

COASTSIDE COUNTY WATER DISTRICT

BASIC FINANCIAL STATEMENTS

AND SUPPLEMENTARY SCHEDULES

JUNE 30, 2014

This page intentionally left blank.

**Coastside County Water District
Basic Financial Statements
For the year ended June 30, 2014**

Table of Contents

	<u>Page</u>
Elected Officials and Administrative Personnel	i
Independent Auditors' Report.....	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Statement of Net Position	12
Statement of Revenues, Expenses, and Changes in Net Position.....	13
Statement of Cash Flows	14
Notes to Basic Financial Statements	15
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	30

**Coastside County Water District
Basic Financial Statements
For the year ended June 30, 2014**

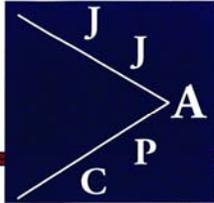
Elected Officials and Administrative Personnel

BOARD OF DIRECTORS

Glenn Reynolds– President
Chris Mickelsen – Vice President
Ken Coverdell – Director
Steve Flint – Director
Arnie Glassberg – Director

MANAGEMENT

David Dickson – General Manager



JJACPA, Inc.

A Professional Accounting Services Corp.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Coastside County Water District
Half Moon Bay, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Coastside County Water District (District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents. The prior year comparative total information has been derived from the District's 2013 basic financial statements and, in our reported dated January 10, 2014 we expressed an unqualified opinion on those 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 opinions 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 District, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* on pages 3–9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 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 District's internal control over financial reporting and compliance.

February 2, 2015

JJACPA, Inc.
JJACPA, Inc.
Dublin, CA

**Coastside County Water District
Basic Financial Statements
For the year ended June 30, 2014**

Management's Discussion and Analysis

This section of Coastside County Water District's basic financial statements presents management's discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2014. Since this management's discussion and analysis is designed to focus on current activities, resulting change and current known facts, please read it in conjunction with the District's basic financial statements (pages 12 - 14) and the footnotes (pages 15 - 28).

Financial Highlights

At June 30, 2014, the District's net position increased \$728,792 to \$37,060,689 from \$36,331,897 in 2013. Operating revenues increased by \$673,977 primarily due to a water rate increase which became effective July 1, 2013. Operating expenses (with depreciation included) increased by \$465,115 as a result of increases to source of supply and pumping expenses and an increase in administrative and general expenses.

Using This Report

In December 1998, the Governmental Accounting Standards Board (GASB) released statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, which revised the reporting of property tax revenue. In June 1999, GASB released statement No. 34, *Basic Financial Statements -- and Management's Discussion and Analysis -- for State and Local Governments*. Changes in Statement No. 34 require a comprehensive one-line look at the entity as a whole and capitalization of assets and depreciation for agencies not reporting on the accrual basis of accounting. Since the District has historically reported all activities in enterprise funds in a manner similar to business activities and followed the accrual basis of accounting, the District merely has been required to reclassify certain balances to utilize the new Statement No. 34 terminology. There were no major reconciling items necessary or elimination of balances due to the implementation of Statement No. 34.

The annual financial statements include the Independent Auditors' Report, this management's discussion and analysis, the basic financial statements, and notes to the basic financial statements.

Coastside County Water District
Basic Financial Statements
For the year ended June 30, 2014

Management's Discussion and Analysis, Continued

Financial Analysis of the District as a Whole

	Net Position		Increase (Decrease)	Percent Change
	As of June 30, 2014 and 2013			
	2014	2013		
Assets:				
Current assets	\$ 3,937,514	\$ 3,981,846	\$ (44,332)	(1.1)%
Non-current assets	46,949,869	46,407,179	542,690	1.2%
Total assets	50,887,383	50,389,025	498,358	1.0%
Liabilities:				
Current liabilities	1,189,459	1,222,897	(33,438)	(2.7)%
Non-current liabilities	12,637,235	12,834,231	(196,996)	(1.5)%
Total liabilities	13,826,694	14,057,128	(230,434)	(1.6)%
Net position:				
Net investment in capital assets	34,494,009	32,207,607	2,286,402	7.1%
Restricted/Unrestricted Net Position:				
Restricted for Crystal Springs Project	373,447	373,447	-	0.0%
Restricted for capital improvements	1,135,209	1,135,209	-	0.0%
Unrestricted	1,076,953	2,615,634	(1,538,681)	(58.8)%
Total net position	\$ 37,079,618	\$ 36,331,897	\$ 747,721	2.1%

This schedule is prepared from the District's Statement of Net Position (page 12), which is presented on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Operating revenues in the Statement of Activities are those revenues that are generated from the primary operations of the District. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the District. All other expenses are reported as non-operating expenses.

As can be seen from the table above, net position at June 30, 2014, increased to \$37,060,689 from \$36,331,897 in 2013. The increase in net position was primarily due to increased operating revenues.

Coastside County Water District
Basic Financial Statements
For the year ended June 30, 2014

Management's Discussion and Analysis, Continued

Financial Analysis of the District as a Whole, Continued

Operating results are summarized as follows:

Operating Results				
For the years ended June 30, 2014 and 2013				
	2014	2013	Increase (Decrease)	Percent Change
Operating revenues	\$ 8,375,436	\$ 7,701,459	\$ 673,977	8.8%
Operating expenses	8,078,031	7,612,916	465,115	6.1%
Operating income (loss)	297,405	88,543	208,862	235.9%
Non-operating revenues	1,239,780	1,224,764	15,016	1.2%
Non-operating expenses	(808,393)	(676,422)	(131,971)	19.5%
Net income before contributions	728,792	636,885	91,907	14.4%
Change in net position	728,792	636,885	91,907	14.4%
Net position:				
Beginning of year	36,331,897	35,695,012	636,885	1.8%
End of year	\$ 37,060,689	\$ 36,331,897	\$ 728,792	2.0%

While the Statement of Net Position shows the change in financial position of net position, the operating results are reflected in the Statement of Revenues, Expenses, and Changes in Net Position. This statement provides answers to the nature and source of the change in financial position of net position.

