

## CUCAMONGA VALLEY WATER DISTRICT FINANCING AUTHORITY BOARD OF DIRECTORS ANNUAL MEETING AGENDA

**JANUARY 23, 2018 ^ 5:30 PM**

CVWD Board Room

10440 Ashford Street, Rancho Cucamonga CA 91730

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1. CALL TO ORDER / PLEDGE OF ALLEGIANCE *Chairman Curatalo*
  
2. NOTICE OF MEETING *Chairman Curatalo*  
The meeting notice was posted 72 hours prior to the meeting in accordance with Government Code Section 54954.2 (Brown Act).
  
3. PUBLIC COMMENT  
Members of the public may comment on any item listed or not listed on the agenda. Comments related to noticed public hearing items will be heard at the time the public hearing is conducted. Speakers are requested to keep their comments to no more than five (5) minutes. The Chairman may reduce the time to not less than three (3) minutes, depending upon the number of speakers wishing to address the Board. Under the provisions of the Brown Act, the Board is prohibited from taking action on items not listed on the agenda.
  
4. APPROVE MINUTES  
Approve Minutes of the October 24, 2017 Meeting (Draft Attached)
  
5. CONSENT CALENDAR  
All matters listed under the Consent Calendar are considered routine, and will be enacted by one vote. There will be no separate discussion of these items unless members of the Board request specific items be removed for separate action.
  - A. QUARTERLY FINANCIAL REPORT  
Receive and File Quarterly Financial Report for the Period Ending December 31, 2017
  - B. AUDITED FINANCIAL STATEMENTS  
Receive and file the Audited Statements reporting the transactions for the fiscal year ended June 30, 2017

6. ELECTION OF OFFICERS FOR 2018

Current Slate of Officers:

Chairman-	James V. Curatalo
Vice-Chairman-	Luis Cetina
Secretary, Exec. Director-	Martin Zvirbulis
Treasurer-	Carrie Corder

Proposed Slate for 2018:

Chairman-  
Vice-Chairman-  
Secretary, Exec. Director-  
Treasurer-

7. NEW BUSINESS

8. NEXT MEETING

The next Meeting is scheduled for April 24, 2018

9. ADJOURN

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Board Secretary (909) 987-2591, 48 hours prior to the scheduled meeting so that the District can make reasonable arrangements.

Pursuant to Government Code Section 54957.5, any writing that: (1) is a public record; (2) relates to an agenda item for an open session of a regular meeting of the Board of Directors; and (3) is distributed less than 72 hours prior to that meeting, will be made available for public inspection at the time the writing is distributed to the Board of Directors. Any such writing will be available for public inspection at the District offices (10440 Ashford Street, Rancho Cucamonga, CA 91730).

Posted January 19, 2018

**MINUTES OF THE  
CUCAMONGA VALLEY WATER DISTRICT FINANCING AUTHORITY  
BOARD OF DIRECTORS MEETING  
October 24, 2017**

CALL TO ORDER

Vice Chairman Cetina called the meeting to order at 5:49 p.m. Director Reed led attendees in the Pledge of Allegiance.

ATTENDANCE

Directors

James V. Curatalo, Jr., Chairman (*Absent*)  
Luis Cetina, Vice Chairman  
Oscar Gonzalez, Director  
Randall J. Reed, Director  
Kathleen J. Tieg, Director

Legal Counsel

Jeff Ferre, Best Best & Krieger

Staff

Martin Zvirbulis, Secretary - Executive Director  
Carrie Corder, Treasurer  
  
Agnes Boros, Accounting Supervisor  
Chad Brantley, Finance Manager  
John Bosler, Assistant General Manager/Chief Operating Officer  
Taya Victorino, Executive Assistant/Board of Directors

NOTICE OF MEETING

Vice Chairman Cetina reported that the meeting notice was posted 72 hours prior to the meeting in accordance with The Brown Act, Government Code Section 54594.2.

PUBLIC COMMENT

None.

APPROVE MINUTES

Minutes of the July 25, 2017 meeting were submitted for review. On a motion by Director Reed, and seconded by Director Tiegs the minutes were unanimously approved. **Passed 4-0-0 (Curatalo Absent).**

CONSENT CALENDAR

- A. Receive and File the Quarterly Financial Report for the period ending September 30, 2017.

