Beaumont-Cherry Valley Water District

Comprehensive Annual Financial Report

Fiscal Year Ended December 31, 2018

Beaumont, California

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Comprehensive Annual Financial Report
For the Year Ended December 31, 2018

Beaumont-Cherry Valley Water District
Beaumont, California

Board of Directors
John Covington, President
Daniel Slawson, Vice-President
Andy Ramirez, Secretary
David Hoffman, Treasurer
Lona Williams, Director

Daniel K. Jaggers, P.E., General Manager

Prepared by the Finance and Administrative Services Department
Yolanda Rodriguez, Director of Finance & Administrative Services

The goal of the District is to provide for a healthy, safe and enriched quality of life throughout the District boundaries through watershed stewardship and thorough management of water resources in a practical, cost-effective, and environmentally sensitive manner for current and future generations.

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Beaumont-Cherry Valley Water District
Comprehensive Annual Financial Report
For the Year Ended December 31, 2018

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Introductory Section

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Beaumont-Cherry Valley Water District

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June 27, 2019

Honorable Board of Directors
Beaumont-Cherry Valley Water District

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) for the Beaumont-Cherry Valley Water District (District) for the year ended December 31, 2018, following guidelines set forth by the Government Accounting Standards Board (GASB) and Generally Accepted Accounting Principles (GAAP).

District staff prepared this financial report. District management is ultimately responsible for both the accuracy of the data and the completeness and fairness of presentation, including all disclosures in this financial report. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included. Internal controls are an important part of any financial reporting framework, and management of the District has established a comprehensive framework of internal controls to provide a reasonable basis for asserting that the financial statements are fairly presented. Because the cost of an internal control should not exceed the benefits to be derived, the objective is to provide reasonable, rather than absolute assurance, that the financial statements are free of any material misstatements.

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

The District's financial statements have been audited by Rogers, Anderson, Malody and Scott, LLP, a firm of licensed certified public accountants. The purpose of their independent audit was to provide reasonable assurance that the financial statements of the District, for the year ended December 31, 2018, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used; and evaluating the overall financial statement presentation. The audit included obtaining an understanding of the District and its environment, including internal controls, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified (clean) opinion that the District's financial statements for the year ended December 31, 2018, are fairly presented, in all material respects, in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

560 Magnolia Avenue Beaumont CA 92223

Profile of the District

The goal of the District is to provide for a healthy, safe and enriched quality of life throughout the District boundaries through watershed stewardship and thorough management of water resources in a practical, cost-effective, and environmentally sensitive manner for current and future generations.

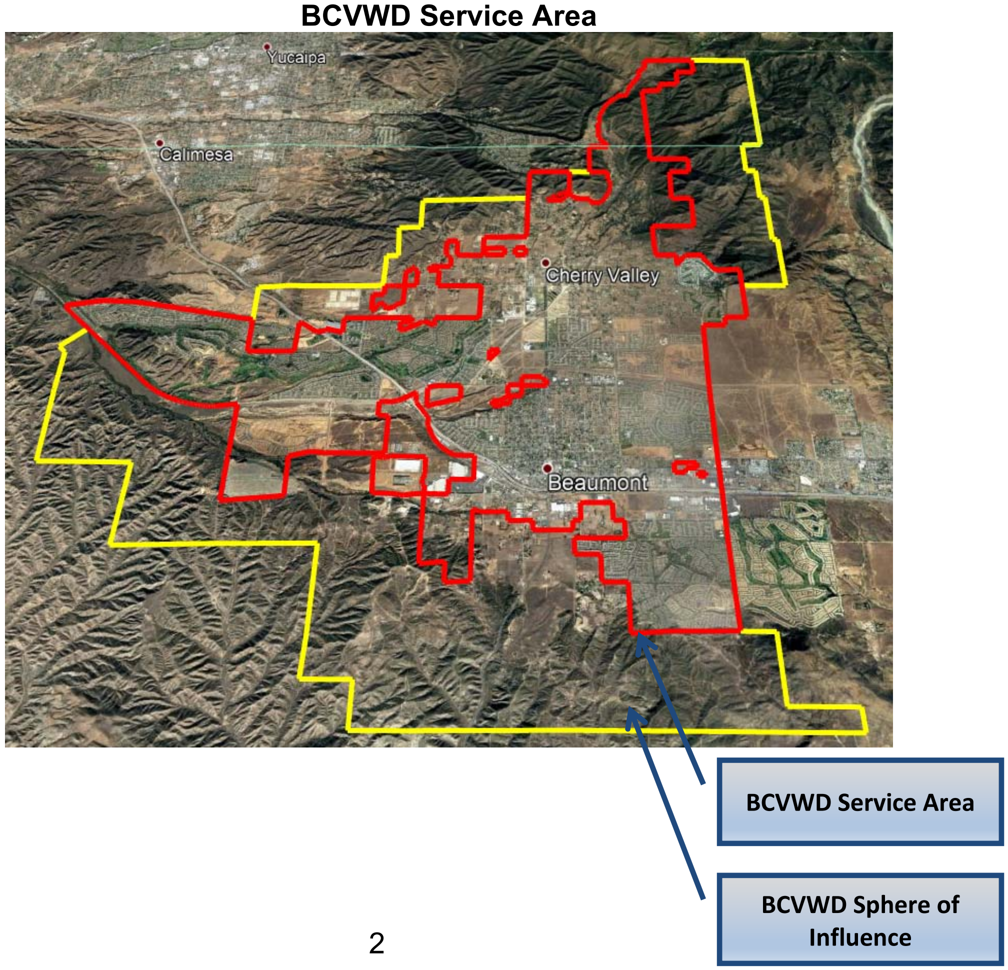
History

The origin of the District dates back to the latter part of the 1800's when the Southern California Investment Company was the owner of the land that currently is the City of Beaumont and the community of Cherry Valley. The Company intended to build a system of water lines for the purpose of developing subdivisions throughout the Beaumont and Cherry Valley areas. The area started to develop in the late 1880s and in 1912 the community of Beaumont incorporated. The District was formed in 1919 as the Beaumont Irrigation District under California Irrigation District law, Water Code Section #20500 et seq. The name was changed to the Beaumont-Cherry Valley Water District in 1973. The District owns 575 acres of watershed land in Edgar Canyon in San Bernardino County and 949 acres of watershed in Riverside County. Edgar Canyon is named after Dr. William F. Edgar, a military doctor who was in charge of a number of hospitals during the Civil War. Dr. Edgar appreciated the beauty of the land and purchased it in 1859, he planted fruits and vineyards and later established a winery.

Service Area

The District's present service area covers approximately 28 square miles, virtually all of which is in Riverside County, and includes the City of Beaumont, the community of Cherry Valley, and some small areas of Calimesa.