**Coastside County Water District
Basic Financial Statements
For the year ended June 30, 2014**

Management’s Discussion and Analysis, Continued

Financial Analysis of the District as a Whole, Continued

The following is a graphic illustration of revenues by source:

**Revenues by Source
Both Operating & Non-Operating**



<u>FY 2013-2014</u>			<u>FY 2012-2013</u>		Increase (Decrease)
\$ 8,375,436	87.1%	Water sales	\$ 7,701,459	86.4%	\$ 673,977
1,158	0.0%	Transmission & storage fees	38,033	0.4%	(36,875)
11,220	0.1%	Connection fees	16,089	0.2%	(4,869)
1,043,476	10.9%	Property taxes	988,429	11.1%	55,047
8,055	0.1%	Investment earnings	25,610	0.3%	(17,555)
175,871	1.8%	Miscellaneous	156,603	1.8%	19,268
<u>\$ 9,615,216</u>	<u>100.0%</u>	Totals	<u>\$ 8,926,223</u>	<u>100.0%</u>	<u>\$ 688,993</u>

Water sales increased \$673,977 due to a rate increase for fiscal year 2013-2014, approved by the Board of Directors. Property taxes increased by \$55,047 primarily due to San Mateo County’s method of calculating and distributing funds. Investment earnings decreased by \$17,555, as a result of one time payment in fiscal year 2012-13 for the interest earnings on the IBank Loan (CIEDB11-099) for undistributed funds from July 1, 2012 through the date of final disbursement.

**Coastside County Water District
Basic Financial Statements
For the year ended June 30, 2014**

Management’s Discussion and Analysis, Continued

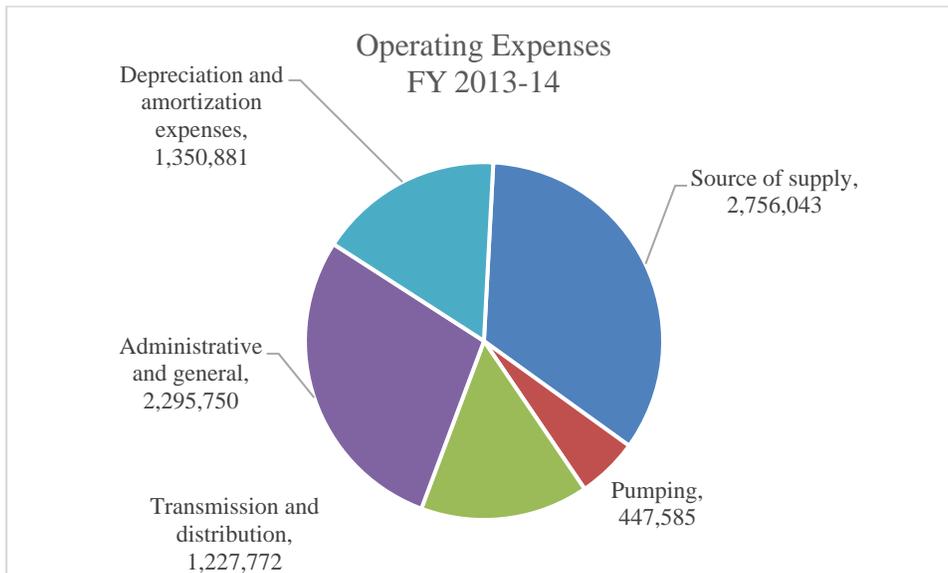
Financial Analysis of the District as a Whole, Continued

Operating expenses increased by \$465,115 as detailed below:

	Operating Expenses		Increase (Decrease)	Percent Change
	For the years ended June 30, 2014 and 2013			
	<u>2014</u>	<u>2013</u>		
Operating expenses:				
Source of supply	\$ 2,756,043	\$ 2,456,095	\$ 299,948	12.2%
Pumping	447,585	401,894	45,691	11.4%
Transmission and distribution	1,227,772	1,231,613	(3,841)	(0.3)%
Administrative and general	2,295,750	2,157,074	138,676	6.4%
Depreciation and amortization expense	1,350,881	1,366,240	(15,359)	(1.1)%
Total	<u>\$ 8,078,031</u>	<u>\$ 7,612,916</u>	<u>\$ 465,115</u>	<u>6.1%</u>

Source of supply increased \$299,948 due to higher wholesale water rates from the San Francisco Public Utilities Commission (SFPUC) and greater reliance on more expensive SFPUC supplies due to drought. Pumping expenses increased \$45,691 due to decreased availability of water from the Pilarcitos Reservoir supply source resulting from continuing drought. Administrative and general expense increased \$138,676 primarily due to increases in salaries and wages, office expense, computer services, medical insurance, and retirement.