On a motion by Director Tiegs, and seconded by Director Gonzalez, the consent calendar was unanimously approved as submitted. **Passed 4-0-0 (Curatalo Absent).**

NEW BUSINESS

There was no new business to come before the Financing Authority Board.

NEXT MEETING / ADJOURN

There being no additional business to become before the Board, the meeting was adjourned at 5:53 p.m. to the annual meeting scheduled on January 23, 2018.

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James V. Curatalo, Jr.  
Chairman  
CVWD Financing Authority

# Staff Report

**Date:** January 23, 2018

**To:** Board of Directors – CVWD Financing Authority  
**From:** Martin E. Zvirbulis, Executive Director   
**Agenda Title:** **Quarterly Financial Report – January 1, 2018**

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## Purpose

On August 28, 2012, the District formed the Cucamonga Valley Water District Financing Authority (JPA) for issuing Revenue Bonds. On October 30, 2012 the JPA issued the 2012 Revenue Bonds, on July 1, 2014 the JPA issued the 2014 Revenue Bonds, and on February 18, 2016 the JPA issued the 2016 Revenue Bonds. Section four of the Joint Exercise of Powers Agreement requires that the JPA's treasurer provide a quarterly financial report to the JPA Board describing the amount of money held in the treasury. In addition, this quarterly report should detail the receipts and expenses of the authority since the last report.

## Background/Analysis

Staff has prepared the Quarterly Financial Report dated January 1, 2018 detailing interest earnings, bond interest and principal payments for the quarter ended December 31, 2017. This report satisfies the requirements as listed in the Joint Exercise of Powers Agreement.

## Alignment with Strategic Goals

Providing a detailed quarterly Financial Report supports the District's values of Accountability and Communication by providing financial transparency of the activities in the various Revenue Bond Funds.

## Fiscal Impact


None

## Recommendation

Staff recommends that the JPA Board receive and file this report as presented.

**Attachment:** Quarterly Financial Report, January 1, 2018

**Submitted by:** Carrie Corder, Treasurer 

**Prepared By:** Agnes Boros, Accounting Supervisor 

**CUCAMONGA VALLEY WATER DISTRICT FINANCING AUTHORITY**  
**Quarterly Financial Report**  
**January 1, 2018**

	2012 Revenue Bonds		2014 Revenue Bonds		2016 Revenue Bonds		Total Authority Funds
	Interest Fund	Principal Fund	Interest Fund	Principal Fund	Interest Fund	Principal Fund	
<b>Beginning Balance, October 1, 2017</b>	\$ 45.05	\$ 50.21	\$ 14.53	\$ 29.74	\$ -	\$ -	\$ 139.53
<b>Receipts</b>							
Bond Proceeds							-
Original Issue Discount							-
Fund Transfers							-
Interest Income	0.06	0.07	0.03	0.04			0.20
Wire Transfer from CVWD							-
	0.06	0.07	0.03	0.04	-	-	0.20
<b>Expenditures</b>							
Construction							-
Cost of Issuance							-
Fund Transfers							-
Bond Interest							-
Bond Principal							-
Transfer to 2006 COP Escrow							-
Transfer to 2009 COP Escrow							-
							-
<b>Ending Balance, January 1, 2018</b>	\$ 45.11	\$ 50.28	\$ 14.56	\$ 29.78	\$ -	\$ -	\$ 139.73
<b>Amounts Invested</b>							
Wells Fargo Government Money Market	\$ 45.11	\$ 50.28	\$ 14.56	\$ 29.78			\$ 139.73
Local Agency Investment Fund							-
US Bank Government Money Market					\$ -	\$ -	-
<b>Total Funds Invested, January 1, 2018</b>	\$ 45.11	\$ 50.28	\$ 14.56	\$ 29.78	\$ -	\$ -	\$ 139.73