Figure 1
BCVWD Service Area



Water Services
The District has both a potable and non-potable water distribution system. At the end of 2018, the District had a total of 18,757 connections, an increase of 760 connections over 2017, 92.93 percent of which are for single family residences. The number of connections increased from 5,600 in the year 2000 before the housing market boom that encompassed Western Riverside County and particularly Beaumont.

The District has a total of 24 wells and 15 reservoirs ranging in size from 0.5 million gallons (MG) to 5 MG. Total storage is approximately 23 MG.

Today, the District continues to develop programs and policies that ensure a supply of water for the area's growing population and include recharge of local area storm water and imported water from the State Water Project.

Of significance to its programs and goals, the Board authorized the purchase of 78.8 acres of land, and eventually constructed the Noble Creek Recharge Facility for the recharge of imported water from the State Water Project. In the future, storm runoff and possibly highly treated recycled water may be recharged at the facility. These water sources would receive additional natural treatment as they recharge the groundwater much like rain and runoff, which are naturally treated as they seep into the ground to become groundwater.

Governance
The District's Board of Directors is comprised of five members elected by the citizens within their geographical area. Each Director serves a four year staggered term and must be a resident of the division they represent. The District operates under a Board-Manager form of government. The General Manager is appointed by the Board, and administers the daily affairs of the District and carries out policies of the Board of Directors. The District employs a staff of 39 under the direction of the General Manager.

Local Economy
Beaumont and Cherry Valley remained relatively small until the mid-1980s. The populations of Beaumont and Cherry Valley in 1980 were 6,818 and 5,012 respectively. The boom of the early 2000s saw Beaumont's population increase to 48,237 by 2018; Cherry Valley showed only limited growth to 7,355 during that same time period. Current population served by the District is approximately 55,592. Meeting the water supply demands for this continued growth in Beaumont continues to be challenging as the City of Beaumont remains one of the fastest-growing cities in the State of California.

According to projections in the District's 2015 Urban Water Management Plan, the population served by the District is expected to reach approximately 78,000 by 2030. The City of Beaumont's General Plan, adopted in 2007, had a projected build-out population of 87,200. The build-out population within the District's Sphere of Influence (SOI) is estimated to be about 112,300 based on the District's estimates of land use.

Population and household data for the City of Beaumont area set forth in Table 1 below:

Table 1
Population and Household Data for the City of Beaumont

City of Beaumont	1990	2000	2010	2018
Population	9,685	11,407	37,278	48,237
Households	3,718	3,887	11,801	14,180
People/Household	2.60	2.93	3.16	3.40

In 2018, the District continued to experience increased interest from land developers in completing tract developments that were put on hold during the economic slowdown and beginning new developments that were previously delayed.

According to its Major Project Status report, the City of Beaumont identifies the planned construction by area land developers of approximately 16,672 housing units of which approximately 10,659 of these planned housing units are approved.

Financial Management

The keys to the District's successful financial management are the District's Capital Improvement Plan, annual budget process, and financial policies.

Capital Improvement Plan
The Capital Improvement Plan (CIP) is a ten-year fiscal planning tool used to identify the future capital needs of the District, as well as identify the timing and method of financing those capital needs. The CIP is designed to show how the District will build, maintain, and manage the assets needed to produce, treat, and distribute water while keeping costs as low as possible. This planning tool provides the framework for District investments over a ten-year horizon, while providing the flexibility to adapt to changing infrastructure needs and opportunities as they arise.

Annual Budget Process
The General Manager is responsible for keeping expenses within budget allocations and may adopt budget policies necessary to carry out that responsibility. No expenditure of funds shall be authorized unless sufficient funds have been appropriated by the Board or reallocated by the General Manager.

The General Manager may exercise discretion in the administration of the Budget to respond to changed circumstances, by requesting budget amendments between line items within their department. Budget transfers between departments must be approved by both department directors. Any single modification in excess of $50,000, shall require approval by the Board. Any addition to the budget shall also require approval by the Board. All budget transfers are documented and tracked in the District's computerized financial system and reported to the Finance and Audit committee at their regular meetings on the first Thursday of each month.

The Capital Improvement Budget (CIB) is presented as a supplement to the annual operating budget and includes only the next five years of the most-recently adopted CIP. Any additions or changes to the CIP are documented in the CIB.

Financial Policies
The District's financial policies include financial management practices that are used for operational and strategic decision making and allow the Board of Directors and stakeholders to monitor how the District is managing its financial responsibilities.

> *Investment Policy* - This policy is intended to provide a guideline for the prudent investment of surplus cash, reserves, trust funds, and restricted monies and to outline a policy for maximizing the efficiency of the District's cash management system in compliance with Section 53646 of the Government Code of California. The policy applies to all financial assets of the District as accounted for in the audited financial statements. The primary objectives of the District's investment activities, in order of priority, are safety of principal through the mitigation of both credit and market risk, maintenance of the liquidity necessary to meet cash flow needs and, lastly, return on investment.

Reserve Policy - This policy incorporates and identifies restricted reserves as Future Capital Commitments, Funds Held for Others, and Debt Service. Board designated unrestricted reserves are identified in the policy as Emergency, Capital Replacement, and Operations.

The purpose of the Emergency Reserve is to ensure continued service to the District's customers and service areas for events which are impossible to anticipate and budget for. The Emergency Reserve is adjusted annually to a minimum of 15 percent of the annual operating budget.

The Capital Replacement Reserve is earmarked for the purchase of operating equipment, physical plant, infrastructure, water conservation projects and other capital items. They are designed to stabilize funding for capital by accumulating "pay as you go" reserves available for necessary capital purchases. The Capital Replacement Reserve is funded through any sources available for capital improvements, including operating revenues.

The Reserve for Operations is to be used for working capital purposes and to ensure continuity of customer services regardless of cash flow. This Reserve is adjusted annually to a minimum amount sufficient to pay for three months of budgeted operating expenses, not exceeding a maximum of six months of budgeted operating expenses. Adequate reserves, along with sound financial policies, provide financial flexibility in the event of unanticipated expenses or revenue fluctuations.

Purchasing Policy - This policy is designed to establish policies and procedures that provide for:

- competitive bidding in the open market
- a cost effective purchasing process that incorporates high ethical standards
- obtaining quality materials, supplies, equipment, and non-professional services at the lowest ultimate cost and in a timely manner
- a process to purchase, using effective fiscal controls that assure adherence to budgeted expenses and for obtaining appropriate levels of approval as established therein

Short- and Long-Term Issues Impacting the District's Financial Position

Funding Imported Water Supply

The District, along with other water agencies and stakeholders in the Beaumont Basin, has recently begun to come to an understanding of the component costs of the water supply portfolio of the San Gorgonio Pass Water Agency (SGPWA), the region's wholesale water provider, and the funding tools being employed to ensure the delivery of necessary water supplies to the region at the lowest melded cost. As the principal buyer of imported water, District staff, in conjunction with the SGPWA, have spent a considerable amount of time and effort in exploring and developing possible strategies. The District has come a long way over the past year in terms of understanding the components that comprise the supply portfolio for the region and potential ways to fund them, and continues to work in cooperation with the SGPWA and other stakeholders to create a comprehensive strategy for funding imported water supply for the region.