The following is a graphic illustration of operating expenses:



**Coastside County Water District
Basic Financial Statements
For the year ended June 30, 2014**

Management’s Discussion and Analysis, Continued

Financial Analysis of the District as a Whole, Continued

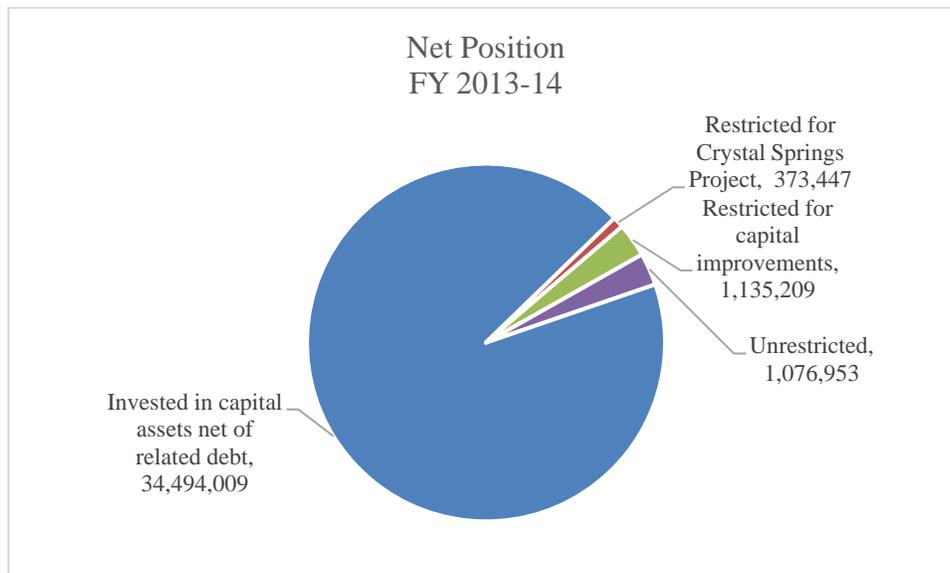
Net position increased by \$747,721 as detailed below:

**Analysis of Net Position
As of June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Net position:				
Net investment in capital assets	\$ 34,494,009	\$ 32,207,607	\$ 2,286,402	7.1%
Restricted				
Crystal Springs Project	373,447	373,447	-	0.0%
Capital improvements	1,135,209	1,135,209	-	0.0%
Unrestricted	<u>1,076,953</u>	<u>2,615,634</u>	<u>(1,538,681)</u>	<u>(58.8)%</u>
Total	<u>\$ 37,079,618</u>	<u>\$ 36,331,897</u>	<u>\$ 747,721</u>	<u>2.1%</u>

The change in net position is a \$747,721 increase primarily due to increased water sales and capital project expenditures.

The following is a graphic illustration of net position:



**Coastside County Water District
Basic Financial Statements
For the year ended June 30, 2014**

Management's Discussion and Analysis, Continued

Cash Flows

Net cash increased by \$997,780 primarily the result of increased water sales revenue and lower payments to suppliers.

Long-term Debt

The District's long term debt decreased by a net amount of \$608,765. This was a result of principal repayment and amortization of bond discounts during fiscal year 2013-14. In fiscal year 2013-14, the District fully repaid its 1998A ABAG Water and Wastewater Revenue Refunding Bonds.

Economic Factors and Potential Future Results

The District's water sales volume will remain stable or increase slowly as a result of continuing water conservation efforts. This trend, combined with a series of significant increases in the wholesale water rate charged by the San Francisco Public Utilities Commission and the need to finance essential infrastructure maintenance and replacement, will increase the District's revenue requirements in the future. The District has generally raised rates on an annual basis to meet revenue requirements and will continue to do so.

Contacting the District

This financial report is designed to provide our customers and creditors a general overview of the District's finances and to demonstrate the District's accountability for the money it receives and is allocated to it. If you have questions about this report, contact:

Coastside County Water District
766 Main Street
Half Moon Bay, CA 94019

Phone (650) 726 4405
Fax (650) 726 5245

David R Dickson, General Manager
Gina Brazil, Office Manager

This page intentionally left blank.

BASIC FINANCIAL STATEMENTS

Coastside County Water District

Statement of Net Position

June 30, 2014

(with comparative totals for June 30, 2013)

	<u>2014</u>	<u>2013</u>
ASSETS		
Current assets:		
Cash and investments	\$ 2,100,310	\$ 2,110,403
Restricted cash and investments	609,427	606,363
Accounts receivable:		
Customer water	829,902	853,716
Taxes	14,389	13,325
Interest	13,063	14,636
Prepaid expenses	20,544	17,142
Materials and supplies inventory	188,000	188,000
Unamortized bond issuance costs	161,879	178,261
Total current assets	<u>3,937,514</u>	<u>3,981,846</u>
Noncurrent assets:		
Capital assets:		
Construction in progress	5,339,190	4,195,583
Utility plant	67,427,654	66,696,319
Less accumulated depreciation	(25,816,975)	(24,484,723)
Total noncurrent assets	<u>46,949,869</u>	<u>46,407,179</u>
Total assets	<u>\$ 50,887,383</u>	<u>50,389,025</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 431,685	\$ 380,560
Accrued payroll	124,412	92,202
Customer deposits	42,949	48,909
Due to Crystal Springs Assessment District	-	87,965
Interest payable	139,470	-
Due within one year	362,978	613,261
Total current liabilities	<u>1,101,494</u>	<u>1,222,897</u>
Noncurrent liabilities:		
Due after one year	12,092,882	12,451,364
Net OPEB obligation	456,029	295,623
Accrued vacation and sick leave	88,324	87,244
Total noncurrent liabilities	<u>12,637,235</u>	<u>12,834,231</u>
Total liabilities	<u>13,738,729</u>	<u>14,057,128</u>
NET POSITION		
Net investment in capital assets	34,494,009	33,342,554
Restricted for Crystal Springs Project	373,447	373,447
Restricted for capital improvements	-	1,135,209
Unrestricted	2,281,198	1,480,687
Total Net Position	<u>37,148,654</u>	<u>36,331,897</u>
Total liabilities and net position	<u>\$ 50,887,383</u>	<u>50,389,025</u>

The accompanying notes are an integral part of these basic financial statements.

