less</u>	<u>1 - 5 Years</u>	<u>Total</u>
Cash on hand	\$ 1,175	\$ -	\$ 1,175
Deposits with financial institutions	449,275	-	449,275
California Local Agency Investment Fund	4,633,405	-	4,633,405
Investments:			
Negotiable Certificates of Deposit	200,000	1,240,000	1,440,000
U.S. Agency Securities	-	800,000	800,000
Total Cash and Investments	<u>\$ 5,283,855</u>	<u>\$ 2,040,000</u>	<u>\$ 7,323,855</u>

#### Financial Statement Classification:

##### Current:

Cash and cash equivalents \$ 4,866,990

Investments 2,240,000

##### Restricted:

Cash and cash equivalents 216,865

Total Cash and Investments \$ 7,323,855

### 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 as of June 30, 2015.



# Notes to Financial Statements

June 30, 2015

## 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.

	<u>Rating as of Year End Standard &amp; Poors</u>
California Local Agency Investment Fund	Not Rated
Negotiable Certificates of Deposit	Not Rated
U.S. Agency Securities	AA+

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, 2015, the following investments (other than U.S. Treasury securities, mutual funds, and external investment pools) represent 5% or more of total District investments.

Federal National Mortgage Association	<u>\$ 800,000</u>
---------------------------------------	-------------------

### 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 Financial Statements

June 30, 2015

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

### Custodial Credit Risk (Continued)

At June 30, 2015, none of the District's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. At June 30, 2015 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:

California Local Agency Investment Fund	\$ 4,633,405
Deposits with financial institutions	449,275
Cash on hand	1,175
	<u>\$ 5,083,855</u>

## Note 3 - Restricted Assets:

Restricted assets were provided by, and are to be used for, the following at June 30, 2015:

<u>Funding Source</u>	<u>Use</u>	
Receipts from customers	Deposits	<u>\$ 216,865</u>

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 Financial Statements

## June 30, 2015

### **Note 4 - Capital Assets:**

Capital assets consist of the following at June 30, 2015:

	Balance at June 30, 2014	Additions	Deletions	Balance at June 30, 2015
<b>Capital Assets Not Being Depreciated:</b>				
Land, franchises, and water rights	\$ 9,808,489	\$ -	\$ -	\$ 9,808,489
Construction in progress	<u>666,979</u>	<u>2,064,230</u>	<u>(2,496,484)</u>	<u>234,725</u>
Total Capital Assets Not Being Depreciated	<u>10,475,468</u>	<u>2,064,230</u>	<u>(2,496,484)</u>	<u>10,043,214</u>
<b>Capital Assets Being Depreciated:</b>				
Transmission and distribution	95,258,062	2,279,539	(553,066)	96,984,535
General plant	12,906,560	209,657	(83,322)	13,032,895
Organizational costs	<u>40,486</u>	<u>-</u>	<u>-</u>	<u>40,486</u>
Total Capital Assets Being Depreciated	<u>108,205,108</u>	<u>2,489,196</u>	<u>(636,388)</u>	<u>110,057,916</u>
<b>Less Accumulated Depreciation For:</b>				
Transmission and distribution	(31,375,457)	(2,493,224)	553,066	(33,315,615)
General plant	(4,245,279)	(440,363)	83,322	(4,062,320)
Organizational costs	<u>(26,915)</u>	<u>(1,261)</u>	<u>-</u>	<u>(28,176)</u>
Total Accumulated Depreciation	<u>(35,647,651)</u>	<u>(2,934,848)</u>	<u>636,388</u>	<u>(37,946,111)</u>
Net Capital Assets Being Depreciated	<u>72,557,457</u>	<u>(445,652)</u>	<u>-</u>	<u>72,111,805</u>
<b>Net Capital Assets</b>	<u>\$ 83,032,925</u>	<u>\$ 1,618,578</u>	<u>\$(2,496,484)</u>	<u>\$ 82,155,019</u>

### **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 \$34,554 at June 30, 2015.



# Notes to Financial Statements

## June 30, 2015

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

Noncurrent liabilities consist of the following at June 30, 2015:

	Balances at June 30, 2014	Additions	Deletions	Balance at June 30, 2015	Current Portion
Long-Term Debt:					
Installment Notes Payable:					
Municipal Leasing Associates:					
2007	\$ 4,061,623	\$ -	\$ (334,450)	\$ 3,727,173	\$ 344,559
2009	1,657,223	-	(78,526)	1,578,697	82,220
Municipal Finance Corporation:					
2012	<u>4,794,957</u>	-	<u>(1,145,740)</u>	<u>3,649,217</u>	<u>1,180,369</u>
Total Long-Term Debt	10,513,803	-	(1,558,716)	8,955,087	1,607,148
Other Noncurrent Liabilities:					
Net pension obligation	2,668,821	-	(792,637)	1,876,184	-
Compensated absences	<u>192,057</u>	<u>13,766</u>	<u>-</u>	<u>205,823</u>	<u>29,319</u>
Total Other Noncurrent Liabilities	<u>2,860,878</u>	<u>13,766</u>	<u>(792,637)</u>	<u>2,082,007</u>	<u>29,319</u>
Total Noncurrent Liabilities	<u>\$ 13,374,681</u>	<u>\$ 13,766</u>	<u>\$(2,351,353)</u>	<u>\$ 11,037,094</u>	<u>\$ 1,636,467</u>

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

Years Ended June 30	Principal				Interest			
	MLA 2007	MLA 2009	MLC 2012	Total	MLA 2007	MLA 2009	MLC 2012	Total
2016	\$ 344,559	\$ 82,220	\$ 1,180,369	\$ 1,607,148	\$ 109,250	\$ 72,465	\$ 100,690	\$ 282,405
2017	354,973	86,088	1,216,046	1,657,107	98,836	68,597	65,013	232,446
2018	365,702	90,137	1,252,803	1,708,642	88,107	64,547	28,258	180,912
2019	376,756	94,377	-	471,133	77,054	60,307	-	137,361
2020	388,143	98,817	-	486,960	65,666	55,868	-	121,534
2021-2025	1,897,040	568,343	-	2,465,383	145,102	205,082	-	350,184
2026-2030	-	558,715	-	558,715	-	60,021	-	60,021
Total	<u>\$ 3,727,173</u>	<u>\$ 1,578,697</u>	<u>\$ 3,649,218</u>	<u>\$ 8,955,088</u>	<u>\$ 584,015</u>	<u>\$ 586,887</u>	<u>\$ 193,961</u>	<u>\$ 1,364,863</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 project. 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 \$3,727,173 at June 30, 2015.



# Notes to Financial Statements

June 30, 2015

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

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

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 note is payable over twenty years in semi-annual installments of principal and interest of \$77,342 in October and April each year. The note bears interest at 4.65%. The Installment Sale Agreement had an outstanding balance of \$1,578,697 at June 30, 2015.

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.

### **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 \$3,649,217 at June 30, 2015.

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 Financial Statements

June 30, 2015

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

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

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 Newhall County Water 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 \$47,557 for the year ended June 30, 2015 and is included in interest expense. The deferred amount on refunding was \$73,105 at June 30, 2015 and is recognized as a deferred outflow of resources in the statement 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.

### **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 year ended June 30, 2015:





# Notes to Financial Statements

June 30, 2015

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

### Funding Policy and Annual OPEB Costs (Continued)

Annual required contribution	\$ 72,322
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	<u>72,322</u>
Contributions (including benefits paid)	<u>(72,322)</u>
Increase (Decrease) in net OPEB asset	-
Net OPEB Asset - Beginning of year	-
Net OPEB Asset - End of year	<u>\$ -</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the four preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2011	\$ 23,655	100%	\$ -
June 30, 2012	25,274	100%	-
June 30, 2013	51,900	100%	-
June 30, 2014	53,669	100%	-
June 30, 2015	72,322	100%	-

### Funding Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the District's actuarial accrued liability for benefits was \$2,029,498 of which \$178,214 was unfunded. The covered payroll (annual payroll of active employees covered by plan) was \$2,057,758 with a ratio of the UAAL to the covered payroll of 9%.

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
	(A)	(B)	(B - A)	(A/B)	(C)	[(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%



# Notes to Financial Statements

June 30, 2015

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

### Funding Status and Funding Progress (Continued)

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.

## Note 8 - Defined Benefit Pension Plan:

### General Information About the Pension Plan

**Plan Descriptions** - 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 District participates in the miscellaneous 2.0% at 55 pool.