Delta Conveyance Project (formerly referred to as California WaterFix)

California's largest supply of clean water is dependent on an aging and inefficient system that cannot adequately store water when it is available. The reliability of the State Water Project (SWP) is projected to decrease from about 60 percent current reliability to 48 percent or below in the future. The proposed solution, the Delta Conveyance Project, will update the infrastructure, reduce risk from earthquakes, and provide reliable water while protecting the environment. Part of the cost to fix California's primary water delivery system will be paid for by SWP contractors and other public water agencies that rely on the supply.

Sites Reservoir
One additional long-term water supply project capable of supplementing local water supplies is the Sites Reservoir Project. The District is currently participating in the Sites Reservoir Project for 4,000 acre feet per year (AFY) of supply in conjunction with the SGPWA's 10,000 AFY of supply participation (14,000 AFY total participation). The Sites Reservoir Project is a proposed reservoir that would be located at the site of a cattle ranch in the eastern foothills of the Central Valley about 78 miles northwest of Sacramento. Sites Reservoir is not on any major stream; all water must be pumped into the reservoir. Sites Reservoir was part of the original SWP, but was deferred during original construction of the SWP. Because of future water supply uncertainties, new interest has arisen in the reservoir. If constructed, the Sites Reservoir would give water agencies across the state more flexibility to meet both customer demands and environmental needs, especially in dry and critical years. As with the Delta Conveyance Project, the Sites Reservoir project is moving forward, but there is some risk that one or both may not be completed and operational.

Increasing CalPERS Costs
The District provides retirement benefits to District employees through the California Public Employees Retirement System (CalPERS). Although the District pays what it is billed annually, the District's unfunded liability is in excess of $2 million. Due to changes in actuarial assumptions made by the CalPERS Board, as well as projected rate of return on investments, the unfunded liability is expected to increase. A significant portion of the current CalPERS contributions are directly related to paying off the principal and interest of the unfunded liability, the difference between estimated pension plan obligations and the current value of its assets. It is expected that these contributions may grow significantly over the next ten years, which would have a direct impact on rates.

Financial Stability
While the District has strong reserves in fiscal year 2019, there is increasing pressure on reserves in the short term. There is an emphasis on improving the execution rate of the CIP, and as it increases more unobligated cash will be used, especially for projects funded by Capital Replacement Reserves, unless rates as well as capacity fees are increased. In addition, the preceding issues (above) all put pressure on reserves and rates. While the fiscal 2019 budget was adopted with no rate increases, future budgets may require rate increases to ensure District reserves are fully funded.

Major Initiatives

Major goals for the District continue to be the conservation and efficient use of urban water supplies, providing the means to meet increasing demands for water, and providing an accurate accounting of all business operations including District infrastructure. Planning for and developing facilities to provide water for future growth continues to be a District priority.

Following are highlights of the District's completed and on-going initiatives identified in the 2017 Comprehensive Annual Financial Report (CAFR) as well as highlights of major projects that have been or are planned to be initiated in 2019 to meet the District's goals.

Completed

- Prepared water supply review and analysis for the District, the San Gorgonio Pass Water Agency (SGPWA), and the San Gorgonio Pass Region stakeholders including an in depth review and analysis of District and regional water supply, water demand, expenses and financing analysis of current and future District and regional water supply needs and expenses as set forth in White Papers 1 through 7.

- Commenced implementation of recycled water opportunity with the City of Beaumont including: coordination of activities with City of Beaumont Staff and Council Members; preparation of Recycled Water Implementation Memorandum and Implementation Schedule; preparation of recycled water booster station preliminary design requirements, design and equipment parameters, and construction schedule and associated expenses; participation in preparation of draft Memorandum of Understanding.

- Worked with SGPWA to complete design and bid activities related to the upsizing of the East Branch Extension - Noble Creek Turnout, from 20 cubic feet per second to 34 cubic feet per second.

- Began accelerated deployment of Automated Meter Reading (AMR) technology both as upgrades and retrofits to existing meters, with the design of providing a streamlined and efficient way for staff to read water meters electronically.

- The District's main accounting system, Springbrook (Accela), implemented in 2013, has allowed District staff to enhance reporting and internal controls. The District continued to direct its efforts in 2018 towards enhanced system reporting capabilities, which included building a server and installing all components of an upgraded version of Springbrook in-house, saving the District's ratepayers $35,000

- Completed Phase I of the Supervisory Control and Data Acquisition System (SCADA) internally by replacing old hardware, upgrading operating systems, implementing new communication protocols and deploying software.

- Improved District Safety Program by utilizing professional risk management, updating Injury and Illness Prevention Program (IIPP), safe work practices, training, and by providing additional safety equipment.

To Be Initiated:

- Moving forward, the District intends to complete capital improvement design activities and commence construction for Noble Reservoir No. 2 and Pipeline, 2018 Replacement Pipeline Project, and Well 1A and 2A Well Drilling Project, Well 25 block wall, Noble Creek Recharge Facility Phase I security fencing, Noble Booster equipment purchase, and 4A Booster equipment replacement.

- Work with SGPWA to complete construction activities related to the upsizing of the East Branch Extension - Noble Creek Turnout, from 20 cubic feet per second to 34 cubic feet per second.

- Domestic and Recycled Water Rates and Fees Update - The last water rate study was conducted in 2010, and this will be the first time the District will be taking an in-depth look at the rate structure for recycled water.

- Receive permitting from the California Department of Water Resources for the use of Title 22 compliant recycled water in the Districts non-potable water system.

Ongoing:

- Regional Water Supply Outlook - The District plans to continue to conduct long-term forecasting and planning for water supply, working with all stakeholders to formulate a plan for updating the imported water supply rate.

- The District will continue with the development of the non-potable water system by constructing additional facilities necessary to complete the conversion of the landscape irrigation users as well as satisfy additional demand. The District's focus in 2019 and beyond will be on pressure regulator projects, 2520 PZ to 2370 PZ and 2600 PZ to 2520 PZ, as well as the Raw Water Filter System Project at the 2800 PZ Tank.

- The Grand Avenue Storm Drain Project, which is being developed in conjunction with Riverside County Flood Control and Water Conservation District and partially funded utilizing grant funding from Proposition 84, will capture and recharge storm water at NCRF Phase II. The Project continued in 2018 and likely will be on-going through 2021.