Coastside County Water District
Statement of Revenues, Expenses, and Changes in Net Position
For the year ended June 30, 2014

(with comparative totals for the year ended June 30, 2013)

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES:		
Water sales	\$ 8,375,436	\$ 7,701,459
OPERATING EXPENSES:		
Source of supply	2,756,043	2,456,095
Pumping	447,585	401,894
Transmission and distribution	1,227,772	1,231,613
Administrative and general	2,295,750	2,157,074
Depreciation and amortization	1,350,881	1,366,240
Total operating expenses	<u>8,078,031</u>	<u>7,612,916</u>
Operating income	<u>297,405</u>	<u>88,543</u>
NONOPERATING REVENUES (EXPENSES):		
Property taxes	1,043,476	988,429
Investment earnings	8,055	25,610
Transmission and storage fees	1,158	38,033.00
Connection fees	11,220	16,089
Miscellaneous income	263,836	156,603
Collection fees	(10,343)	(14,099)
Net OPEB expense	(160,406)	(138,211)
Interest expense	(637,644)	(524,112)
Total nonoperating revenues (expenses)	<u>519,352</u>	<u>548,342</u>
Net Income	<u>816,757</u>	<u>636,885</u>
NET POSITION:		
Beginning of year	36,331,897	35,695,012
End of year	<u>\$ 37,148,654</u>	<u>\$ 36,331,897</u>

The accompanying notes are an integral part of these basic financial statements.

Coastside County Water District

Statement of Cash Flows

For the year ended June 30, 2014

(with comparative amounts for the year ended June 30, 2013)

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 8,398,186	\$ 7,552,608
Payments to suppliers	(5,052,123)	(5,216,304)
Payments to employees	(1,599,974)	(1,587,995)
Net cash provided (used) by operating activities	<u>1,746,089</u>	<u>748,309</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Property taxes received net of collection fees	1,033,133	974,330
Miscellaneous receipts	173,624	156,603
Net cash provided (used) by noncapital financing activities	<u>1,206,757</u>	<u>1,130,933</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Change in restricted cash and investments	(3,064)	(40,669)
Transmission and storage fee receipts	1,158	38,033
Connection fee receipts	11,220	16,089
Proceeds from the issuance of long-term debt	-	3,878,031
Principal and interest payments on long-term debt	(1,106,939)	(948,607)
Acquisition of capital assets	(1,874,942)	(4,474,556)
Net cash provided (used) by capital and related financing activities	<u>(2,972,567)</u>	<u>(1,531,679)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received on investments	9,628	16,146
Net cash provided (used) by investing activities	<u>9,628</u>	<u>16,146</u>
Net increase (decrease) in cash and cash equivalents	(10,093)	363,709
CASH:		
Beginning of year	2,110,403	1,746,694
End of year	<u>\$ 2,100,310</u>	<u>\$ 2,110,403</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income	\$ 297,405	\$ 88,543
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization expense	1,350,881	1,366,240
Change in assets and liabilities:		
Accounts receivable	22,750	(148,851)
Materials and supplies	-	550
Prepaid expenses	(3,402)	1,284
Accounts payable and accrued liabilities	51,125	(529,845)
Accrued payroll	32,210	(20,038)
Customer deposits	(5,960)	(10,437)
Accrued vacation and sick leave	1,080	863
Net cash provided (used) by operating activities	<u>\$ 1,746,089</u>	<u>\$ 748,309</u>

The accompanying notes are an integral part of these basic financial statements.

Coastside County Water District
Basic Financial Statements
For the year ended June 30, 2014

Notes to Basic Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Coastside County Water District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental enterprises classified as proprietary fund types. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The reports are based on all applicable GASB pronouncements as well as applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Review Boards of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. When applicable, certain prior year amounts have been reclassified to conform to current year presentation. The following is a summary of the more significant policies:

A. Description of the Reporting Entity

The District is organized under the Water Code provisions of the general laws of the State of California and is governed by a five-member Board of Directors elected at large by the registered voters of the District. The District is located along the Pacific Ocean in San Mateo County; it purchases more than half of its water supply from the San Francisco Water Department. The balance is developed from local sources, including surface diversion and wells. Water is distributed to customers inside and outside the District's boundaries.

Oversight responsibility, the ability to conduct independent financial affairs, issue debt instruments, approve budgets, and otherwise influence operations and account for fiscal matters is exercised by the District's Board of Directors. The District is a separate reporting entity for financial reporting purposes and the accompanying financial statements reflect the assets, liabilities, net position, revenues, and expenses of the District only.

As defined by GASB Statements No. 14 and 39, *The Financial Reporting Entity*, the District is not financially accountable for any other entity other than itself, nor are there any other entities for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete.

In addition, based upon the above criteria, the District is not aware of any entity which would be financially accountable for the District which would result in the District being considered a component of the entity.

Coastside County Water District
Basic Financial Statements
For the year ended June 30, 2014

Notes to Basic Financial Statements, Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Fund Accounting Classification and Basis of Accounting

On the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net position, business-like activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Fund equity is classified as net position.

District funds are classified as enterprise funds, which account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The acquisition and capital improvement of the physical plant facilities required to provide these goods and services are financed from existing cash resources, the issuance of bonds, and cash flow from operations.

C. Cash and Investments

For the purposes of the Statement of Net position and Statement of Cash Flows, “cash equivalents and investments” includes all demand, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less.

Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Note 2.

D. Capital Assets

Capital assets are carried at cost or estimated cost if actual cost was not available. Contributed capital assets are valued at their estimated fair value on the date contributed.

Depreciation is calculated on a straight-line basis using the following useful life schedule:

Water treatment plant and pipelines	22-50 years
Buildings	23-33 years
Furniture and equipment	10 years
Vehicles	5 years

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized.

**Coastside County Water District
Basic Financial Statements
For the year ended June 30, 2014**

Notes to Basic Financial Statements, Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

E. Property Taxes

The District's property taxes are levied each calendar year on all taxable real property located in the District. Property taxes are recorded on an accrual basis of accounting.

The County Assessor is responsible for assessment of all taxable real property within San Mateo County. Reassessment is on a three-year schedule established by the Assessor.

The County Clerk computes the annual tax for each parcel of real property and prepares tax books used by the County Collector as the basis for issuing tax bills to all taxpayers in the County.

Property taxes are collected by the County Collector and are submitted to the County Treasurer, who remits to each unit its respective share of the collections. Taxes levied in one year become due and payable in two installments during the following year generally on March 1st and August 30th.

The first installment is an estimated bill, and is approximately one-half of the prior year's tax bill. The second installment is based on the current levy, assessment, equalization, and certificate to limit levy, if any and any changes from the prior year will be reflected in the second installment bill. Taxes must be levied by the last Tuesday in December for the following collection year. The levy becomes an enforceable lien against the property as of January 1 of the levy year.

F. Accrued Vacation and Sick Leave

The liability for vested vacation pay is recorded as an expense when the vacation is earned. District employees have a vested interest of up to 240 hours of accrued vacation time and up to 120 days of accrued sick time for employees that retire and are hired prior to December 31, 1990. Employees hired after that date have a vested interest in up to fifty % of their sick time up to 60 days, based upon retirement and time with the District.

G. Unamortized Bond Issuance Costs

Costs incurred in issuing long-term debt are capitalized and amortized over the life of the debt.

H. Comparative Data

Comparative data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations.

I. Reclassifications

Certain amounts from the prior year have been reclassified to conform to the current year's presentation.

**Coastside County Water District
Basic Financial Statements
For the year ended June 30, 2014**

Notes to Basic Financial Statements, Continued

2. CASH AND INVESTMENTS

A. Composition

The District's cash and temporary investments are carried at market value, and include:

	June 30, 2014			Balance as of
	FDIC insured	Not Rated	Fair Value	June 30, 2013
Cash in bank	\$ 250,000	\$ 2,459,737	\$ 2,709,737	\$ 1,700,597
Petty Cash	-	430	430	430
Local Agency Investment Fund (LAIF)	-	1,018,246	1,018,246	1,015,739
Total	\$ 250,000	\$ 3,478,413	\$ 3,728,413	\$ 2,716,766

Financial Statement presentation:

Cash and investments	\$ 2,100,310	\$ 2,110,403
Restricted cash and investments	609,427	606,363
Total	\$ 2,709,737	\$ 2,716,766

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the District's cash on deposit or first trust deed mortgage notes with a value of 150% of the District's cash on deposit as collateral for these deposits. Under California Law this collateral is held in an investment pool by an independent financial institution in the District's name and places the District ahead of general creditors of the institution pledging the collateral. The District has waived collateral requirements for the portion of deposits covered by federal deposit insurance.

The District's investments are carried at fair value, as required by generally accepted accounting principles. The District adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

B. Authorized Investments

The District's Investment Policy and the California Government Code allow the District to invest in the following, provided the credit ratings of the issuers are acceptable to the District and approved percentages and maturities are not exceeded.

Coastside County Water District
Basic Financial Statements
For the year ended June 30, 2014

Notes to Basic Financial Statements, Continued

2. CASH AND INVESTMENTS, Continued

The table below also identifies certain provisions of the California Government Code, or the District's Investment Policy where the District's Investment Policy is more restrictive.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>
California Local Agency Investment Fund	N/A	None
U.S. Treasury Obligations	5 years	None
Negotiable Certificates of Deposit	1 year	30%

C. Fair Value of Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments were stated at fair value using the aggregate method, which includes any adjustments in interest/investment income.

D. Investments Authorized by Debt Agreements

The District must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged reserves to be used if the District fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with District resolutions, bond indentures, or State statutes. The table below identifies the investment types that are authorized for investments held by fiscal agents. The bond indentures contain no limitations for the maximum investment in any one issuer or the maximum percentage of the portfolio that may be invested in any one investment type.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality</u>
U.S. Treasury Obligations	N/A	Aaa
U.S. Agency Securities	N/A	Aaa
Bankers' Acceptances	30 days	A-1
Commercial Paper	270 days	A-1+
Money Market Funds	N/A	Aam
Pre-Funded Municipal Obligations	N/A	AAA
Repurchase Agreements	270 days	A
State Direct General Obligations	N/A	AA Special
Revenue Bonds	N/A	AA
California Local Agency Investment Fund	N/A	None

**Coastside County Water District
Basic Financial Statements
For the year ended June 30, 2014**

Notes to Basic Financial Statements, Continued

2. CASH AND INVESTMENTS, Continued

E. Interest Rate and Credit Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

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. The District's only investments are in the California Local Agency Investment Fund (LAIF) and in Money Market accounts which are not rated at June 30, 2014.