# Notes to Financial Statements

June 30, 2015

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

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

The Plan's provisions and benefits in effect at June 30, 2015, are summarized as follows:

	<u>Miscellaneous</u>
Benefit formula	2.0% @ 55
Benefit vesting schedule	5 years service
Benefit payments	Monthly for life
Retirement age	50
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%
Required employee contribution rates	8.00%
Required employer contribution rates	9.671%

**Contributions** - Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

### Pension Liabilities, Pension Expenses and Deferred Outflow/Inflows of Resources Related to Pensions

As of June 30, 2015, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension <u>Liability</u>
2.5% @ 55	<u>\$ 1,876,184</u>



# Notes to Financial Statements

June 30, 2015

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

### Pension Liabilities, Pension Expenses and Deferred Outflow/Inflows of Resources Related to Pensions (Continued)

The District's net pension liability for each plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2014, and the total pension liability for the plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan 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 2013 and 2014 was as follows:

	<u>2.0% @ 55</u>
Proportion - June 30, 2013	N/A
Proportion - June 30, 2014	.03015%
Change - Increase (Decrease)	N/A

For the year ended June 30, 2015, the District recognized pension expense of \$210,586. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 224,036	\$ -
Differences between the employer's contributions and the employer's proportionate share of contributions	-	56,013
Adjustment due to differences in proportion	-	27,836
Net difference between projected and actual earnings on plan investments	-	714,216
Total	<u>\$ 224,036</u>	<u>\$ 798,065</u>



# Notes to Financial Statements

June 30, 2015

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

### Pension Liabilities, Pension Expenses and Deferred Outflow/Inflows of Resources Related to Pensions (Continued)

The \$224,036 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Years Ended <u>June 30</u>	
2016	\$ (208,500)
2017	(208,500)
2018	(202,511)
2019	(178,554)
2020	-
Total	<u>\$ (798,065)</u>

**Actuarial Assumptions** - The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

	<u>2.0% @ 55</u>
Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry-Age Cost Method
Actuarial Assumptions:	
Discount Rate	7.5%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	3.3% - 14.2%(1)
Investment Rate of Return	7.5% (2)
Mortality	CalPERS Specific

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses, including inflation

The underlying mortality assumption and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details for the Experience Study can be found on the CalPERS website.



# Notes to Financial Statements

June 30, 2015

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

### Pension Liabilities, Pension Expenses and Deferred Outflow/Inflows of Resources Related to Pensions (Continued)

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

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

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10 (a)</u>	<u>Real Return Years 11 + (b)</u>
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	.99%	2.43%
Inflation Sensitive	6.0%	.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.5%	5.13%
Infrastructure and Forestland	3.0%	4.5%	5.09%
Liquidity	2.0%	(0.55%)	(1.05%)
Total	<u>100.0%</u>		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.



# Notes to Financial Statements

June 30, 2015

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

### Pension Liabilities, Pension Expenses and Deferred Outflow/Inflows of Resources Related to Pensions (Continued)

**Discount Rate** - The discount rate used to measure the total pension liability was 7.50% for each Plan. 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, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB 68 Section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. The difference was deemed immaterial to the Public Agency Cost Sharing Multiple-Employer Defined Benefit Pension Plan.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017 - 18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as they have changed their methodology.



# Notes to Financial Statements

June 30, 2015

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

### Pension Liabilities, Pension Expenses and Deferred Outflow/Inflows of Resources Related to Pensions (Continued)

**Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - The following presents the net position liability of each Plan, as of the measurement date calculated using the discount rate of 7.5%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>2.0% @ 55</u>
1% Decrease Net Pension Liability	6.5% \$ 3,504,495
Current Discount Rate Net Pension Liability	7.5% \$ 1,876,184
1% Increase Net Pension Liability	8.5% \$ 524,841

**Pension Plan Fiduciary Net Position** - Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

### Payable to the Pension Plan

At June 30, 2015, the District reported a payable of \$-0- for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

## 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, 2015.

## Note 10 - New Governmental Accounting Standards:

### GASB No. 68

In June 2012, the Governmental Accounting Standards Board issued Statement No. 68, "Accounting and Financial Reporting for Pensions". This pronouncement is effective for periods beginning after June 15, 2014. This pronouncement establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans, as well as for nonemployer governments that have a legal obligation to contribute to those plans. The effects of this pronouncement on the financial statements of the District are more fully described in Note 11.





# Notes to Financial Statements

June 30, 2015

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

### GASB No. 69

In January 2013, The Governmental Accounting Standard Board issued Statement No. 69, "Government Combinations and Disposals of Government Operations." This pronouncement is effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013 and should be applied on a prospective basis. Earlier application is encouraged. This statement requires the use of carrying values to measure the assets and liabilities in a government merger. Conversely, this statement requires measurements of assets acquired and liabilities assumed generally to be based upon their acquisition values. This statement also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. This statement provides accounting and financial reporting guidance for disposals of government operations that have been transferred or sold. This pronouncement is not anticipated to have a material effect on the financial statements of the District in the year of implementation.

### GASB No. 70

In April 2013, The Governmental Accounting Standard Board issued Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees." This pronouncement is effective for financial reporting periods beginning after June 15, 2013. Earlier application is encouraged. This statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data indicate that the government will be required to make a payment on the guarantee. The Government that issued the obligation guaranteed in a nonexchange transaction should recognize revenue to the extent that its guaranteed obligations have been reduced. If that government is required to repay a guarantor for making a payment, they should continue to reflect the liability until legally released as an obligor. The District has not extended any nonexchange financial guarantees at the date of these financial statements.

### GASB No. 71

In November 2013, The Governmental Accounting Standards Board issue Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68. This pronouncement is effective simultaneously with the implementation of Statement 68. This statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The effects of this pronouncement on the financial statements of the District in the year of implementation are more fully described in Note 11.



# Notes to Financial Statements

June 30, 2015

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

### **GASB No. 72**

In February 2015, The Governmental Accounting Standards Board issued Statement No. 72, "Fair Value Measurement and Application." This pronouncement provides guidance for determining fair value measurement for financial reporting purposes and provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. Governments are required to use valuation techniques that are appropriate under the circumstances and for which sufficient data is available to measure fair value. Required disclosures include the level of fair value hierarchy and valuation techniques and should be organized by type of asset or liability. This pronouncement is effective for financial statements for periods beginning after June 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.

### **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." This pronouncement establishes requirements for defined benefit pension plans that are not within the scope of Statement No. 68, as well as assets accumulated for purposes of providing those pensions. It establishes requirements for defined contribution pension plans that are not within the scope of Statement No. 68 and amends certain provisions of Statement No. 67. The pronouncement extends the approach to accounting and financial reporting established in Statement 68 to all pensions with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement 68 be included in the notes and required supplementary information by all similarly situated employers and nonemployer contributing entities. 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 is not anticipated to have a material effect on the financial statements of the District.

## **Note 11- Change in Accounting Principle:**

Effective July 1, 2014, the District changed its method of accounting for retirement expense and the related pension liability as well any deferred inflows of resources and deferred outflows of resources in order to conform with Governmental Accounting Standards Board Statement No. 68, "Accounting and Financial Reporting for Pensions", as amended by Governmental Accounting Standards Board Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date".



# Notes to Financial Statements

June 30, 2015

## Note 11- Change in Accounting Principle: (Continued)

This Statement requires cost-sharing employers such as the District to recognize a liability for its proportionate share of the net pension liability (of all employers for benefits provided through the plan) - the collective net pension liability. A cost-sharing employer is required to recognize pension expense and report deferred outflows of resources and deferred inflows of resources related to pensions for its proportionate share of collective pension expense and collective deferred outflows of resources and deferred inflows of resources related to pensions. Employer contributions to the pension plan subsequent to the measurement date of the collective net pension liability are also required to be reported as deferred outflows related to pensions. As a result, the District established the following net pension liability and deferred outflow of resources resulting in a reduction in net position reported at June 30, 2014:

Net pension liability	\$ (2,668,821)
Deferred outflows related to contributions	<u>205,158</u>
Net Effect of a Change in Accounting Principle	(2,463,663)
Net Position as Originally Stated	<u>82,053,550</u>
Net Position as Restated	<u>\$ 79,589,887</u>



## Schedule of Proportionate Share of the Net Pension Liability

June 30, 2015

	<u>2014</u>
<b>Miscellaneous Plan:</b>	
District's proportion of the net pension liability (asset)	0.03015%
District's proportionate share of the net pension liability (asset)	\$1,876,184
District's covered-employee payroll	\$2,372,536
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	79.08%
Plan fiduciary net position as a percentage of the total pension liability	84.71%



## Schedule of Plan Contributions

June 30, 2015

	<u>2014</u>
<b>Miscellaneous Plan:</b>	
Contractually required contribution	\$ 209,682
Contributions in relation to the contractually required contribution	\$ (209,682)
Contribution deficiency (excess)	<u>\$ -</u>
District's covered-employee payroll	\$ 3,372,536
Contributions as a percentage of covered-employee payroll	8.84%



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

**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, which comprise the statement of net position as of June 30, 2015, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated November 12, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit 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 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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