STATEMENT OF ASSETS  
AS OF DECEMBER 31, 2017

CUCAMONGA WTR REV BDS 2012:INT FD  
ACCOUNT NUMBER

**STATEMENT OF ASSETS**

PAR VALUE/SHARES	DESCRIPTION	COST VALUE / UNIT COST	MARKET VALUE / UNIT PRICE	UNREALIZED GAIN/LOSS	ACCRUED INCOME
<b>CASH EQUIVALENTS</b>					
45.11	WELLS FARGO GOVERNMENT MONEY MARKET SERVICE - #743	45.11 1.0000	45.11 1.0000	0.00	0.03
<b>TOTAL CASH EQUIVALENTS</b>		<b>45.11</b>	<b>45.11</b>	<b>0.00</b>	<b>0.03</b>
<b>TOTAL INVESTMENTS</b>		<b>45.11</b>	<b>45.11</b>	<b>0.00</b>	<b>0.03</b>

**Asset Pricing:**

Values reflected for publicly-traded assets are provided by unaffiliated financial industry sources believed to be reliable. Values for non-publicly traded assets may be determined from other unaffiliated sources. Assets for which a current value is unavailable may be reflected at the last reported price, at par, or may be shown as having nominal or no value. Reported values may not be the price at which an asset may be sold. Asset values are updated as pricing becomes available from external sources, and may be updated less frequently than statements are generated.

**Trade Confirms:**

Pursuant to federal regulation, monthly or quarterly account statements that include investment transaction details may be provided in lieu of separate trade confirmations. Separate trade confirms may be obtained at no additional cost upon written request to the account manager.

STATEMENT OF ASSETS  
AS OF DECEMBER 31, 2017

CUCAMONGA WTR REV BDS 2012:PRIN FD  
ACCOUNT NUMBER

**STATEMENT OF ASSETS**

PAR VALUE/SHARES	DESCRIPTION	COST VALUE / UNIT COST	MARKET VALUE / UNIT PRICE	UNREALIZED GAIN/LOSS	ACCRUED INCOME
<b>CASH EQUIVALENTS</b>					
50.28	WELLS FARGO GOVERNMENT MONEY MARKET SERVICE - #743	50.28 1.0000	50.28 1.0000	0.00	0.03
<b>TOTAL CASH EQUIVALENTS</b>		<b>50.28</b>	<b>50.28</b>	<b>0.00</b>	<b>0.03</b>
<b>TOTAL INVESTMENTS</b>		<b>50.28</b>	<b>50.28</b>	<b>0.00</b>	<b>0.03</b>

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STATEMENT OF ASSETS  
AS OF DECEMBER 31, 2017

CUCAMONGA VWD 2014: INTEREST ACCOUNT  
ACCOUNT NUMBER:

**STATEMENT OF ASSETS**

PAR VALUE/SHARES	DESCRIPTION	COST VALUE / UNIT COST	MARKET VALUE / UNIT PRICE	UNREALIZED GAIN/LOSS	ACCRUED INCOME
<b>CASH EQUIVALENTS</b>					
14.56	WELLS FARGO GOVERNMENT MONEY MARKET SERVICE - #743	14.56 1.0000	14.56 1.0000	0.00	0.01
<b>TOTAL CASH EQUIVALENTS</b>		<b>14.56</b>	<b>14.56</b>	<b>0.00</b>	<b>0.01</b>
<b>TOTAL INVESTMENTS</b>		<b>14.56</b>	<b>14.56</b>	<b>0.00</b>	<b>0.01</b>

**Asset Pricing:**

Values reflected for publicly-traded assets are provided by unaffiliated financial industry sources believed to be reliable. Values for non-publicly traded assets may be determined from other unaffiliated sources. Assets for which a current value is unavailable may be reflected at the last reported price, at par, or may be shown as having nominal or no value. Reported values may not be the price at which an asset may be sold. Asset values are updated as pricing becomes available from external sources, and may be updated less frequently than statements are generated.

**Trade Confirms:**

Pursuant to federal regulation, monthly or quarterly account statements that include investment transaction details may be provided in lieu of separate trade confirmations. Separate trade confirms may be obtained at no additional cost upon written request to the account manager.