LAIF that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The District reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are maintained on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2014, these investments matured in an average of 232 days

Coastside County Water District
Basic Financial Statements
For the year ended June 30, 2014

Notes to Basic Financial Statements, Continued

3. CAPITAL ASSETS

Changes in capital assets and depreciation were as follows:

	July 1, 2013	Additions	Deletions	Transfer/ Adjustments	June 30, 2014
Nondepreciable:					
Construction in progress	\$ 4,195,583	\$ 1,706,907	\$ -	\$ (563,300)	\$ 5,339,190
Utility Plant Nondepreciable:					
Land	\$ 160,612	\$ -	\$ -	\$ 1	\$ 160,613
Total Utility Plant nondepreciable assets	160,612	-	-	1	160,613
Utility Plant Depreciable:					
Source of supply	401,039	-	-	1	401,040
Transmission and distribution	16,965,966	-	-	-	16,965,966
Treatment plants and well field projects					-
Acquired and constructed	11,172,205	5,856	-	46,715	11,224,776
Contributed	2,899,227	-	-	-	2,899,227
Pipelines and meters	10,421,709	-	-	516,583	10,938,292
Crystal Springs Project	21,751,383	-	-	-	21,751,383
Buildings and structures	591,613	-	-	-	591,613
Vehicles	788,531	-	-	-	788,531
Furniture and equipment	1,544,034	162,179	-	-	1,706,213
Total depreciable assets	66,535,707	168,035	-	563,299	67,267,041
Total utility plant at cost	66,696,319	168,035	-	563,300	67,427,654
Less: accumulated depreciation	(24,484,723)	(1,332,252)	-	-	(25,816,975)
Total utility plant (net)	42,211,596	(1,164,217)	-	563,300	41,610,679
Total capital assets	\$ 46,407,179	\$ 542,690	\$ -	\$ -	\$ 46,949,869

**Coastside County Water District
Basic Financial Statements
For the year ended June 30, 2014**

Notes to Basic Financial Statements, Continued

4. LONG-TERM DEBT

A. Long-Term Debt Activity

	Original Issue Amount	Balance July 1, 2013	Additions	Retirements	Balance June 30, 2014	Due Within One Year
1998A ABAG Water and Wastewater						
Revenue Refunding Bonds, 3.75-5.3%, due 10/01/2013	\$ 2,855,000	\$ 260,000	\$ -	\$ (260,000)	\$ -	\$ -
2006B Water Revenue Bonds						
3.5-4.75%, due 10/01/32	7,295,000	6,240,000	-	(200,000)	6,040,000	210,000
Discount	(58,459)	(44,961)	-	2,248	(42,713)	(2,248)
Total Debt Issuances	10,091,541	6,455,039	-	(457,752)	5,997,287	207,752
CIEDB Enterprise Fund						
Installment Loan	-	6,609,586	-	(151,013)	6,458,573	155,226
Total	<u>\$ 10,091,541</u>	<u>\$ 13,064,625</u>	<u>\$ -</u>	<u>\$ (608,765)</u>	<u>\$ 12,455,860</u>	<u>\$ 362,978</u>
Amount due within one year		\$ 608,765			\$ 362,978	
Amount due after one year		12,455,860			12,092,882	
		<u>\$ 13,064,625</u>			<u>\$ 12,455,860</u>	

1998A ABAG Water and Wastewater Revenue Refunding Bonds

On May 12, 1998, the District issued ABAG Water and Wastewater Revenue Refunding Bonds, Series 1998A in an original principal amount of \$2,855,000. Proceeds of the 1998 Bonds were placed in an irrevocable trust to advance refund the outstanding balance of the Water Revenue Refunding Bonds, Series 1993; a portion was also used to finance water pipeline replacements.

All revenues generated by the Utility Plant and a debt service insurance policy serving as a reserve fund are pledged for the repayment of the 1998 Bonds. The 1998 Bonds bear interest at 3.75% to 5.3% and require semiannual interest payments on October 1 and April 1 and annual principal payments on October 1. The final installment of the loan was made on October 1, 2013.

2006B Water Revenue Bonds

On June 1, 2006, the District issued Water Revenue Bonds, Series 2006B in an original principal amount of \$7,295,000 to finance and refinance certain public capital improvements. The bonds are payable from revenues of the District. The 2006B Bonds bear interest at 3.50% to 4.75% and require semiannual interest payments on October 1 and April 1 and annual principal payments on October 1, beginning October 1, 2007. A final installment is due October 1, 2032.

Coastside County Water District
Basic Financial Statements
For the year ended June 30, 2014

Notes to Basic Financial Statements, Continued

4. LONG-TERM DEBT, Continued

A. Long-Term Debt Activity, Continued

CIEDB Enterprise Fund Installment Loan

On October 10, 2011 the District obtained an installment loan up to \$6,756,500 from the California Infrastructure and Economic Development Bank (CIEDB) for the District's Denniston Creek Water Treatment Plant Improvements Project. All funds must be drawn by September 10, 2014. The loan has a 30 year term with a semiannual interest rate of 2.79% (plus a 0.3% annual fee) payable on August 1 and February 1, beginning February 1, 2013. Annual principal payments are due on August 1; beginning after the District withdraws the full \$6,756,500 or completes the project. The final installment is due August 1, 2041. On March 1, 2014, the District and CIEDB entered into The Replacement Agreement and reduced the interest rate to 2.54%. As at June 30, 2014, the outstanding balance of the loan was \$6,458,573.