San Diego, California  
November 12, 2015

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## **Statistical Section**

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# Statistical Schedules

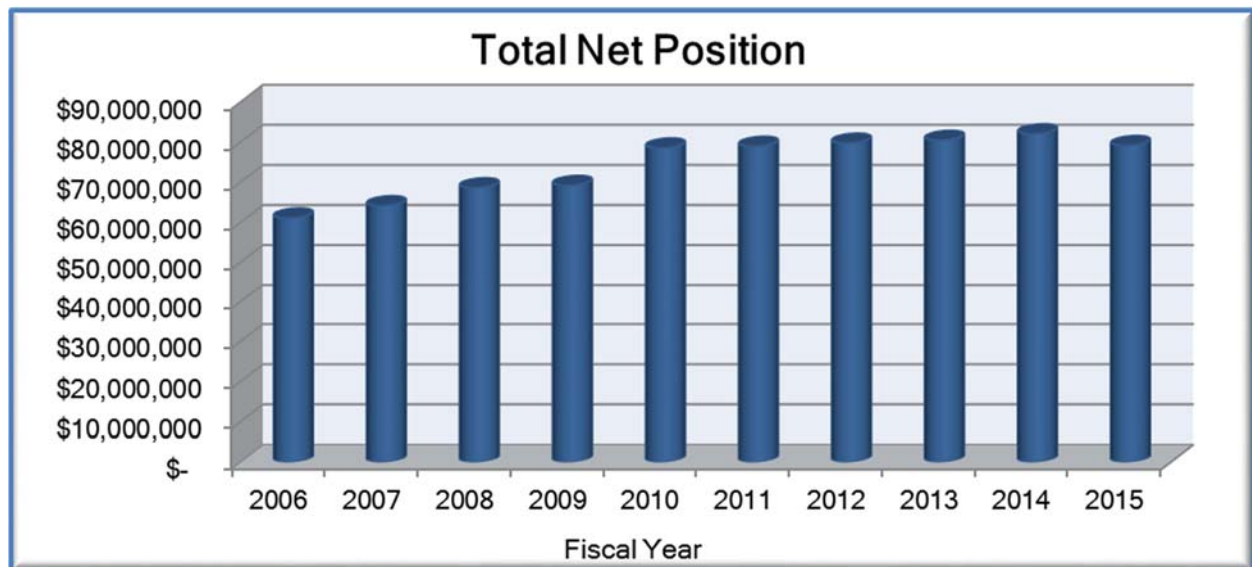
This part of the District’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the accompanying financial statements and notes to the basic financial statements say about the District’s overall financial health.

<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.	<b>60</b>
<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.	<b>65</b>
<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.	<b>72</b>
<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.	<b>75</b>
<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.	<b>79</b>
<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
2015	\$ 73,152,045	\$ -	\$ 5,974,618 <sup>1</sup>	79,126,663
2014	72,547,586	-	9,505,964	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
2007	59,020,276	633,030	4,437,929	64,091,235
2006	55,783,287	649,575	4,613,670	61,046,532



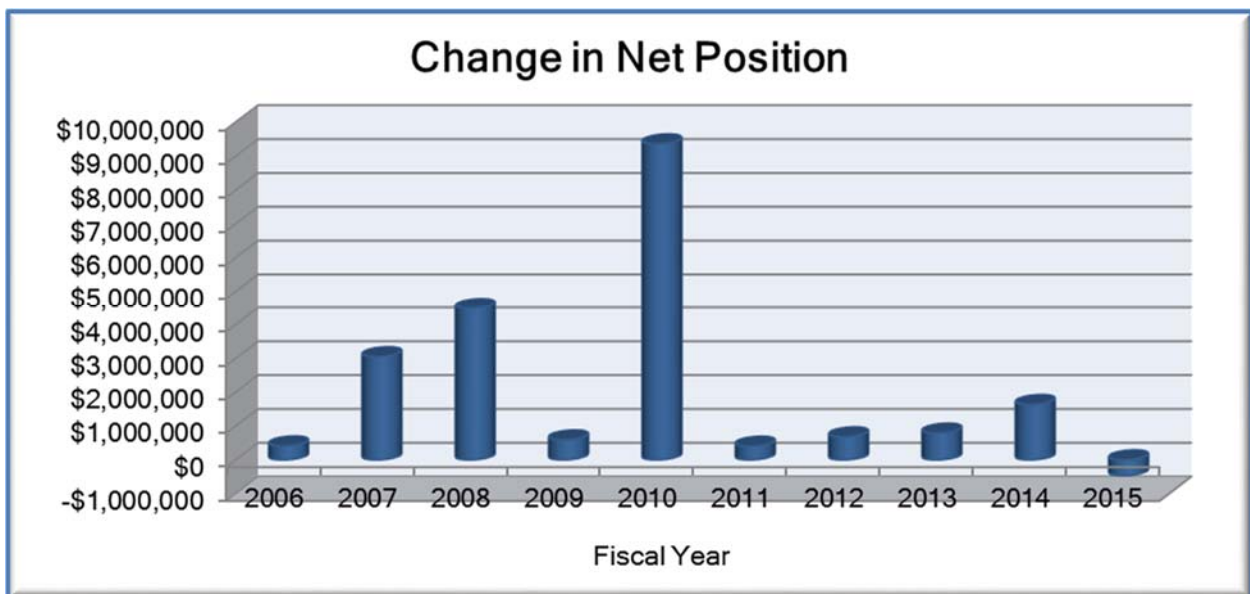
1 - Unrestricted decreased as a result of the implementation of GASB 68. "Accounting and Financial Reporting for Pensions"

*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
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
2007	9,792,539	9,480,317	312,222	255,336	567,558	2,477,145	-	3,044,703
2006	8,222,018	9,283,406	(1,061,388)	61,084	(1,000,304)	1,410,702	-	410,398

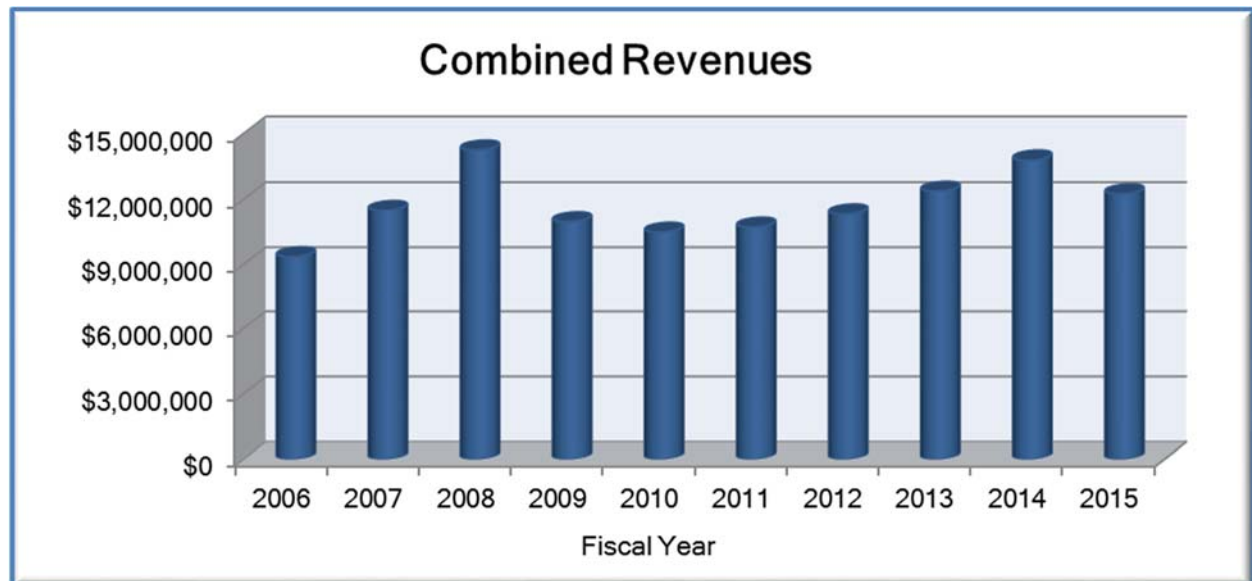


Source: Newhall County Water District



**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	
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%
2007	9,792,539	767,408	482,970	437,715	11,480,632	22.80%
2006	8,222,018	315,579	389,841 <sup>2</sup>	421,846	9,349,284	10.96%