- The GIS System Mapping Project is on-going with the majority of the system completely mapped and accessible to District personnel

- Conservation Program and a Community Outreach Program - The District's intent is to work with surrounding agencies and develop a joint program with regional partners and community stakeholders.

- The revised Capacity Fee (Facility Fee) Study was initiated in 2016 and is expected to be completed by the end of 2019.

- AMR Deployment – the AMR Deployment project was designed to provide a streamlined and efficient way for staff to read water meters electronically. Staff plans to continue deployment of several thousand radios per year over the next few years.

- In 2018 the District initiated the IT workstation upgrade program that is ongoing and is based on a rotating three-year replacement plan.

Acknowledgements
Preparation of this report was accomplished by the combined efforts of District staff. We appreciate the dedicated efforts and professionalism that these staff members contribute to the District. We would also like to thank the members of the Board of Directors for their continued support in the planning and implementation of the Beaumont-Cherry Valley Water District's financial and operating policies.

Daniel Jaggers
General Manager

Yolanda Rodriguez
Director of Finance and Administrative Services

Beaumont-Cherry Valley Water District

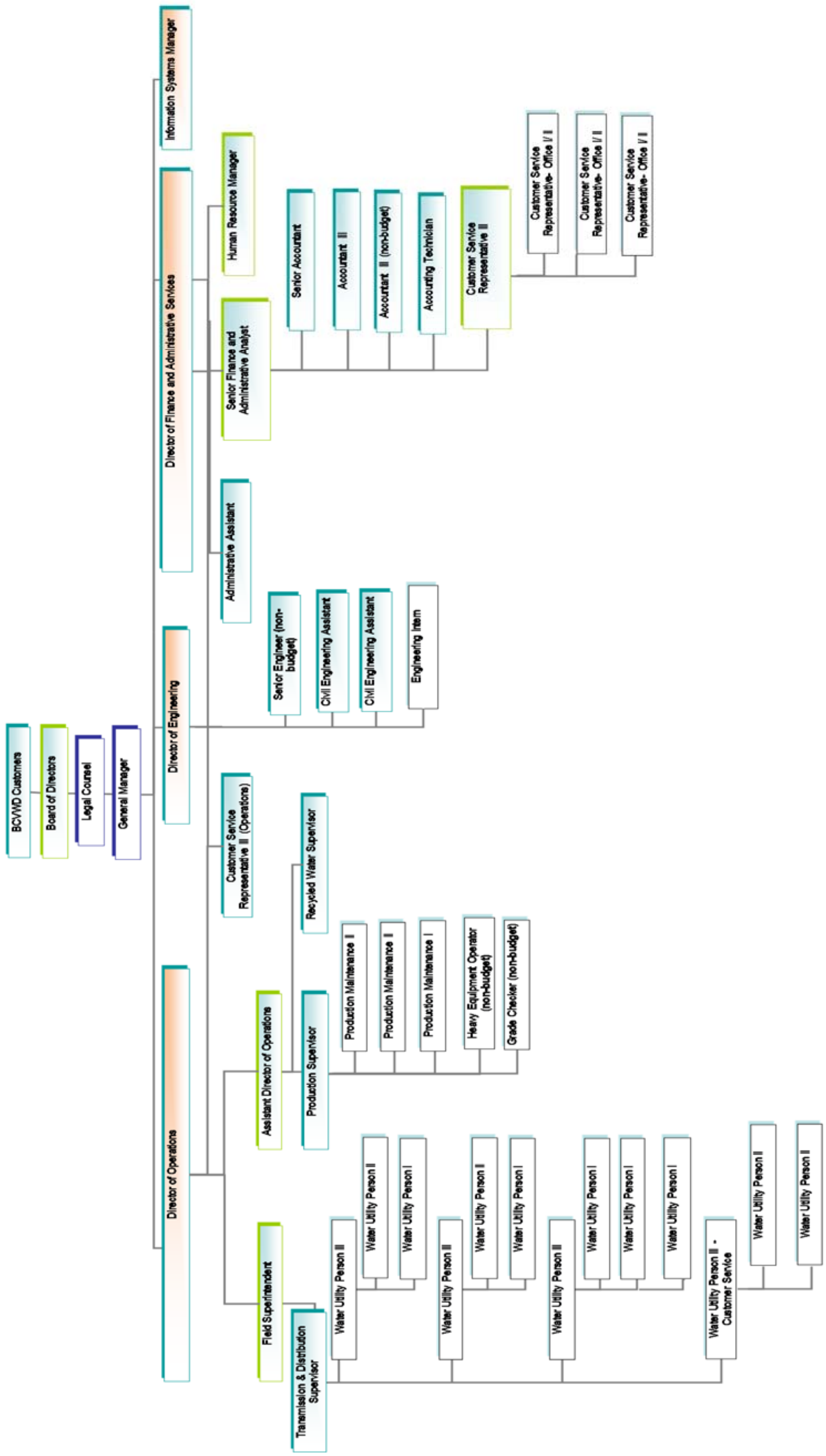
560 Magnolia Avenue Beaumont CA 92223
951.845-9581 www.bcvwd.org

Board of Directors as of December 31, 2018

Director	Title	Division	Current Term
John Covington	President	4	12/2018 – 12/2022
Daniel Slawson	Vice-President	3	12/2018 – 12/2022
Andy Ramirez	Secretary	1	12/2016 – 12/2020
David Hoffman	Treasurer	5	12/2018 – 12/2022
Lona Williams	Director	2	12/2016 – 12/2020

Daniel K. Jaggers, P.E.
General Manager

Beaumont-Cherry Valley Water District
Organizational Chart



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Beaumont Cherry Valley Water District

California

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

December 31, 2017

Christopher P. Morrill

Executive Director/CEO

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Financial Section

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Independent Auditor's Report

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ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

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Independent Auditor's Report

Board of Directors
Beaumont-Cherry Valley Water District
Beaumont, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Beaumont-Cherry Valley Water District (the District), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the State Controller's *Minimum Audit Requirements for California Special Districts*. Those standards require that we plan and perform 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31 2018, and the changes in financial position and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the State Controller's Office and State Regulations governing Special Districts.

Emphasis of a Matter

As discussed in Note 1 of the financial statements, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents, 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 an opinion on the financial statements that collectively comprise the District's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory section and statistical sections have 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 them.

Prior Year Comparative Information

We have previously audited the District's 2017 financial statements, and we expressed an unmodified opinion in our report dated June 8, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino California
June 27, 2019

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Management's Discussion and Analysis

As management of the Beaumont-Cherry Valley Water District (the "District" or "BCVWD"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal years ended December 31 2018 and 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our transmittal letter which can be found on pages 1-8.