B. Repayment Schedule

Future annual repayment requirements are as follows:

Year Ending June 30,	Enterprise activities						
	2006B Water Revenue Bonds			CIEDB Loan		Total	
	Principal	Discount	Interest	Principal	Interest	Principal	Interest
2015	210,000	(2,248)	275,889	155,226	163,422	362,978	439,311
2016	215,000	(2,248)	267,494	159,557	158,079	372,309	425,573
2017	225,000	(2,248)	258,553	164,009	153,969	386,761	412,522
2018	235,000	(2,248)	248,919	168,585	149,745	401,337	398,664
2019	245,000	(2,248)	238,566	173,288	145,404	416,040	383,970
2020-2024	1,405,000	(11,240)	999,647	941,717	651,531	2,335,477	1,651,178
2025-2029	1,765,000	(11,240)	628,744	1,080,624	529,307	2,834,384	1,158,051
2030-2034	1,740,000	(8,993)	170,050	1,240,020	382,169	2,971,027	552,219
2035-2039	-	-	-	1,422,929	213,327	1,422,929	213,327
2040-2042	-	-	-	952,618	36,739	952,618	36,739
Total	\$ 6,040,000	\$ (42,713)	\$ 3,087,862	\$ 6,458,573	\$ 2,583,692	\$ 12,455,860	\$ 5,671,554
Due within one year	\$ 210,000	\$ (2,248)	\$ 275,889	\$ 155,226	\$ 163,422	\$ 362,978	\$ 439,311
Due after one year	5,830,000	(40,465)	2,811,973	6,303,347	2,420,270	12,092,882	5,232,243
Total	\$ 6,040,000	\$ (42,713)	\$ 3,087,862	\$ 6,458,573	\$ 2,583,692	\$ 12,455,860	\$ 5,671,554

Coastside County Water District
Basic Financial Statements
For the year ended June 30, 2014

Notes to Basic Financial Statements, Continued

5. CRYSTAL SPRINGS ASSESSMENT DISTRICT

The Crystal Springs Water Supply Project (CSP) constructed by the District was financed by purchasers of CSP water service connections who either paid cash for their water service connections or have agreed to place their properties in the Crystal Springs Assessment District, which was formed for the sole purpose of providing funding to construct the Project.

At June 30, 2010, the Assessment District had fully repaid the balance of its Limited Obligation Refunding Bonds, issued in 1999. Property owners were solely responsible for repayment of these Bonds. Security for the bonds was provided by a lien against each property to which a CSP water service connection is assigned. The County of San Mateo acted as the agent for the Assessment District, collecting assessments and forwarding bond payments to the Assessment District. The Assessment District was responsible for submitting monies collected by the County to a paying agent, which in turn paid the bond holders. In the event of non-payment of an assessment by a property owner, the District was responsible only for initiating foreclosure action on the property encumbered by the CSP assessment.

Since the District has never assumed any legal or moral liability to pay any of the Assessment District's bonded indebtedness, the District's financial statements do not include the Assessment District bonds or related balances. However, as the Assessment District's agent, the District uses the cash discussed in Note 2 A to make the required payments on the Assessment District Bonds or projects within the Assessment District with any remaining funds. At June 30, 2014, a final accounting for the District had not been performed and therefore residual balances remain on the District books for certain accounts.

6. NET POSITION

A portion of net position is a set aside for the Crystal Springs project of \$373,447 and capital improvements of \$1,135,209.

7. RISK MANAGEMENT AND SELF-INSURANCE

The District is exposed to various risks of loss related to torts, theft of, damage and destruction of assets, errors and omissions, and natural disasters. The District is a member of the Association of California Water Agencies Joint Powers Insurance Authority (ACWA JPIA) and participates in the liability, property and workers' compensation programs.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Claim liabilities are calculated considering recent claim settlement trends including the frequency and amount of payouts and other economic and social factors. The liability for claims and judgments is reported in the general long-term debt account group because it is not expected to be liquidated with expendable available financial resources.

**Coastside County Water District
Basic Financial Statements
For the year ended June 30, 2014**

Notes to Basic Financial Statements, Continued

7. RISK MANAGEMENT AND SELF-INSURANCE, Continued

The District's JPIA membership includes property coverage of \$1,000-\$101,000 per occurrence, \$51,000 - \$50,000,000 excess insurance fidelity coverage of \$1,000 to \$101,000 per occurrence, general liability/automobile coverage of \$500,000, and excess insurance of \$70 million with no self-insurance retention. Workers' compensation insurance is provided through JPIA with a \$350,000 per occurrence coverage.

As of June 30, 2014 there was two open claims for the District. The first claim was for fire damage in the District's server room in which the District incurred \$253,500 in losses. The District had been paid \$80,314 and \$173,186 was still outstanding. The second was liability claim for sewer back up into home in the amount of \$100.

8. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)

A. Plan Description

The District contributes to the California Public Employees' Retirement System (CalPERS), a cost-sharing, multiple-employer, public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 "P" Street, Sacramento, California 95814.

B. Funding Policy

All full-time District employees participate in the CalPERS Plans. Employees hired before August 14, 2011 are in the Tier 1 (2.5% at 55) plan, and employees hired on or after that date are in the Tier 2 (2% at 60) plan. The required member contribution rates are 8% of monthly salary over \$133.33 for the Tier 1 plan, and 7% of monthly salary over \$133.33 for Tier 2. Effective June 14, 2012 the portion of the member contribution rate paid by employees increased from 1% to 2%. The District pays the remainder of the member contribution. The required employer contribution rate for fiscal year 2013-14 was 25.409% of annual payroll. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration.

Coastside County Water District
Basic Financial Statements
For the year ended June 30, 2014

Notes to Basic Financial Statements, Continued

8. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS), Continued

C. Annual Pension Cost

For fiscal year 2013-14, the District's annual pension cost of \$389,452 for CALPERS was equal to the District's required and actual contribution. The required contribution was determined as part of the June 30, 2011, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.50% of discount rate (net of administrative expenses), and (b) 3.30% to 14.20% projected annual salary increases that vary by age, duration of service and type of employment with 3.00% payroll growth. Both (a) and (b) included an inflation component of 2.75% and annual production growth of 0.25%.