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

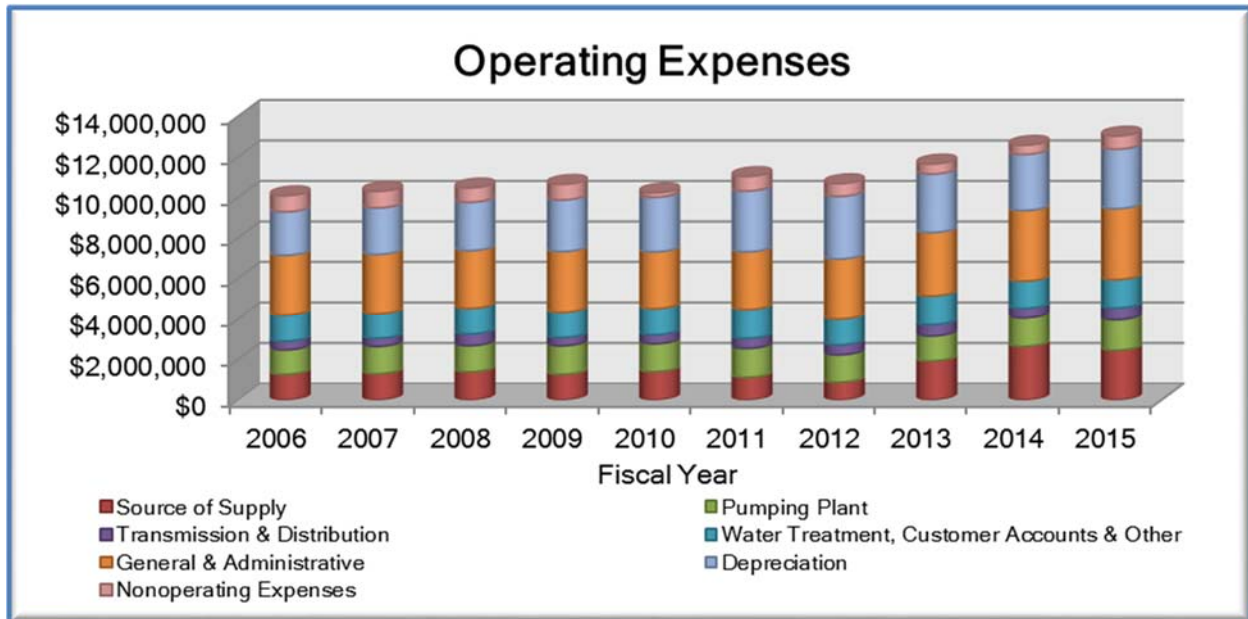
2 - Decrease due to ERAF shift of over \$100,000 in property tax revenue to the State.

Source: Newhall County Water District



## Table IV – Expenses by Function Last Ten Fiscal Years

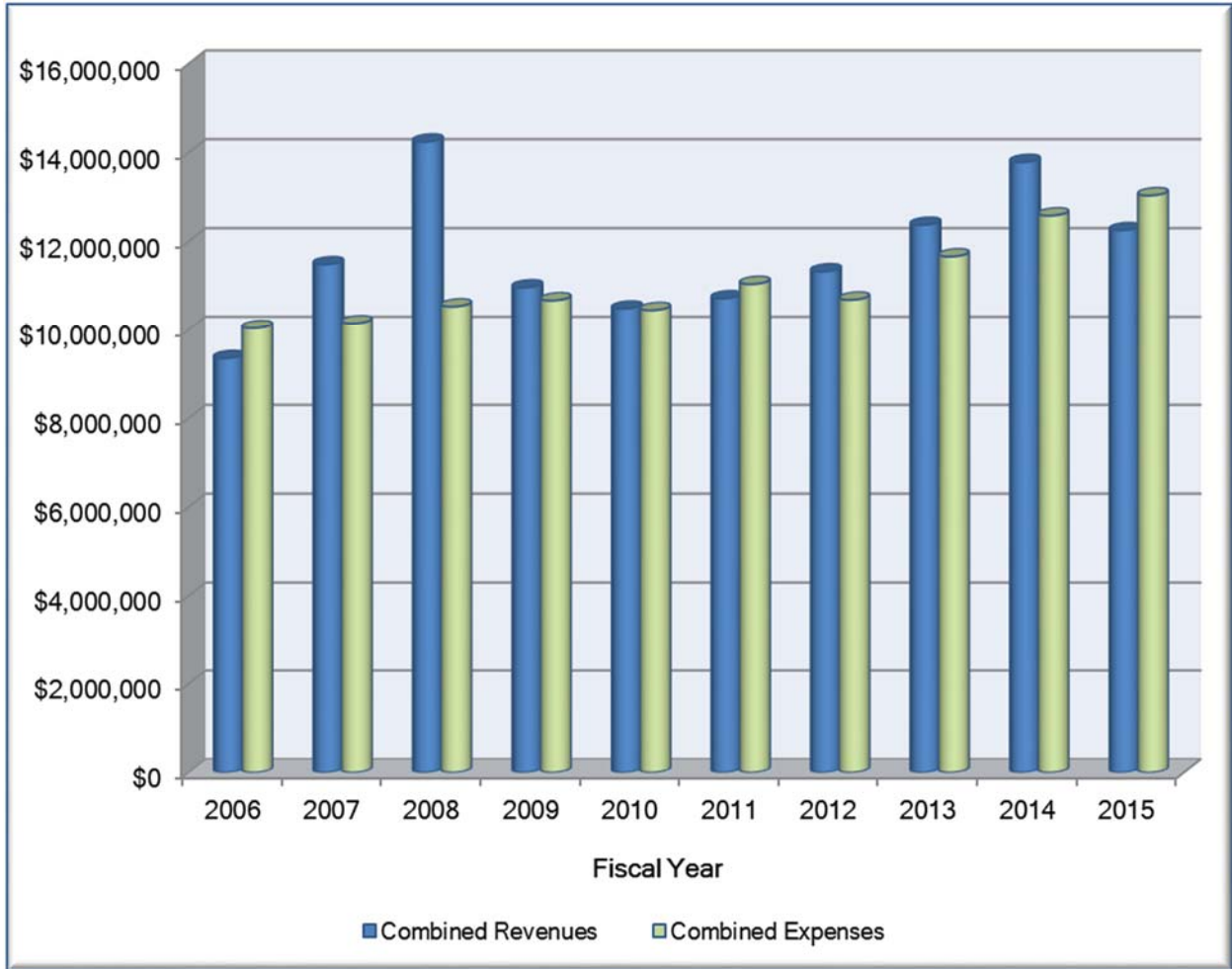
Operating Expenses									
Fiscal Year	Source of Supply	Pumping Plant	Transmission & Distribution	Water Treatment, Customer Accounts & Other	General & Administrative	Depreciation	Non-Operating Expenses	Total	Percent Change
2015	\$ 2,453,096	\$ 1,517,510	\$ 560,112	\$ 1,406,892	\$ 3,506,553	\$ 2,934,848	\$ 654,828	\$ 13,033,839	3.61%
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%
2007	1,294,298	1,351,589	401,778	1,207,209	2,930,980	2,294,463	665,349	10,145,666	1.11%
2006	1,265,420	1,207,596	433,967	1,284,480	2,951,090	2,140,853	750,603	10,034,009	9.07%



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.

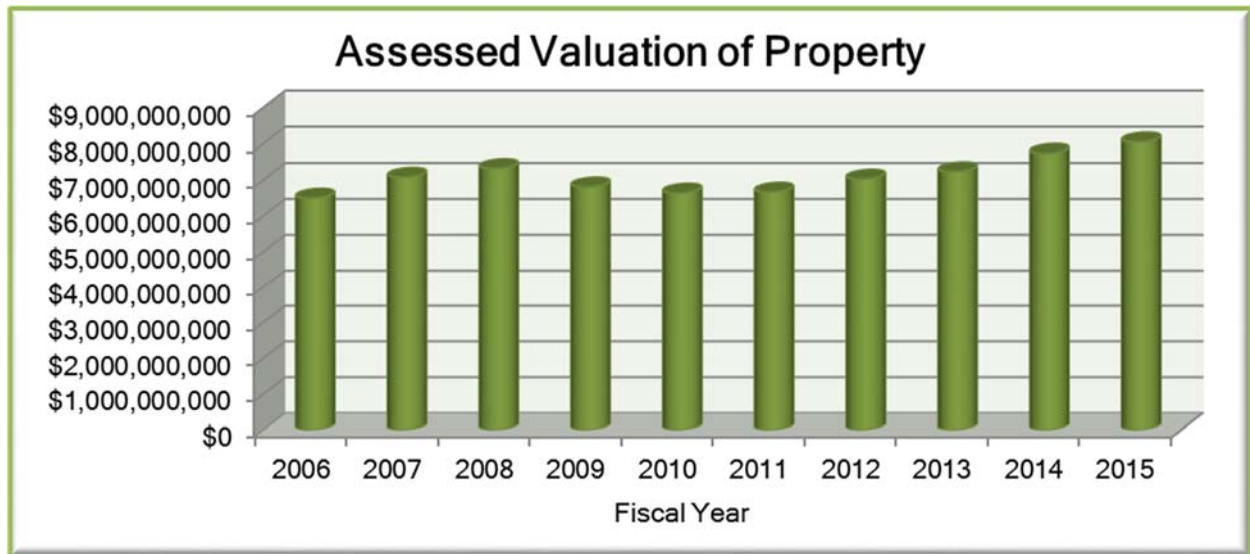
*Source: Newhall County Water District*





## Table V – Assessed Valuation of Taxable Property within the District Last Ten Fiscal Years

Fiscal Year	Secured	Unsecured	Total	Percent Change
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%
2007	6,945,374,668	127,739,384	7,073,114,052	8.94%
2006	6,407,319,115	85,523,980	6,492,843,095	9.11%