STATEMENT OF ASSETS  
AS OF DECEMBER 31, 2017

CUCAMONGA VWD 2014: PRINCIPAL ACCT  
ACCOUNT NUMBER 4

**STATEMENT OF ASSETS**

PAR VALUE/SHARES	DESCRIPTION	COST VALUE / UNIT COST	MARKET VALUE / UNIT PRICE	UNREALIZED GAIN/LOSS	ACCRUED INCOME
<b>CASH EQUIVALENTS</b>					
29.78	WELLS FARGO GOVERNMENT MONEY MARKET SERVICE - #743	29.78 1.0000	29.78 1.0000	0.00	0.02
<b>TOTAL CASH EQUIVALENTS</b>		<b>29.78</b>	<b>29.78</b>	<b>0.00</b>	<b>0.02</b>
<b>TOTAL INVESTMENTS</b>		<b>29.78</b>	<b>29.78</b>	<b>0.00</b>	<b>0.02</b>

**Asset Pricing:**

Values reflected for publicly-traded assets are provided by unaffiliated financial industry sources believed to be reliable. Values for non-publicly traded assets may be determined from other unaffiliated sources. Assets for which a current value is unavailable may be reflected at the last reported price, at par, or may be shown as having nominal or no value. Reported values may not be the price at which an asset may be sold. Asset values are updated as pricing becomes available from external sources, and may be updated less frequently than statements are generated.

**Trade Confirms:**

Pursuant to federal regulation, monthly or quarterly account statements that include investment transaction details may be provided in lieu of separate trade confirmations. Separate trade confirms may be obtained at no additional cost upon written request to the account manager.

# Staff Report

**Date:** January 23, 2018

**To:** Board of Directors – CVWD Financing Authority  
**From:** Martin E. Zvirbulis, Executive Director *MZ*  
**Agenda Title:** **Audited Financial Statements – June 30, 2017**

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## Purpose

On August 28, 2012, the District formed the Cucamonga Valley Water District Financing Authority (JPA) for the purpose of issuing the Revenue Bonds. Section 12, Subsection B of the Joint Exercise of Powers Agreement requires that the JPA's treasurer provide audited financial statements to the JPA Board. The attached audited financial statements and independent auditors report dated June 30, 2017 satisfies that requirement.

## Background/Analysis

The purpose for conducting an audit of the Authority is to have an independent opinion rendered on the financial statements. The Authority received an unmodified "clean" opinion on the financial statements for the period ended June 30, 2017. The Independent Auditors' Report is found on pages 1-2 of the financial statements. The Authority received the best opinion rating possible.

The statements present the Authority's financial position at June 30, 2017 and the results of activities during the year. The total liabilities were \$72,443,390 which consists of revenue bonds issued to fund capital improvement projects of the District's water utility fund. The financial activities of the Authority include interest expense on long term debt and debt issuance costs. Since the Authority is a governmental fund, additional financial statements and reconciliations are included.

## Alignment with Strategic Goals

Audited Financial Statements support the District's values of Accountability and Communication by providing financial transparency of the activities in the various Revenue Bond Funds.

## Fiscal Impact

None

## Recommendation

Staff recommends that the JPA Board receive and file this report as presented.

**Attachments:** Audited Financial Statements, June 30, 2017  
Compliance Report on Internal Controls, June 30, 2017

**Submitted by:** Carrie Corder, Treasurer *CC*  
**Prepared By:** Chad Brantley, Finance Manager

**Cucamonga Valley Water District Financing Authority**

**Rancho Cucamonga, California**

**Financial Statements**

**For the Fiscal Year Ended June 30, 2017**

**Cucamonga Valley Water District Financial Authority**  
**Annual Financial Report**  
**For the Fiscal Year Ended June 30, 2017**

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Board of Directors  
Cucamonga Valley Water District Financing Authority  
Rancho Cucamonga, California

## **Independent Auditor's Report**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Cucamonga Valley Water District Financing Authority (Authority), a component unit of Cucamonga Valley Water District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express 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 Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Cucamonga Valley Water District Financing Authority, as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

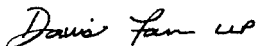
### **Other Matters**

#### *Required Supplementary Information*

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not effected by this missing information

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2017 on our consideration of the Authority'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 Authority's internal control over financial reporting and compliance.