FINANCIAL HIGHLIGHTS

Based on the financial information for the year ended December 31, 2018, the following financial highlights are noted for the District:

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at year end by $170,365,218 (net position). Of this amount, $28,366,923 represents unrestricted net position, which may be used to meet the District's ongoing obligations to customers and creditors and maintain designated reserves approved by the District's Board of Directors.
- The District's total net position increased $9,449,835 from the prior fiscal year. The increase is mainly a result of capital contributions from developer activities of $7,706,050, which is comprised of $2,423,839 in donated capital assets and $5,282,211 in capacity charges to developers to ensure that funds are set aside to provide for the expansion of the domestic and non-potable water system.

Based on the financial information for the year ended December 31, 2017, the following financial highlights are noted for the District:

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at year end by $160,915,383 (net position). Of this amount, $26,777,618 represents unrestricted net position.
- The District's total net position, as restated for the implementation of GASB 75, increased $11,637,488 from the prior fiscal year. The increase is mainly a result of capital contributions from developer activities of $11,270,398, which is from capacity charges to developers.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

Beaumont-Cherry Valley Water District is a special-purpose government engaged in activities that are supported exclusively by user charges. As such, the District's financial statements are presented in the format prescribed for proprietary funds by the Governmental Accounting Standards Board.

The following financial statements for the year ended December 31 2018 (2017 for comparative purposes only) consist of a series of interrelated statements designed to provide the reader with relevant, understandable data about the District's financial condition and operating results. They are the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows.

The *Statement of Net Position* presents financial information on all of the District's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Beaumont-Cherry Valley Water District is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Net Position* presents information illustrating how net position changed during the fiscal year. This *Statement* measures the success of the District's operations over the past reporting periods and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges. More succinctly, this *Statement* can be used to evaluate the District's financial condition over the last two years. It can also be used as a basis for determining credit worthiness.

The *Statement of Cash Flows* presents information relating to the District's cash receipts and cash disbursements during the year. When used with related disclosures and information in the other financial statements, the information in this *Statement* should help readers assess the District's ability to generate future net cash flows, its ability to meet its obligations as they come due, and its need for external financing. It also provides insight into the reasons for differences between operating income and associated cash receipts and payments; and the effects of the District's financial position of its cash and non-cash investing for capital and related transactions during the years. This *Statement* answers questions such as sources of cash, uses of cash, and the change in the cash balance during the reporting periods.

Notes to the Basic Financial Statements. The notes provide additional information that is necessary to understand the data provided in the basic financial statements. The notes to the financial statements are included immediately following the *Basic Financial Statements* and can be found on pages 29-56 of this report.

In addition to the *Basic Financial Statements* and accompanying notes, this report also presents *Required Supplementary Information,* which includes the schedule of the District's proportionate share of the net pension liability, schedule of pension contributions, and the schedule of changes in OPEB and related ratios (OPEB) plan. *Required Supplementary Information* can be found on pages 57-59 of this report.

FINANCIAL ANALYSIS OF THE DISTRICT

The following condensed schedules contain a summary of financial information that was taken from the *Basic Financial Statements,* to assist readers in assessing the District's overall financial position and operating results.

Condensed Statements of Net Position

	2018	2017	2016
Assets			
Current assets	$ 62,512,946	$ 54,612,083	$ 41,545,467
Non-current assets	595,426	659,696	99,265
Capital assets	115,174,259	112,850,063	114,241,568
Total assets	178,282,631	168,121,842	155,886,300
Deferred outflows of resources	677,933	844,250	631,124
Liabilities			
Current liabilities	4,865,655	4,379,864	3,796,063
Non-current liabilities	3,511,702	3,478,403	2,538,800
Total liabilities	8,377,357	7,858,267	6,334,863
Deferred inflows of resources	217,989	192,442	420,744
Net position			
Net investment in capital assets	115,174,259	112,850,063	114,241,568
Restricted	26,824,036	21,287,702	10,226,231
Unrestricted	28,366,923	26,777,618	25,294,018
Total net position	$ 170,365,218	$ 160,915,383	$ 149,761,817

Assets

2018 compared to 2017 Total assets were $178,282,631, reflecting an increase of $10,160,789 primarily due to the following:

- Current assets, comprised of restricted and unrestricted assets, increased by $7,900,863. This change is primarily reflective of net cash from operations of $3,558,493, and cash from capital contributions of $5,327,811 less $2,476,161 paid for acquisition and construction of capital assets.

FINANCIAL ANALYSIS OF THE DISTRICT (CONTINUED)

Assets (continued)

2017 compared to 2016 Total assets were $168,121,842, reflecting an increase of $12,235,542 primarily due to the following:

- Current assets, comprised of restricted and unrestricted assets, increased by $13,066,616. This change is primarily reflective of net cash from operations of $2,664,155, and capital contributions of $11,270,398 less $1,251,166 for acquisition and construction of capital assets.

Liabilities

2018 compared to 2017 Total liabilities were $8,377,357, reflecting an increase of $519,090 primarily due the net effect of:

- Unearned revenues, which are generally payments made in advance of the District providing services such as meter installations, plan checks, and inspections, increased by $330,994.

- The District's net other post-employment benefits (OPEB) liability increased by $79,847, a year-end calculation made in accordance with Governmental Accounting Standards Board (GASB) statement number 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

- The District's net pension liability decreased by $46,779, a year-end calculation made in accordance with Governmental Accounting Standards Board (GASB) statement number 68 Accounting and Financial Reporting for Pensions.

2017 compared to 2016 Total liabilities were $7,858,267, reflecting an increase of $1,523,404 primarily due to the following:

- Unearned revenues, which are generally payments made in advance of the District providing services such as meter installations, plan checks, and inspections, increased by $596,171.

- The District's net pension liability increased by $347,778, while the net other post-employment benefits (OPEB) liability increased by $582,922. 2018 is the first year for which OPEB is required to be shown on the Statement of Net Position, and applied retroactively for 2017, in accordance with GASB statement number 75. OPEB and Pensions are further discussed in Notes 10 and 12 accompanying the financial statements.

FINANCIAL ANALYSIS OF THE DISTRICT (CONTINUED)

Net Position

2018 compared to 2017 Total net position was $170,365,218, reflecting an increase of $9,449,835.

- The largest portion of the District's net position, which is its investment in capital assets of $115,174,259 (67.6%) had an increase of $2,324,196 from the prior year. Investment in capital assets reflects its investment in land, transmission and distribution systems, reservoirs, tanks, pumps, buildings and structures, and equipment and vehicles, net of depreciation. The District uses its capital assets to provide water service to the residents of Beaumont, Cherry Valley and some portions of Calimesa. As such, these assets are not available for future spending.

- The restricted portion of net position was $26,824,036 (15.7%), an increase of $5,536,334 from the prior year. Restricted net position is subject to external restrictions on its use, such as for future infrastructure construction.