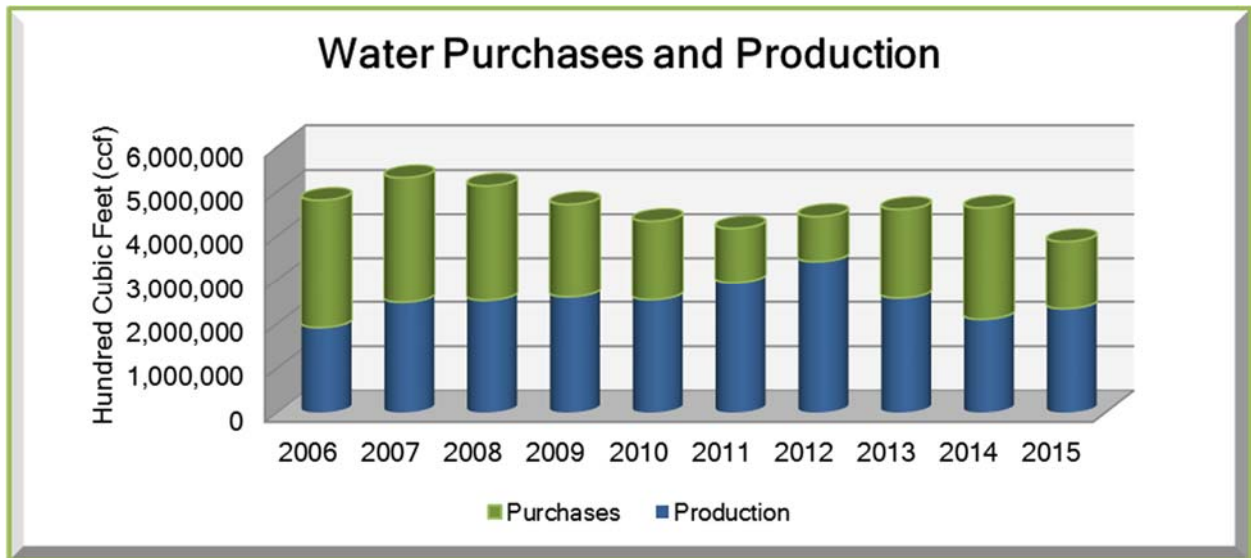
Source: County of Los Angeles, Auditor-Controller/Tax Division



## 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
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
2007	2,835,004	2,481,484	4,969,667
2006	2,895,953	1,910,748	4,466,080



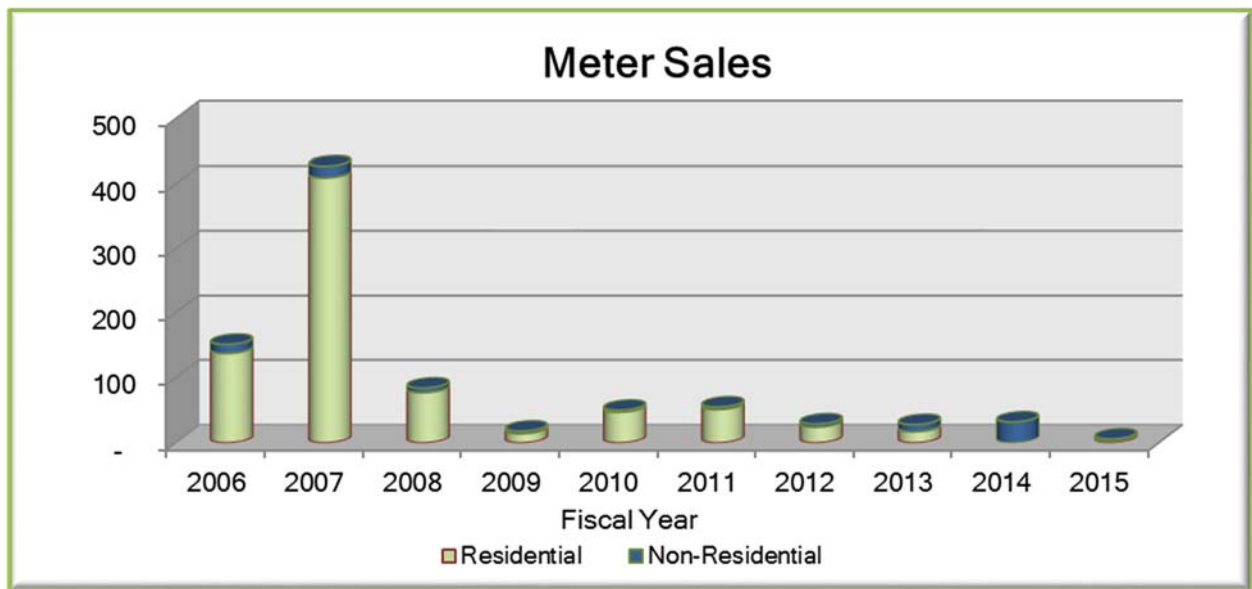
1 - Rates are not presented on this schedule because the District has multiple water rates for various meter sizes and cannot represent rates in a meaningful manner with a weighted average rate. See Water Rates on page 70 for meter sizes and their corresponding water rates.

*Source: Newhall County Water District*



## Table VII – Meter Sales by Customer Class Last Ten Fiscal Years

Fiscal Year	Residential	Non-Residential	Total
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
2007	409	18	427
2006	137	14	151

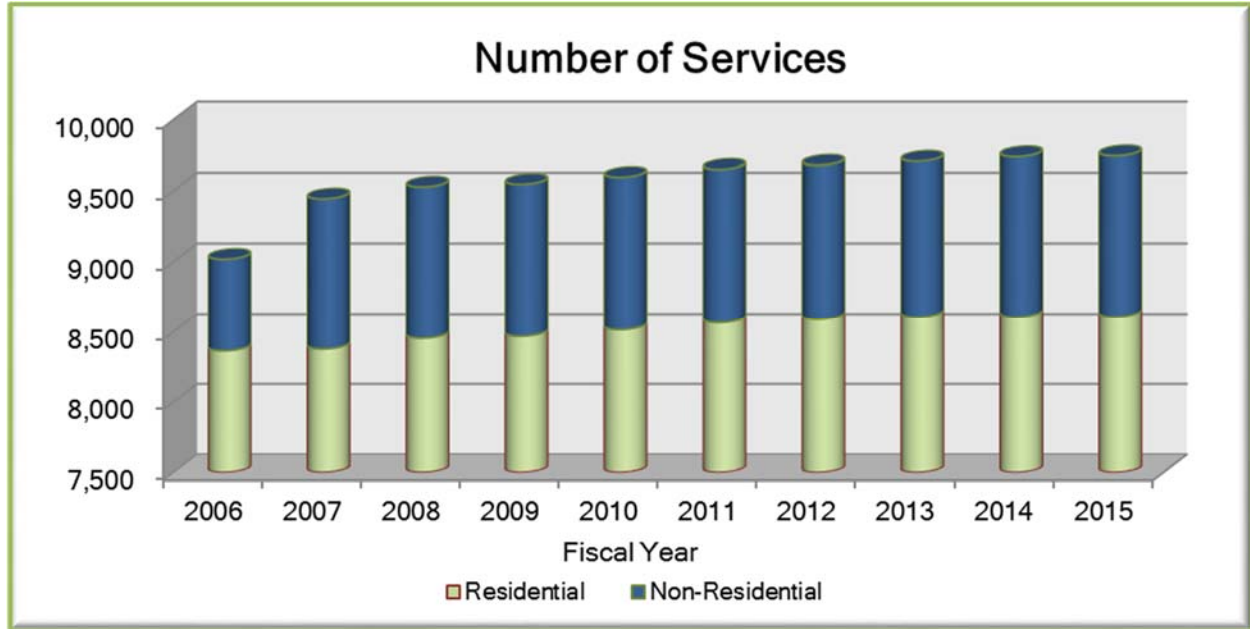


*Source: Newhall County Water District*



## Table VIII – Number of Services by Customer Class Last Ten Fiscal Years

Fiscal Year	Residential	Non-Residential	Total
2015	8609	1137	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
2007	8,377	1,067 <sup>1</sup>	9,444
2006	8,364	653	9,017



1 - In Fiscal Year 2007, Multi-Family Residential was reclassified as Non-Residential.

*Source: Newhall County Water District*



## Table IX – Property Tax Levies and 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
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%
2007	479,141	427,359	89.19%	51,782	479,141	100.00%
2006	445,057	360,360	80.97%	84,697	445,057	100.00%

### SPECIAL ASSESSMENT AND COLLECTIONS<sup>2</sup>

Fiscal Year	Debt Service (Direct Assessment)	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2014	\$ -	\$ -	0.00%	\$ -	\$ -	0.00%
2013	-	-	0.00%	-	-	0.00%
2012	-	-	0.00%	-	-	0.00%
2011	-	-	0.00%	-	-	0.00%
2010	-	-	0.00%	-	-	0.00%
2009	-	-	0.00%	-	-	0.00%
2008	-	-	0.00%	-	-	0.00%
2007	-	-	0.00%	-	-	0.00%
2006	134,813	141,710	105.12%	(6,897)	134,813	100.00%

1 - Total tax collection does not include debt service direct assessments.

2 - Debt service collection varies by year.