Irvine, California  
October 25, 2017

**CUCAMONGA VALLEY WATER DISTRICT FINANCING AUTHORITY**  
**Statement of Net Position**  
**June 30, 2017**

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	<b>Governmental Activities</b>
<b>Assets:</b>	
Restricted assets:	
Cash and investments with fiscal agent	\$ 27
Interest receivable	38
	<hr/>
<b>Total Assets</b>	<b>65</b>
	<hr/>
<b>Deferred Outflows of Resources:</b>	
Deferred charge on refunding	859,261
	<hr/>
<b>Total Deferred Outflows of Resources</b>	<b>859,261</b>
	<hr/>
<b>Liabilities:</b>	
Accrued interest	912,729
Current portion of long-term liabilities	1,845,000
Non-current portion of long-term liabilities	69,685,661
	<hr/>
<b>Total Liabilities</b>	<b>72,443,390</b>
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<b>Net Position:</b>	
Unrestricted	(71,584,064)
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<b>Total Net Position</b>	<b>\$ (71,584,064)</b>
	<hr/> <hr/>

See accompanying notes to the basic financial statements



**CUCAMONGA VALLEY WATER DISTRICT FINANCING AUTHORITY**  
**Statement of Activities**  
**For the Year Ended June 30, 2017**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for Services</u>	<u>Operating Contributions and Grants</u>	<u>Capital Contributions and Grants</u>	<u>Revenue and Changes in Net Position</u>
<b>Primary Government:</b>					
Governmental Activities:					
Project costs	\$ 2,655,259	\$ -	\$ -	\$ -	\$ (2,655,259)
Interest on long-term debt	2,623,256	-	-	-	(2,623,256)
Administration fees	6,450	-	-	-	(6,450)
<b>Total Primary Government</b>	<b>\$ 5,284,965</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(5,284,965)</b>
<b>General Revenues:</b>					
Use of money and property					3,460
Transfer from Cucamonga Valley Water District					4,175,412
<b>Total General Revenues</b>					<b>4,178,872</b>
Change in Net Position					(1,106,093)
Net Position at Beginning of Year					(70,477,971)
<b>Net Position at End of Year</b>					<b>\$ (71,584,064)</b>

See accompanying notes to the basic financial statements

**CUCAMONGA VALLEY WATER DISTRICT FINANCING AUTHORITY**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2017**

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	<b>Debt Service Funds</b>			
	<b>Water Revenue Bonds, Series 2012</b>	<b>Water Revenue Bonds, Series 2014</b>	<b>Water Revenue Bonds, Series 2016</b>	<b>Total</b>
<b>Assets:</b>				
Cash and investments with fiscal agents	\$ 17	\$ 7	\$ 3	\$ 27
Receivable:				
Accrued interest	-	38	-	38
<b>Total Assets</b>	<b>\$ 17</b>	<b>\$ 45</b>	<b>\$ 3</b>	<b>\$ 65</b>
<b>Liabilities and Fund Balance:</b>				
<b>Fund Balance:</b>				
<b>Restricted:</b>				
Debt service	\$ 17	\$ 45	\$ 3	\$ 65
<b>Total Fund Balance</b>	<b>\$ 17</b>	<b>\$ 45</b>	<b>\$ 3</b>	<b>\$ 65</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 17</b>	<b>\$ 45</b>	<b>\$ 3</b>	<b>\$ 65</b>

See accompanying notes to the basic financial statements

**CUCAMONGA VALLEY WATER DISTRICT FINANCING AUTHORITY**  
**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position**  
**June 30, 2017**

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Fund balance of governmental funds	\$	65
Amounts reported for governmental activities in the statement of net position are different because:		
Accrued interest payable for the current portion of interest due on bonds has not been reported in the governmental funds.		(912,729)
Deferred outflows of resources are not reported because they are applicable to future periods. Deferred charge on refunding at year end.		859,261
Long-term debt are not due and payable in the current period. Therefore, they are not reported in the governmental funds.		<u>(71,530,661)</u>
<b>Net position of governmental activities</b>	<b>\$</b>	<b><u>(71,584,064)</u></b>