- The remaining unrestricted net position of $28,366,923 (16.7%), an increase of $1,589,305, is non-spendable ($1,054,698) and designated ($27,312,225), according to Board policy, to meet the ongoing needs of the District. See Note 11 on pages 45-46 for more details on the District's net position.

2017 compared to 2016 Total net position, as restated for the implementation of GASB 75, was $160,915,383, reflecting an increase of $11,637,488.

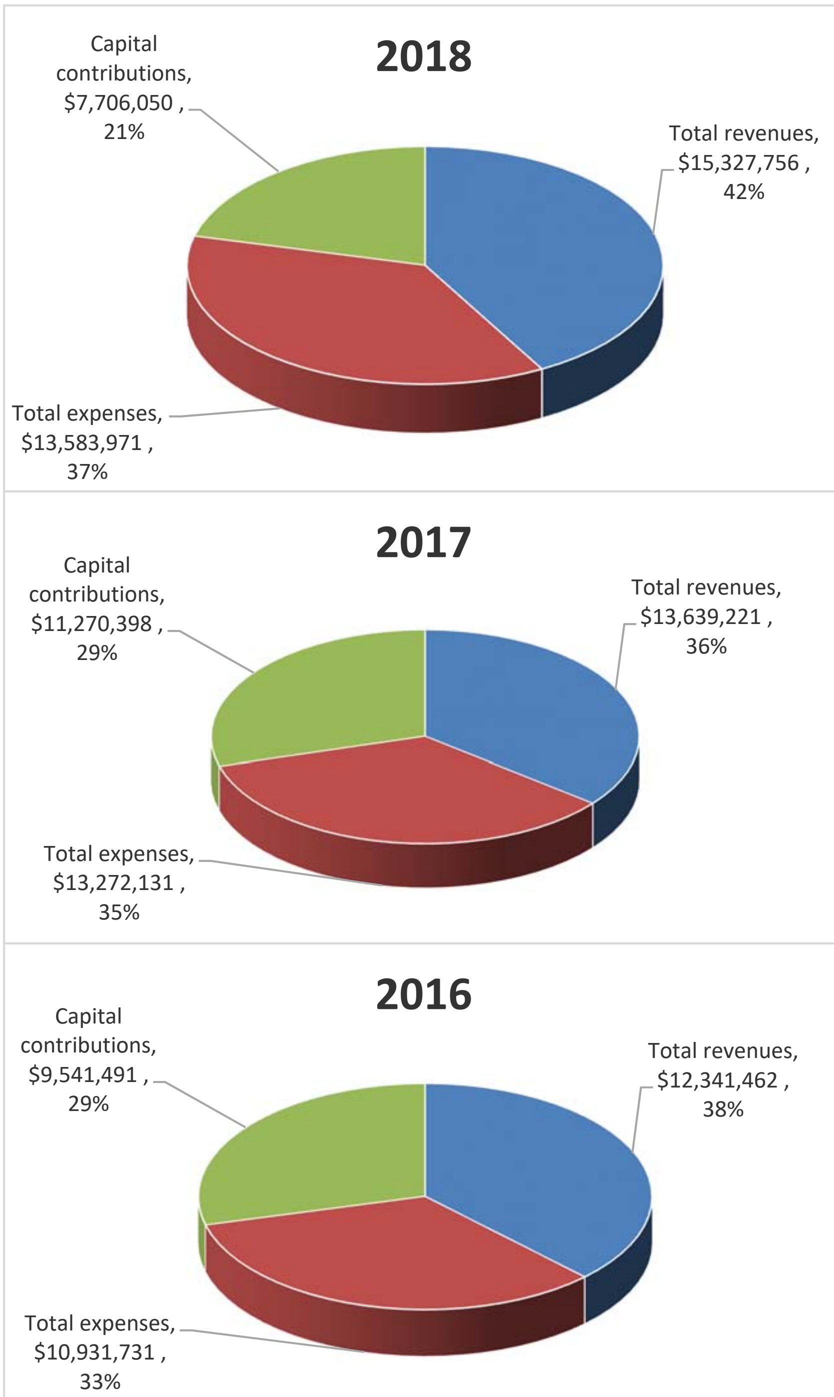
The details of both increases were discussed in the Financial Highlights section on page 15.

Condensed Statements of Revenues, Expenses and Changes in Net Position

	2018	2017	2016
Operating revenues	$ 14,160,641	$ 13,177,509	$ 12,139,442
Non-operating revenues	1,167,115	461,712	202,020
Total revenues	15,327,756	13,639,221	12,341,462
Operating expenses	13,583,971	13,235,100	10,923,833
Non-operating expenses	-	37,031	7,898
Total expenses	13,583,971	13,272,131	10,931,731
Income (loss) before contributions	1,743,785	367,090	1,409,731
Capital contributions	7,706,050	11,270,398	9,541,491
Change in net position	$ 9,449,835	$ 11,637,488	$ 10,951,222

FINANCIAL ANALYSIS OF THE DISTRICT (Continued)

REVENUES BY SOURCE



FINANCIAL ANALYSIS OF THE DISTRICT (Continued)

Operating Revenues and Expenses

2018 compared to 2017

Total operating revenues of $14,160,641 increased by $983,132 primarily due to the following:

- Metered water sales and the corresponding water importation charges and water pumping pass-through charges totaling $9,538,399 increased by $547,505, mainly due to an increase in water consumption.
- Development and installation charges of $979,629 increased by $161,199, mainly due to an increase in development-related activities.
- Water service charges of $3,238,643 increased by $223,891, mainly due to the installation of 760 meters during 2018.

Total operating expenses of $13,583,971 increased by $348,871 primarily due to the following:

- Salaries and employee benefits expenses of $3,855,018 increased by $459,960 as the District filled several positions that were previously vacant and implemented increases in accordance with a salary and compensation study performed in late 2017.
- Energy costs from pumping totaling $1,760,641 increased by $161,976 as a result of the increase in consumer demand.
- In spite of the increased consumer demand, purchases of imported water totaling $3,842,357 decreased by $465,673. The District continued to participate in a regional effort to buy imported water from Northern California to recharge the local groundwater basin, but to a lesser extent than it had in the previous year. The District was still able to add to its storage account with the Beaumont Basin Watermaster by the end of 2018.
- The District's year-end calculation of pension expense of $92,646 under GASB statement number 68 increased by $180,160 from a credit of $87,514 in 2017. This is a complex calculation required each year and can be volatile.

2017 compared to 2016

Total operating revenues of $13,177,509 increased by $1,038,069 primarily due to the following:

- Metered water sales and the corresponding water importation charges and water pumping pass-through charges totaling $8,990,894 increased by $723,857, mainly due to an 8.8 percent increase in water consumption.
- Development and installation charges of $818,430 increased by $165,179, mainly due to an increase in development-driven activities.
- Water service charges of $3,014,752 increased by $149,019, mainly due to the installation of 625 meters during 2017.