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



## Table X – Water Rates Last Ten Fiscal Years

<b>Monthly Service Charge (Meter Size)</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
<u>All Customers</u> (exl Special Fire)										
3/4"	\$ 15.27	\$ 19.18	\$ 18.82	\$ 17.04	\$ 17.04	\$ 17.04	\$ 17.04	\$ 17.04	\$ 16.14	\$ 16.14
1"	25.50	32.03	31.43	28.44	28.44	28.44	28.44	28.44	26.93	26.93
1 1/2"	50.84	63.87	62.67	56.72	56.72	56.72	56.72	56.72	53.71	53.71
2"	81.38	102.23	100.31	90.77	90.77	90.77	90.77	90.77	85.96	85.96
2 1/2"	122.14	153.44	150.56	136.26	136.26	136.26	136.26	136.26	129.03	129.03
3"	152.68	191.80	188.20	170.32	170.32	170.32	170.32	170.32	161.29	161.29
4"	254.51	319.73	313.73	283.92	283.92	283.92	283.92	283.92	268.86	268.86
6"	508.87	639.27	627.27	567.65	567.65	567.65	567.65	567.65	537.55	537.55
8"	814.22	1,022.87	1,003.67	908.28	908.28	908.28	908.28	908.28	860.11	860.11
10"	1,170.56	1,470.53	1,442.93	1,305.78	1,305.78	1,305.78	1,305.78	1,305.78	1,236.50	1,236.50
<u>Special Fire Service</u>										
4"	69.04	67.67	66.40	56.98	56.98	56.98	56.98	56.98	53.96	53.96
6"	130.57	127.97	125.57	113.69	113.69	113.69	113.69	113.69	107.66	107.66
8"	204.26	200.20	196.45	177.86	177.86	177.86	177.86	177.86	168.43	168.43
<b>Usage Rate (per CCF)</b>										
<u>Residential</u>										
Uniform Volume	1.7262									
Tier 1	-	1.0670	1.0150	0.8000	0.8000	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	0.8800	0.8800
Tier 3	-	1.9810	1.9830	1.1000	1.1000	1.1000	1.1000	1.1000	1.0000	1.0000
Tier 4	-	-	-	1.4560	1.4560	1.4560	1.4560	1.4560	1.3000	1.3000
Non-Residential	1.7262	1.5760	1.5240	0.9680	0.9680	0.9680	0.9680	0.9680	0.8800	0.8800
<u>Other Charges</u>										
Construction Meter	1.7262	1.5760	1.5240	1.4980	1.4980	1.4980	1.4980	1.4980	1.4100	1.4100
Energy Charge	-	-	-	0.2900	0.2900	0.2900	0.2850	0.3180	0.3190	0.3530
Infrastructure Replacement Surcharge	-	-	-	0.0890	0.0890	0.0890	0.0890	0.0890	0.0890	0.0890
CLWA Pass Thru	0.5764	0.5854	0.3100	0.4570	0.4230	0.3470	0.1810	0.1310	0.0900	0.0570

Source: Newhall County Water District



## Table XI – Ten Largest Customers

### Current and Nine Years Ago

#### FISCAL YEAR 2015

Customer Name	Classification	Annual Revenues	% of Water Sales
1 Stonegate Castaic HOA	Mobile Home Park	\$ 176,178	1.86%
2 The Village	Apartment-Master Meter	148,414	1.56%
3 Wm S Hart High School	Schools	77,643	0.82%
4 Polynesian MHP	Mobile Home Park	61,440	0.65%
5 The Master's College	Schools	57,779	0.61%
6 Lake Hills MHP	Mobile Home Park	37,680	0.40%
7 CalMark-Bell Development	Apartment-Master Meter	35,497	0.37%
8 Northlake HOA	Land-Single Family	35,393	0.37%
9 Peachland Owners Assoc.	Condo-Master Meter	33,886	0.36%
10 LACO Parks & Rec	Parks	33,713	0.36%
Total (10 Largest)		697,622	7.35%
Other Customers		10,507,237	92.65%
Total Water Sales		<u>\$ 11,204,859</u>	<u>100.00%</u>

#### FISCAL YEAR 2006

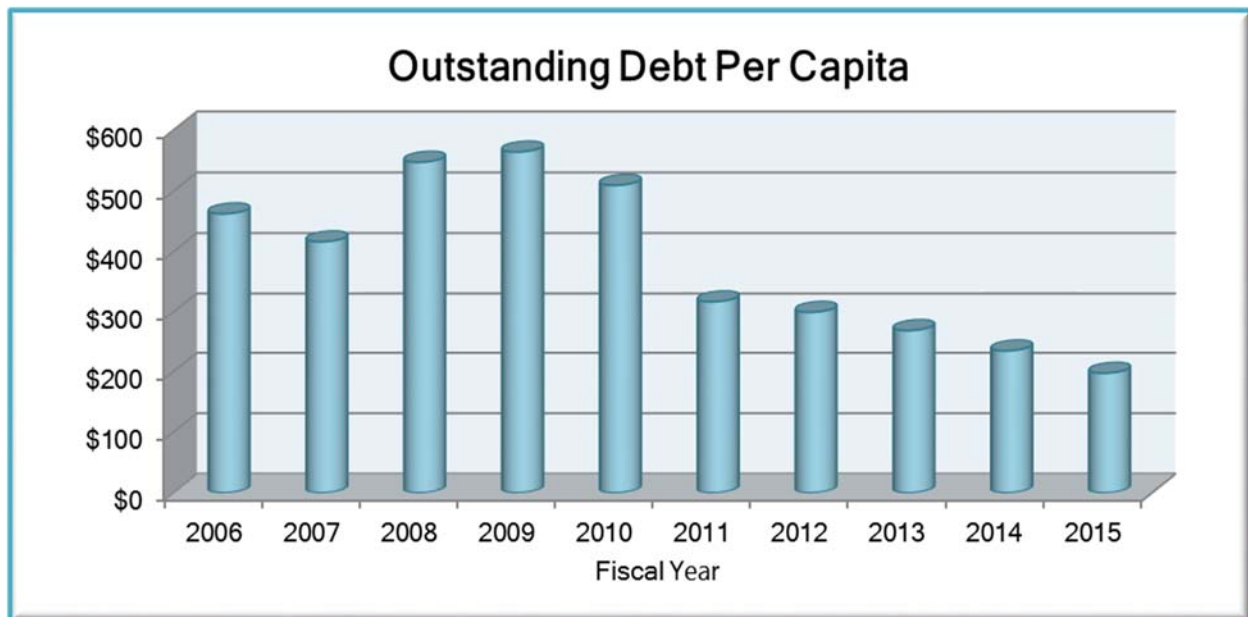
Customer Name	Classification	Annual Revenues	% of Water Sales
1 Stonegate Castaic HOA	Mobile Home Park	\$ 125,461	2.13%
2 The Village	Apartment-Master Meter	120,556	2.04%
3 Tesoro del Valle HOA	Land-Single Family	110,654	1.88%
4 The Terrace	Apartment-Master Meter	107,969	1.83%
5 LACO Parks & Rec	Land-Public Authority	96,857	1.64%
6 Santa Clarita 700 LLC	Land-Single Family	93,924	1.59%
7 Suncal/Tesoro LLC	Land-Single Family	90,989	1.54%
8 The Master's College	Schools	64,220	1.09%
9 Sukut Construction	Construction	61,315	1.04%
10 Wm S Hart High School	Schools	58,113	0.99%
Total (10 Largest)		930,059	15.77%
Other Customers		7,291,959	84.23%
Total Water Sales		<u>\$ 8,222,018</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>
2015	45,466	\$ -	\$ 8,955,087	\$ -	\$ 8,955,087	\$196.96	N/A
2014	44,933	-	10,513,803	-	10,513,803	233.99	N/A
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	1.40%
2008	31,433	170,000	16,980,471	39,086	17,189,557	546.86	1.28%
2007	31,165	285,000	12,662,337	21,673	12,969,010	416.14	1.01%
2006	30,617	400,000	13,728,017	31,445	14,159,462	462.47	1.17%



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

2 - See the Demographics and Economic Statistics schedule on page 75 for personal income data.  
(Personal Income not available after FY 2013)