See accompanying notes to the basic financial statements

**CUCAMONGA VALLEY WATER DISTRICT FINANCING AUTHORITY**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2017**

	<b>Debt Service Funds</b>			<b>Total</b>
	<b>Water Revenue Bonds, Series 2012</b>	<b>Water Revenue Bonds, Series 2014</b>	<b>Water Revenue Bonds, Series 2016</b>	
<b>Revenues:</b>				
Use of money and property	\$ 19	\$ 3,431	\$ 10	\$ 3,460
<b>Total Revenues</b>	<b>19</b>	<b>3,431</b>	<b>10</b>	<b>3,460</b>
<b>Expenditures:</b>				
Current:				
Project costs	-	2,655,259	-	2,655,259
Administration fees	2,750	2,500	1,200	6,450
Debt service:				
Principal	760,000	625,000	-	1,385,000
Interest	1,510,388	494,838	788,131	2,793,357
<b>Total Expenditures</b>	<b>2,273,138</b>	<b>3,777,597</b>	<b>789,331</b>	<b>6,840,066</b>
Deficiency of Revenues Over Expenditures	(2,273,119)	(3,774,166)	(789,321)	(6,836,606)
<b>Other Financing Sources (Uses):</b>				
Contribution from Cucamonga Valley Water District	2,272,158	1,122,334	789,319	4,183,811
<b>Total Other Financing Sources</b>	<b>2,272,158</b>	<b>1,122,334</b>	<b>789,319</b>	<b>4,183,811</b>
Net Change in Fund Balances	(961)	(2,651,832)	(2)	(2,652,795)
<b>Fund Balance</b>				
Beginning of year	978	2,651,877	5	2,652,860
<b>End of year</b>	<b>\$ 17</b>	<b>\$ 45</b>	<b>\$ 3</b>	<b>\$ 65</b>

See accompanying notes to the basic financial statements

**CUCAMONGA VALLEY WATER DISTRICT FINANCING AUTHORITY**  
**Reconciliation to the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2017**

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Net change in fund balance - total governmental funds \$ (2,652,795)

Amounts reported for governmental activities in the statement of activities are different because:

Unamortized premiums on bonds issued are revenue or expenditures in governmental funds, but these are spread to future period over the life of the new bonds on the statement of net position. 286,939

Amortization of deferred charge on refunding (162,017)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 1,385,000

Accrued interest for long-term liabilities. This is the net change in accrued interest for the current period. 36,780

**Change in net position of governmental activities \$ (1,106,093)**

See accompanying notes to the basic financial statements

**CUCAMONGA VALLEY WATER DISTRICT FINANCING AUTHORITY**  
**Notes to the Basic Financial Statements**  
**June 30, 2017**

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**Note 1: Organization and Summary of Significant Accounting Policies**

The basic financial statements of the Cucamonga Valley Water District Financing Authority (the Authority) have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies of the Authority are described below:

**a. Description of Reporting Entity**

The Authority was created under a joint exercise of powers agreement dated August 28, 2013 between the Cucamonga Valley Water District (District) and the California Municipal Finance Authority (CMFA) pursuant to Chapter 5 of Division 7 of Title 1 of the California Government Code. The agreement authorizes and empowers the Authority to issue bonds and to purchase bonds issued by or to make loans to, the District or CMFA for financing public capital improvements, working capital, liability and other insurance needs, or projects whenever there are significant public benefits, as determined by the District or CMFA.

**b. Basis of Accounting and Measurement Focus**

**Government-Wide Financial Statements**

The Authority's government-wide financial statements include a Statement of Net Position and a Statement of Activities. These financial statements present summaries of activities for the Authority.

These financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

**Governmental Fund Financial Statements**

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balance for all governmental funds. All governmental funds are accounted for using the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheets. The Statement of Revenues, Expenditures and Changes in Fund Balance presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. Expenditures are recorded in the accounting period in which the related fund liability is incurred. There are no administrative expenses for the Authority as it was established to be a financing vehicle for the joint power agreement members. Accordingly, each member bears its own costs associated with a debt issuance.

**CUCAMONGA VALLEY WATER DISTRICT FINANCING AUTHORITY**  
**Notes to the Basic Financial Statements**  
**June 30, 2017**

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**Note 1: Organization and Summary of Significant Accounting Policies (Continued)**

Reconciliations of the Fund Financial Statements to the Government-Wide Financial Statements are provided to explain the differences created by the integrated approach of GASB Statement No. 34.