FINANCIAL ANALYSIS OF THE DISTRICT (CONTINUED)

Total operating expenses of $13,235,100 increased by $2,311,267 primarily due to the following:

- Purchases of imported water totaling $4,308,030 increased by $1,353,907 as the District participated in a regional effort to buy imported water from Northern California, available after the heavy winter rainfall, to recharge the local groundwater basin. Higher groundwater levels resulting from the recharge not only helps ensure the health of the basin but makes pumping groundwater more cost effective.
- Salaries and employee benefits expenses of $3,395,058 increased by $420,071 as the District filled several positions that were previously vacant and incurred severance costs.
- Energy costs from pumping totaling $1,598,665 increased by $253,932 as a result of the increase in consumer demand of 8.8 percent.

Capital Assets

	Balance December 31, 2018	Balance December 31, 2017	Balance December 31, 2016
Land	$ 7,721,730	$ 7,721,730	$ 7,721,730
Construction in progress	988,172	428,469	296,555
Transmission and distribution system	66,165,371	63,828,190	64,552,041
Structures and improvements	13,828,960	14,138,546	14,531,008
Reservoirs and tanks	16,234,527	16,722,251	17,215,523
Pumping and telemetry equipment	9,520,651	9,300,108	9,412,938
Vehicles and equipment	714,848	710,769	511,773
Capital assets, net of depreciation	$ 115,174,259	$ 112,850,063	$ 114,241,568

The District's investment in capital assets includes land, transmission and distribution systems, reservoirs, tanks, pumps, buildings and structures, equipment and vehicles, and construction in progress.

2018 compared to 2017 The District's investment in capital assets, net of accumulated depreciation, was $115,174,259, an increase of $2,324,196. The increase resulted mainly from the following significant capital additions, offset by current year depreciation of $2,575,804:

- Well pumping and chlorination equipment of $443,194.
- Developer donated water systems totaling $2,423,839.
- Installations of new and retrofitted radio read-capable meters amounting to $1,032,213.
- Net additions to construction in progress of $559,703.

Capital Assets (continued)

2017 compared to 2016 The District's investment in capital assets, net of accumulated depreciation, was $112,850,063, a decrease of $1,391,505. The decrease resulted mainly from the following significant capital additions, offset by current year depreciation of $2,591,208:

- New meter installations amounting to $581,071.
- Additions to construction in progress of $465,731
- Vehicle and equipment purchases of $182,622.

New meter installations include the cost of employee labor, as well as meter parts. Meters are currently replaced every 10-15 years as part of the District's meter change out program. More information on the District's capital assets activity for the years ending December 31 2018 and 2017 can be found in Note 5 beginning on page 39 of this report.

Long-term Debt

December 31 2018, the District had no long-term debt.

CONDITIONS AFFECTING CURRENT AND FUTURE RATES

<u>Increasing CalPERS Costs and Capital Improvement Plan Execution</u>

The District provides retirement benefits to District employees through the California Public Employees Retirement System (CalPERS). Although the District pays what it is billed annually, the District's unfunded liability is in excess of $2 million. Due to changes in actuarial assumptions made by the CalPERS Board, as well as projected rate of return on investments, the unfunded liability is expected to increase. A significant portion of the current CalPERS contributions are directly related to paying off the principal and interest of the unfunded liability, the difference between estimated pension plan obligations and the current value of its assets. It is expected that these contributions may grow significantly over the next ten years, which would have a direct impact on rates.

While the District has strong reserves in fiscal year 2019, there is increasing pressure on reserves in the short term. There is an emphasis on improving the execution rate of the CIP, and as it increases more unobligated cash will be used, especially for projects funded by Capital Replacement Reserves, unless rates as well as capacity fees are increased. Although there have been no increases in the District's basic domestic water charges since July 1, 2012, the District is soliciting bids to perform a water rate and recycled water rate fee study, which will determine the need for rate adjustments, if necessary, over the next 3 to 5 years.

Requests for Information

This financial report is designed to provide a general overview of the District's finances and to demonstrate accountability and stewardship over the money it receives. Questions regarding the content provided in this report or requests for additional information should be addressed to the Director of Finance and Administrative Services, Beaumont-Cherry Valley Water District, 560 Magnolia Avenue, Beaumont, CA, 92223.

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Basic Financial Statements

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Beaumont-Cherry Valley Water District

Statements of Net Position
December 31, 2018 with Comparative Information as of December 31, 2017

	2018	2017
ASSETS		
Current assets:		
Cash and investments (Note 2)	$ 28,537,743	$ 27,029,833
Restricted cash and investments - funds held for others (Note 2)	3,868,662	3,476,548
Restricted cash and investments - capital commitments (Note 2)	26,250,409	20,668,475
Interest receivable	206,577	135,958
Accounts receivable, net of allowance for uncollectibles (Note 3)	2,607,627	2,448,749
Notes receivable (Note 4)	9,029	9,751
Restricted notes receivable (Note 4)	50,160	45,600
Inventories	787,117	635,908
Prepaid items	195,622	161,261
Total current assets	62,512,946	54,612,083
Noncurrent assets:		
Notes receivable (Note 4)	71,959	86,069
Restricted notes receivable (Note 4)	523,467	573,627
Capital assets, net of accumulated depreciation (Note 5)	115,174,259	112,850,063
Total noncurrent assets	115,769,685	113,509,759
Total assets	178,282,631	168,121,842
DEFERRED OUTFLOWS OF RESOURCES		
OPEB related (Note 10)	12,349	6,136
Pension related (Note 12)	665,584	838,114
Total deferred outflows of resources	677,933	844,250
LIABILITIES		
Current liabilities:		
Accounts payable and other accrued liabilities (Note 6)	783,821	734,558
Customer account credit balances (Note 7)	181,178	163,619
Customer deposits payable	469,009	425,447
Unearned revenues (Note 8)	3,218,476	2,887,482
Current portion of long-term liabilities:		
Compensated absences (Note 9)	213,171	168,758
Total current liabilities	4,865,655	4,379,864
Noncurrent liabilities:		
Compensated absences (Note 9)	101,002	100,771
Net OPEB liability (Note 10)	1,330,857	1,251,010
Net pension liability (Note 12)	2,079,843	2,126,622
Total noncurrent liabilities	3,511,702	3,478,403
Total liabilities	8,377,357	7,858,267
DEFERRED INFLOWS OF RESOURCES		
OPEB related (Note 10)	58,652	-
Pension related (Note 12)	159,337	192,442
Total deferred inflows of resources	217,989	192,442
NET POSITION		
Net investment in capital assets (Note 11)	115,174,259	112,850,063
Restricted (Note 11)		
Capital commitments	26,250,409	20,668,475
Notes receivable	573,627	619,227
Unrestricted (Note 11)	28,366,923	26,777,618
Total net position	$ 170,365,218	$ 160,915,383