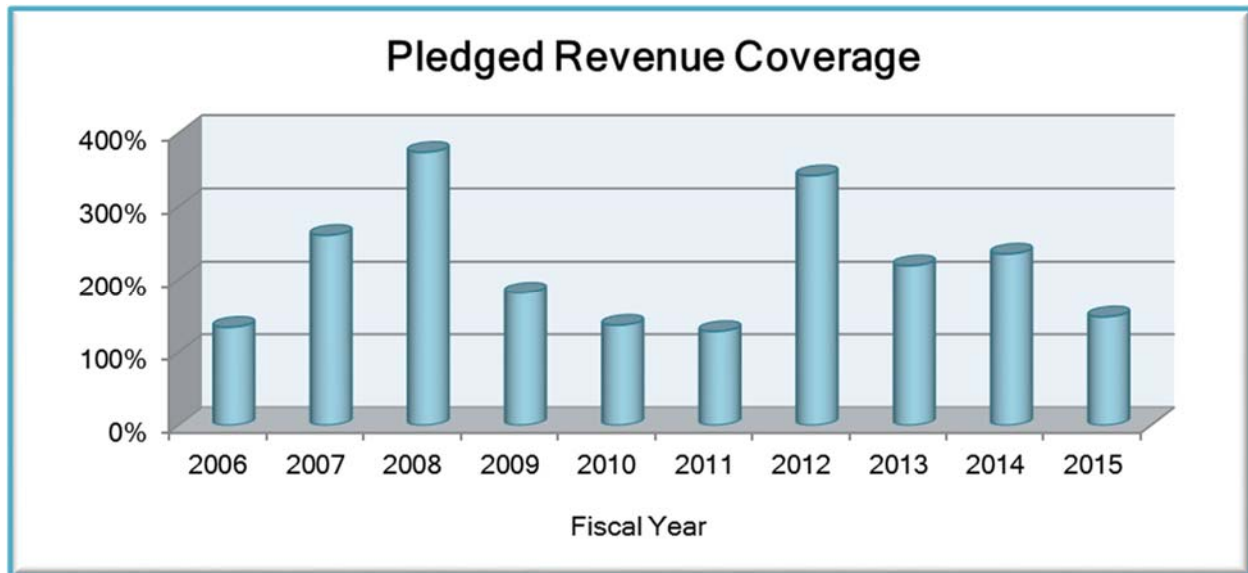
Source: Newhall County Water District





## 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	
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 <sup>5</sup>	545,485	1,276,755	342%
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%
2007	11,480,632	7,185,854	4,294,778	1,065,680	583,040	1,648,720	260%
2006	9,349,284	7,142,553	2,206,731	1,090,357	558,613	1,648,970	134%



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%.

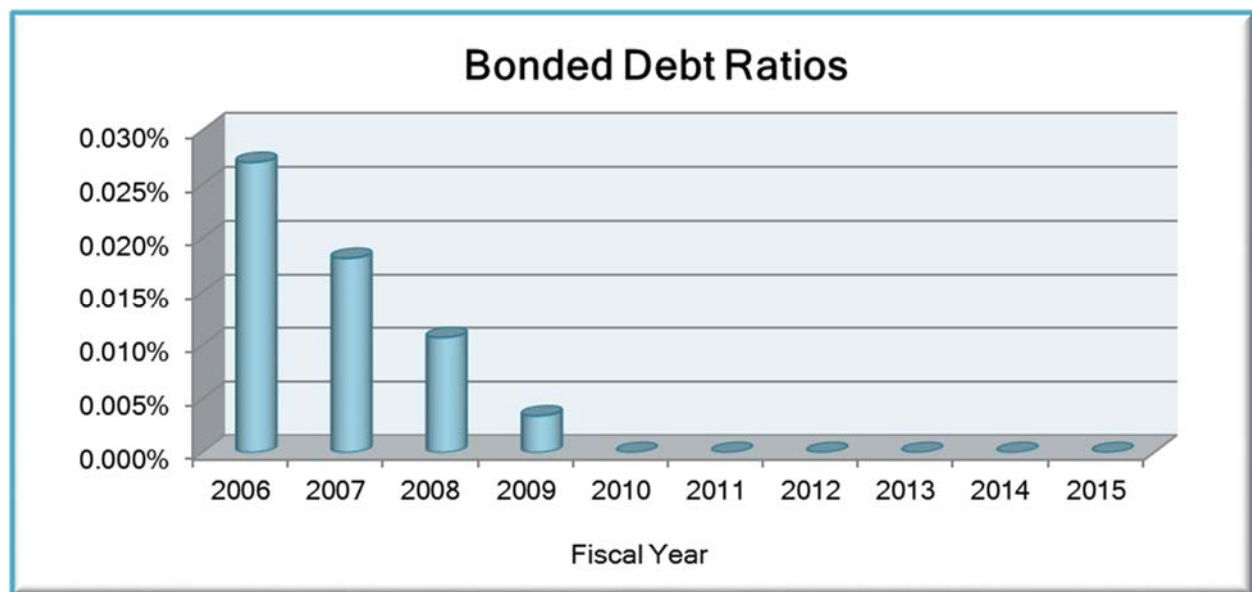
5 - In FY 2012, two loans were refinanced, resulting in one less installment payment.

*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
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
2007	31,165	285,000	1,571,978,176	0.018%	9.14
2006	30,617	400,000	1,480,263,208	0.027%	13.06



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

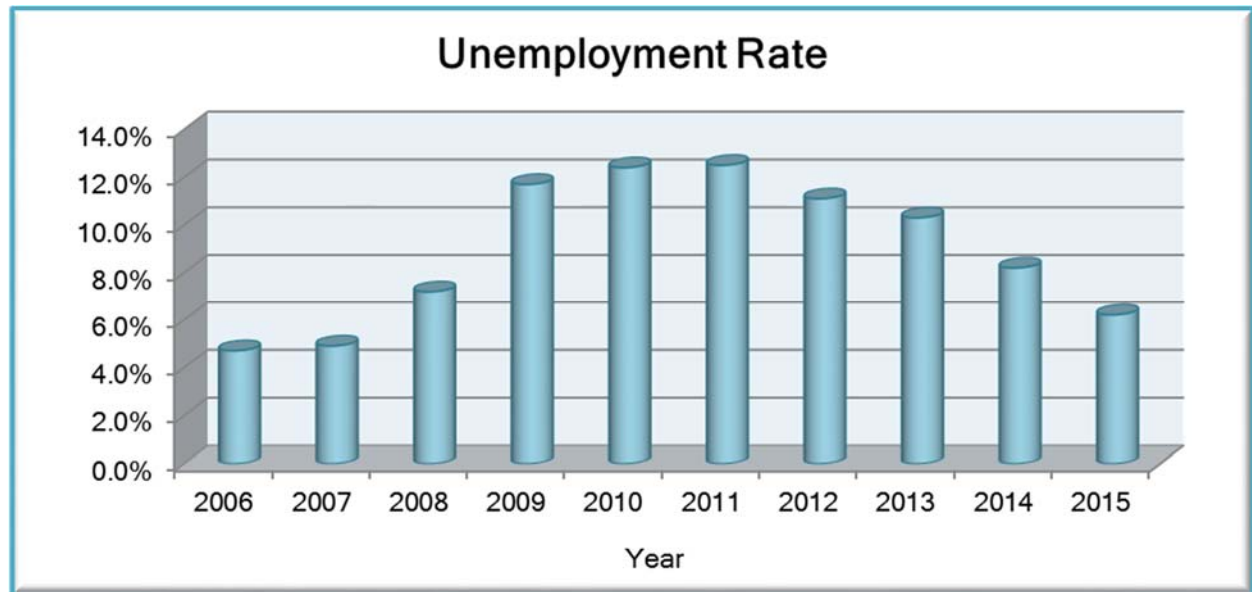
2 - No outstanding bonds for FY 2010 - FY 2015.

*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>
2015	209,130	6.2%	N/A	N/A	N/A
2014	204,951	8.2%	10,069,036	N/A	N/A
2013	203,323	10.3%	10,017,068	\$466,098,988	\$ 46,530
2012	180,000	11.1%	9,911,665	455,788,782	45,800
2011	176,320	12.5%	9,860,836	420,913,463	42,564
2010	176,056	12.4%	9,824,906	410,674,615	41,791
2009	175,103	11.7%	10,409,035	394,980,563	40,356
2008	174,355	7.2%	10,341,410	417,454,378	42,881
2007	173,979	4.9%	10,252,245	400,366,343	41,273
2006	165,243	4.7%	10,216,702	385,724,212	39,610



**Sources:**

1 - City of Santa Clarita (FY 2015 population estimated)

2 - California Employment Development Department (some information not currently available)



## Table XVI – Principal Employers

### Fiscal Year 2015 and 2008

Employer	2015	
	Number of Employees	Percent of Total Employment
Six Flags Magic Mountain	3,200	11.91%
Princess Cruises	1,885	7.02%
Henry Mayo Newhall Memorial Hospital	1,640	6.10%
Quest Diagnostics	850	3.16%
Boston Scientific	780	2.90%
The Master's College	760	2.83%
Woodward HRT	728	2.71%
Advanced Bionics	700	2.61%
California Institute of the Arts	690	2.57%
Wal-Mart	624	2.32%
<b>Total</b>	<b>11,857</b>	<b>44.14%</b>
All Others	16,329	55.86%
Total Employment in Santa Clarita <sup>1</sup>	28,186	100.00%