**c. Assets, Liabilities and Net Assets or Equity**

**Cash and Investments with Fiscal Agent**

Cash and investment with fiscal agent consists of debt proceeds held by a bond trustee.

**Receivables**

All receivables are shown net of an allowance for uncollectibles.

**Interest Payable**

In the Government-Wide Financial Statements, interest payable on the debt is recognized as the liability is incurred. In the Fund Financial Statements, interest payable on the debt is not reported as a liability since it does not require the use of current financial resources.

**Revenue**

The activities of the Authority are financed by payments received from interest income on cash and investments with fiscal agents. These payments are recorded as use of property and money revenue in the accompanying financial statements.

**Expenditures**

Expenditures of the Authority consist of construction project costs, bond issuance costs and interest paid on long-term debt.

**d. Net Position**

The net position reported on the Statement of Net Position in the government-wide financial statements consists of the following three categories:

**Restricted Net Position** - This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

**Unrestricted Net Position** - This amount is all net position that do not meet the definition of "net investment in capital assets" or "restricted net position".

**CUCAMONAGA VALLEY WATER DISTRICT FINANCING AUTHORITY**  
**Notes to the Basic Financial Statements**  
**June 30, 2017**

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**Note 1: Organization and Summary of Significant Accounting Policies (Continued)**

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

**e. Fund Balance**

The fund balances reported on the governmental fund statements consist of the following categories:

Restricted Fund Balance - This includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Fund Balance Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**Note 2: Cash and Investments**

Cash and investments as of June 30, 2017, are reported in the accompanying statement of net assets as follows:

Cash and Investments with Fiscal Agent	<u>\$ 27</u>
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**CUCAMONAGA VALLEY WATER DISTRICT FINANCING AUTHORITY**  
**Notes to the Basic Financial Statements**  
**June 30, 2017**

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

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. Investments authorized for funds held by bond trustee include, U.S. Treasury Obligations, U.S. Government Sponsored Enterprise Securities, the California Local Agency Investment Fund, Guaranteed Investment Contracts, Commercial Paper, Local Agency Bonds, Banker's Acceptance and Money Market Mutual Funds. There were no limitations on the maximum amount that can be invested in one issuer, maximum percentage allowed or the maximum maturity of an investment, except for the maturity of Banker's Acceptance which are limited to one year.

Cash and Investments with Fiscal Agent  
 Money Market

\$ 27

**Note 3: Long-Term Debt**

The following is a summary of changes in long-term debt for the year ended June 30, 2017:

	Outstanding July 1, 2016	Additions	Deletions	Outstanding June 30, 2017	Due Within One Year
<b>Water Revenue Bonds</b>					
Series 2012	\$ 35,755,000	\$ -	\$ 760,000	\$ 34,995,000	\$ 795,000
Series 2014	11,510,000	-	625,000	10,885,000	655,000
Series 2016	19,940,000	-	-	19,940,000	395,000
<b>Bond Premium</b>					
Series 2012	3,346,415	-	127,889	3,218,526	-
Series 2014	1,331,144	-	95,082	1,236,062	-
Series 2016	1,320,042	-	63,969	1,256,073	-
	<u>\$ 73,202,601</u>	<u>\$ -</u>	<u>\$ 1,671,940</u>	<u>\$ 71,530,661</u>	<u>\$ 1,845,000</u>

**Water Revenue Bonds, Series 2012**

In October 2012, the Cucamonga Valley Water District Financing Authority issued Revenue Bonds in the amount of \$37,885,000. The proceeds were used to fund the acquisition and construction of certain capital improvements and equipment, and to pay for the costs of issuance. The 2012 Revenue Bonds are scheduled to mature annually on September 1, 2013 to September 1, 2042 in amounts ranging from \$690,000 to \$2,215,000. Interest is payable semiannually on March 1 and September 1 of each year with interest rates ranging from 2.5% to 4%.