The actuarial value of CALPERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period (smooth market value). CALPERS has increased the future rate the District pays to reflect an unfunded condition in the plan.

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2012	331,254	100%	-
6/30/2013	359,950	100%	-
6/30/2014	389,452	100%	-

9. OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The District provides health insurance benefits through the Association of California Water Agencies (ACWA) Blue Cross plan or the District's plan through Kaiser Permanente (small business plan) to employees who retire. The District pays for one-party medical, dental and vision premiums for retirees. The medical and vision benefits are paid for life and the dental benefits are paid until age 65. Employees hired after November 14, 2006 will receive 50% of the benefits.

**Coastside County Water District
Basic Financial Statements
For the year ended June 30, 2014**

Notes to Basic Financial Statements, Continued

9. OTHER POST-EMPLOYMENT BENEFITS, Continued

Eligibility: Employees (and their dependents) are eligible to access retiree healthcare benefits if they retire from the District on or after age 55 (service retirement) with at least 15 years of service (service and disability retirement) and the employee must submit the retirement application within 120 days of separation and are eligible for a PERS pension. Membership of the plan consisted of the following at June 30, 2014:

Retirees and beneficiaries receiving benefits	8
Other participants fully eligible for benefits	2
Other participants not yet fully eligible for benefits (hired prior to 11/14/2006)	11
Other participants not yet fully eligible for 50% benefits (hired after to 11/14/2006)	3
Participants not eligible for benefits (hired on or after 11/1/2008)	2
Total	26

Funding Policy

The District pays for its other postemployment benefit (OPEB) obligation on a pay-as-you-go basis (i.e., as insurance premiums become due).

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Coastside County Water District
Basic Financial Statements
For the year ended June 30, 2014

Notes to Basic Financial Statements, Continued

9. OTHER POST-EMPLOYMENT BENEFITS, Continued

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the District's net OPEB obligation for these benefits:

Annual required contribution *	\$ 246,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	246,000
Contributions made (premiums paid)	(85,594)
Increase in net OPEB obligation	160,406
Net OPEB obligation - beginning of year	295,623
Net OPEB obligation - end of year	\$ 456,029
* Annual required contribution is based on projected numbers from the actuarial report as of January 1, 2012 dated March 29, 2012.	

This is the second year that the District is following the reporting requirements of GASB 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pension Plans*. The District has elected to implement GASB 45 prospectively and therefore shows no OPEB obligation at transition. The District's annual OPEB cost (expense) is equal to the ARC, and the net OPEB obligation for 2014 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2012	147,400	64%	157,412
6/30/2013	235,670	41%	295,623
6/30/2014	246,000	35%	456,029

Plan Funded Status and Funding Progress

As of January 1, 2012, the most recent actuarial valuation date, the plan was 0% funded. The Actuarial Accrued Liability (AAL) for benefits was \$2,654,800, and the actuarial value of assets was zero dollars, resulting in an Unfunded Actuarial Accrued Liability (UAAL) of \$2,654,800. The covered payroll (annual payroll of active employees covered by the plan) was \$1,591,073 and the ratio of UAAL to the covered payroll was 186%.

Coastside County Water District
Basic Financial Statements
For the year ended June 30, 2014

Notes to Basic Financial Statements, Continued

9. OTHER POST-EMPLOYMENT BENEFITS, Continued

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the profitability 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.

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 plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefits costs between the employer and the plan members to that point. The actuarial methods and assumptions used included techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long term perspective of the calculations. The actuarial valuation was performed in January of 2013 based upon June 30, 2012 amounts.

The actuarial cost method used for determining the benefit obligations is the projected unit credit actuarial cost method. The actuarial assumptions included a 5% investment rate of return, which is the expected long-term rate of return on the District's pooled investments (per GASB 43/45 guidelines for this assumption), and an annual cost trend rate of 5.5% for medical, 3% for dental and 2% for vision benefit costs and a 3% general inflation assumption. The UAAL is being amortized using a level dollar method over 30 years with no election as to an open or closed basis at this time.

10. COMMITMENTS AND CONTINGENCIES

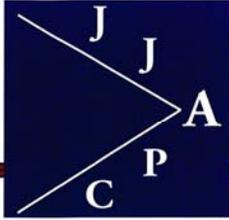
The District is subject to general risk and exposure due to normal operations in the course of business. These risks involve various claims against the District, both asserted and unasserted, all of which management considers to be immaterial to these financial statements.

**Coastside County Water District
Basic Financial Statements
For the year ended June 30, 2014**

Notes to Basic Financial Statements, Continued

11. NEW ACCOUNTING PRONOUNCEMENTS

The GASB has issued Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date” The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, “Accounting and Financial Reporting for Pensions”. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government’s beginning net pension liability. This Statement is effective for fiscal years beginning after June 15, 2014, and should be applied simultaneously with the provisions of Statement 68. The City will implement this Statement in fiscal year 2014-15.



JJACPA, Inc.

A Professional Accounting Services Corp.

**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**

Board of Directors
Coastside County Water District
Half Moon Bay, California

We have audited, in accordance with the auditing standard 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 Coastside County Water District (District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Coastside County Water District's basic financial statements, and have issued our report thereon dated February 2, 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control 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 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 the 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 considered to be material weaknesses. However, material weaknesses may exist that we have not 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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

February 2, 2015

JJACPA, Inc.
JJACPA, Inc.
Dublin, CA