Employer	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%

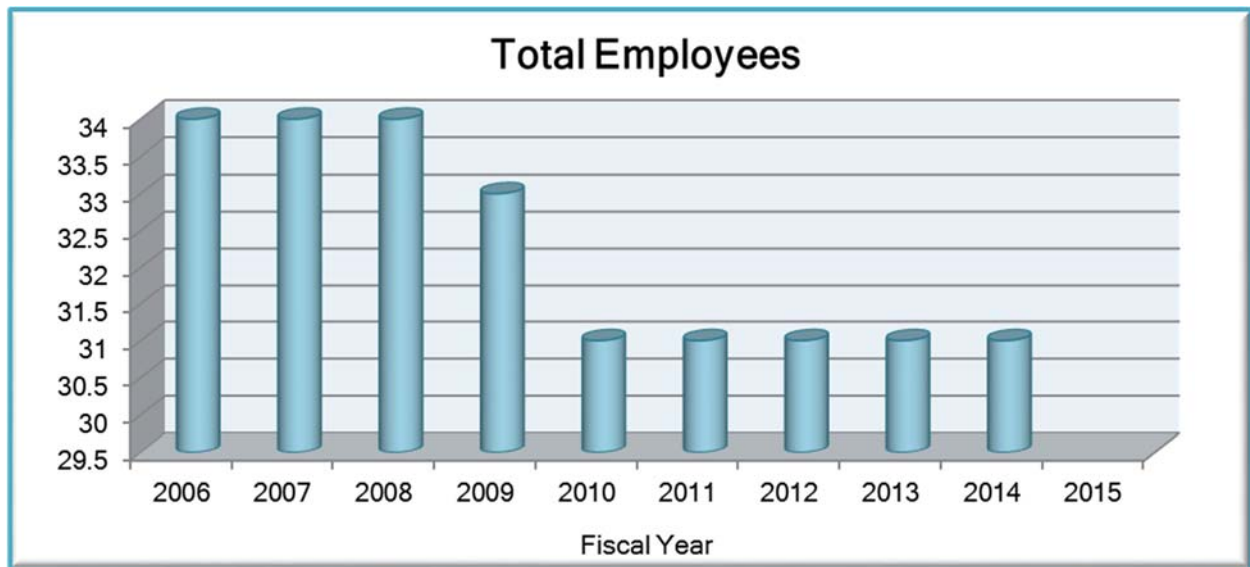
1 - Non-governmental employers  
 2 - Data not available prior to 2008

*Source: Santa Clarita Valley Economic Development Corporation*



**Table XVII – Number of Employees by Function  
Last Ten Fiscal Years**

Department	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General Manager	1	1	1	1	1	1	1	1	1	1
Finance <sup>1</sup>	8	8	8	8	8	8	11	13	13	13
Operations/Maintenance <sup>1</sup>	19	19	19	19	19	19	17	16	16	16
Engineering	1	1	1	1	1	1	1	1	1	1
Administrative Services	1	1	1	1	1	1	2	2	2	2
IT	1	1	1	1	1	1	1	1	1	1
<b>Total</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>	<b>34</b>	<b>34</b>



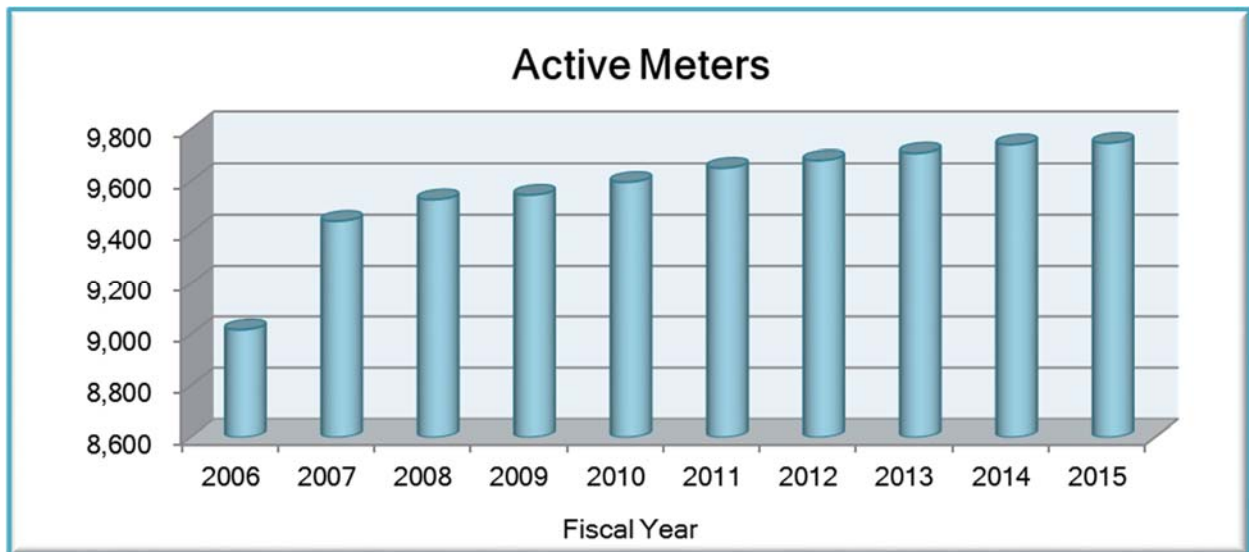
1 - Field Customer Service positions transferred from Finance to Operations/Maintenance in FY 2010.

Source: Newhall County Water District



## Table XVIII – Active Meters by Size Last Ten Fiscal Years

Meter Size	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
3/4"	8213	8,196	8,184	8,167	8,149	8,103	8,050	8,039	7,962	7,723
1"	839	838	838	838	834	832	833	828	826	804
1 1/2"	142	142	140	142	142	138	135	135	132	124
2"	430	442	433	416	416	416	416	411	409	257
2 1/2"	20	22	19	22	20	18	22	25	28	27
3"	1	1	1	0	1	1	1	1	1	1
4"	46	47	41	40	38	39	40	42	39	37
6"	29	29	29	31	29	27	27	26	26	23
8"	22	20	20	21	19	19	19	18	18	18
10"	4	3	3	3	3	3	3	3	3	3
<b>Total</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>	<b>9,444</b>	<b>9,017</b>
% Change	0.06%	0.33%	0.29%	0.30%	0.57%	0.52%	0.19%	0.89%	4.74%	1.70%
Increase	6	32	28	29	55	50	18	84	427	151

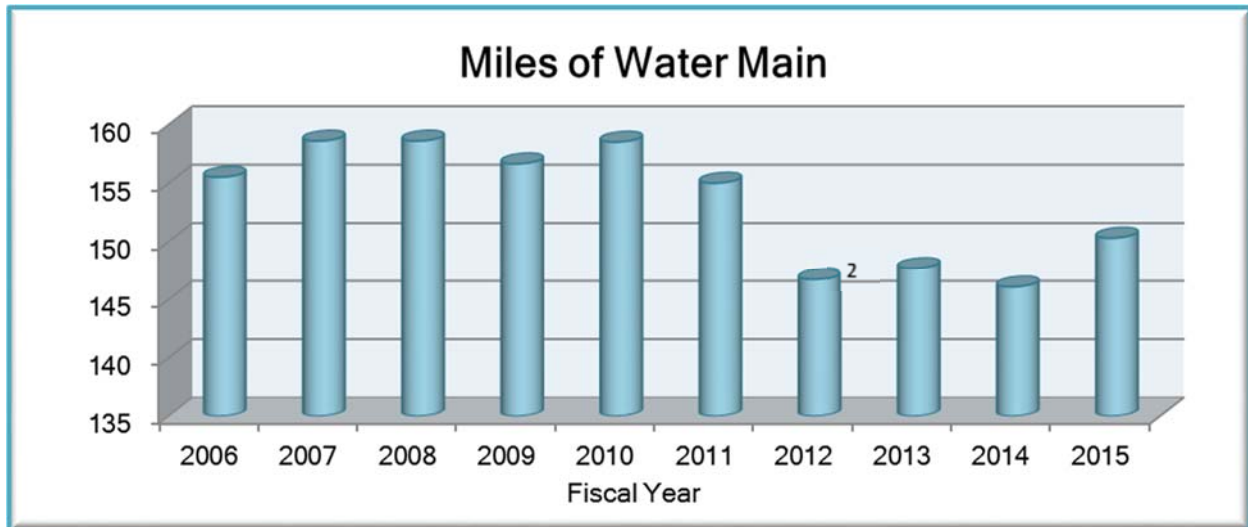


Source: Newhall County Water District



## Operating and Capital Indicators Last Ten Fiscal Years

Water System	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Service Area (in Acres)	24,217	24,217	24,217	23,708	23,763 <sup>1</sup>	18,722	18,722	18,722	18,722	18,722
Miles of Water Main	150.30	146.06	147.68	146.71 <sup>2</sup>	154.87	158.51	156.65	158.60	158.60	155.51
Number of Storage Reservoirs	22	22	22	23	23	23	23	23	21	21
Water Storage Capacity (In Million Gallons)	25	25	25	25	25	25	25	25	24	24
Total Water Connections (Active Meters)	9,746	9,740	9,708	9,680	9,651	9,596	9,546	9,528	9,444	9,017
Number of Booster Pump Stations	15	15	15	15	15	15	15	15	14	14
Number of Valves	3,530	3,480	3,376	3,361	3,360	3,267	3,100	2,963	2,963	2,841
Number of Hydrants	1,123	1,117	1,116	1,113	1,114	1,112	1,083	1,022	1,022	975
Number of Wells in Service	11	11	11	11	11	11	10	10	9	9
In Service Wells GPM	10,175	10,175	10,825	10,825	10,825	10,725	10,225	9,525	8,575	8,575



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*