**CUCAMONAGA VALLEY WATER DISTRICT FINANCING AUTHORITY**  
**Notes to the Basic Financial Statements**  
**June 30, 2017**

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**Note 3: Long-Term Debt (Continued)**

Debt service requirements on the Water Revenue Bonds, Series 2012 are as follows:

Year	Water Revenue Bonds, Series 2012		
	Principal	Interest	Total
2018	\$ 795,000	\$ 1,479,288	\$ 2,274,288
2019	825,000	1,446,888	2,271,888
2020	860,000	1,413,188	2,273,188
2021	895,000	1,378,087	2,273,087
2022	930,000	1,341,587	2,271,587
2023-2027	5,255,000	6,111,287	11,366,287
2028-2032	6,195,000	5,166,241	11,361,241
2033-2037	7,460,000	3,900,797	11,360,797
2038-2042	9,565,000	1,797,375	11,362,375
2043	2,215,000	55,375	2,270,375
	<u>\$ 34,995,000</u>	<u>\$ 24,090,113</u>	<u>\$ 59,085,113</u>

**Water Revenue Bonds, Series 2014**

In July 2014, the Cucamonga Valley Water District Financing Authority issued Revenue Bonds in the amount of \$12,150,000. The proceeds were used to fund the acquisition and construction of certain capital improvements and equipment, and to refund the outstanding Cucamonga Valley Water District 2003 Certificates of Participation, and to pay costs incurred in connection with the issuance of the bonds. The 2014 Revenue Bonds are scheduled to mature annually on September 1, 2014 to September 1, 2029 in amounts ranging from \$35,000 to \$1,575,000. Interest is payable semiannually on March 1 and September 1 of each year with interest rates ranging from 2.5% to 5%.

Debt service requirements on the Water Revenue Bonds, Series 2014 are as follows:

Year	Water Revenue Bonds, Series 2014		
	Principal	Interest	Total
2018	\$ 655,000	\$ 469,238	\$ 1,124,238
2019	675,000	439,263	1,114,263
2020	710,000	408,188	1,118,188
2021	735,000	379,288	1,114,288
2022	770,000	345,338	1,115,338
2023-2027	4,715,000	1,005,365	5,720,365
2028-2030	2,625,000	150,057	2,775,057
	<u>\$ 10,885,000</u>	<u>\$ 3,196,737</u>	<u>\$ 14,081,737</u>

**CUCAMONAGA VALLEY WATER DISTRICT FINANCING AUTHORITY**  
**Notes to the Basic Financial Statements**  
**June 30, 2017**

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**Note 3: Long-Term Debt (Continued)**

**Water Revenue Bonds, Series 2016**

In February 2016, the Cucamonga Valley Water District Financing Authority issued Revenue Bonds in the amount of \$19,940,000. The proceeds were used to pay off the outstanding Cucamonga Valley Water District 2006 Certificates of Participation, a portion of the 2009 Certificates of Participation, and to pay costs incurred in connection with the issuance of the bonds. The 2016 Revenue Bonds are scheduled to mature annually on September 1, 2017 to September 1, 2036 in amounts ranging from \$395,000 to \$9,250,000. Interest is payable semiannually on March 1 and September 1 of each year with interest rates ranging from 3% to 5%.

Debt service requirements on the Water Revenue Bonds, Series 2016 are as follows:

Year	Water Revenue Bonds, Series 2016		
	Principal	Interest	Total
2018	\$ 395,000	\$ 752,763	\$ 1,147,763
2019	435,000	736,162	1,171,162
2020	455,000	718,363	1,173,363
2021	485,000	697,137	1,182,137
2022	2,390,000	625,263	3,015,263
2023-2027	2,515,000	2,261,687	4,776,687
2027-2032	-	2,198,813	2,198,813
2033-2037	13,265,000	1,614,831	14,879,831
	<u>\$ 19,940,000</u>	<u>\$ 9,605,019</u>	<u>\$ 29,545,019</u>

Board of Directors  
Cucamonga Valley Water District Financing Authority  
Rancho Cucamonga, California

**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**

**Independent Auditor's Report**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund of the Cucamonga Valley Water District Financing Authority (Authority), a component unit of the Cucamonga Valley Water District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Authority's basic financial statements, and have issued our report thereon dated October 25, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Foundation'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our

audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

*Davis Lane LLP*

Irvine, California  
October 25, 2017