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

Beaumont-Cherry Valley Water District

Statements of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2018 with Comparative Information for the year ended December 31, 2017

	2018	2017
OPERATING REVENUES		
Metered water sales	$ 5,375,165	$ 5,060,758
Water service charges	3,238,643	3,014,752
Water importation pass-through charges	2,424,212	2,288,455
Water pumping power pass-through charges	1,739,022	1,641,681
Development and installation charges	979,629	818,430
Other revenue	403,970	353,433
Total operating revenues	14,160,641	13,177,509
OPERATING EXPENSES		
Salaries and employee benefits	3,855,018	3,395,058
Pension expense (credit)	92,646	(87,514)
Energy expenses	1,760,641	1,598,665
Water purchases	3,842,357	4,308,030
Administration	313,973	284,724
Operations	420,403	292,991
Maintenance and repairs	493,357	515,645
Depreciation	2,575,804	2,591,208
Insurance	73,530	73,674
Professional fees	144,908	250,504
Other expenses	11,334	12,115
Total operating expenses	13,583,971	13,235,100
Operating income (loss)	576,670	(57,591)
NONOPERATING REVENUES (EXPENSES)		
Interest earnings	1,121,500	350,406
Rental income	20,934	21,715
Other revenue	24,681	89,591
Loss on disposal of capital assets	-	(37,031)
Total nonoperating revenues (expenses)	1,167,115	424,681
Income before contributions	1,743,785	367,090
CAPITAL CONTRIBUTIONS		
Donated capital assets	2,423,839	-
Capacity charges	5,282,211	11,270,398
Total capital contributions	7,706,050	11,270,398
Change in net position	9,449,835	11,637,488
Net position, beginning of year, as restated	160,915,383	149,277,895
Net position, end of year	$ 170,365,218	$ 160,915,383

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

Beaumont-Cherry Valley Water District

Statements of Cash Flows
For the Year Ended December 31, 2018 with Comparative Information for the year ended December 31, 2017

	2018	2017
Cash flows from operating activities:		
Receipts from customers	$ 14,383,340	$ 13,231,196
Payments to employees for salaries and benefits	(3,647,387)	(3,385,908)
Payments to suppliers and service providers	(7,221,022)	(7,233,898)
Receipt of customer deposits	43,562	52,765
Net cash provided by operating activities	3,558,493	2,664,155
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(2,476,161)	(1,251,166)
Capital contributions	5,327,811	10,651,171
Rental income	20,934	21,715
Net cash provided by capital and related financing activities	2,872,584	9,421,720
Cash flows from investing activities:		
Interest received	1,080,380	278,245
Gain/(loss) on investments	(29,499)	(22,287)
Net cash provided by investing activities	1,050,881	255,958
Net increase in cash and cash equivalents	7,481,958	12,341,833
Cash and investments, beginning of year	51,174,856	38,833,023
Cash and investments, end of year	$ 58,656,814	$ 51,174,856

	2018	2017
Reconciliation to the Statement of Net Position:		
Cash and investments	$ 28,537,743	$ 27,029,833
Restricted cash and investments - funds held for others	3,868,662	3,476,548
Restricted cash and investments - capital commitments	26,250,409	20,668,475
Total cash and investments	$ 58,656,814	$ 51,174,856

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

Statements of Cash Flows, Continued
For the Year Ended December 31, 2018 with Comparative Information for the year ended December 31, 2017

	2018	2017
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	$ 576,670	$ (57,591)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation expense	2,575,804	2,591,208
Construction in progress abandoned	-	14,432
Other income	24,681	89,591
(Increase) decrease in accounts receivable	(158,878)	(608,432)
(Increase) decrease in notes receivable	14,832	13,727
(Increase) decrease in inventories	(151,209)	32,797
(Increase) decrease in prepaid items	(34,361)	(9,631)
(Increase) decrease in deferred outflows of resources	166,317	(206,990)
Increase (decrease) in accounts payable and other accrued liabilities	49,263	51,714
Increase (decrease) in customer account credit balances	17,559	(30,238)
Increase (decrease) in customer deposits payable	43,562	52,765
Increase (decrease) in unearned revenues	330,994	596,171
Increase (decrease) in compensated absences	44,644	(77,708)
Increase (decrease) in other post-employment benefit obligations	79,847	92,864
Increase (decrease) in net pension liability	(46,779)	347,778
Increase (decrease) in deferred inflows of resources	25,547	(228,302)
Total adjustments	2,981,823	2,721,746
Net cash provided by operating activities	$ 3,558,493	$ 2,664,155
Schedule of non-cash investing and capital and related financing activities		
Capital contributions - donated capital assets	$ 2,423,839	$ -

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity and Basis of Presentation

The Beaumont-Cherry Valley Water District (District) is a special-purpose government district supplying and distributing water to over 55,000 people in both the City of Beaumont and the community of Cherry Valley. The District is governed by a five-member Board of Directors who serve overlapping four-year terms. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to enterprise funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District solely operates as a special-purpose government which means it is only engaged in business-type activities; accordingly activities are reported in the District's proprietary fund.

B. Measurement Focus and Basis of Accounting

Proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services, and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's proprietary fund are charges to customers for sales and services. Operating expenses include the costs of sales and services, the costs of employee benefits, maintenance of capital assets, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

C. Cash and Cash Equivalents

The District's cash and investments are considered to be cash on hand, demand deposits and investments with maturities less than 90 days. Therefore, for purposes of the statement of cash flows, the District considers the cash and investment balance to be cash and cash equivalents.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Restricted Cash and Investments

Restricted cash and investments are cash and investments that are segregated and can only be used for specific purposes. The District's restricted cash and investments consist of funds held for others, including refundable or prepaid customer deposits. The District also restricts cash and investments for capital commitments in the amount of developer capacity charges collected during the year to ensure that funds are set aside to provide for the expansion of the domestic and non-potable water system.

Please refer to *Note 2 - Cash and Investments* for additional details.

E. Inventories and Prepaid Items

Inventories are stated at cost using the average-cost method, and consist of materials used in construction and maintenance of the water system.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The costs of the prepaid items are recorded as expenses when consumed rather than when purchased.

F. Capital Assets

Capital assets purchased or constructed are carried at historical cost. Constructed costs include labor, materials and construction period interest expense (net of interest income, where applicable). The capitalization threshold is $5,000. Contributed assets are stated at estimated acquisition value at the time received by the District. Land and construction in progress are not depreciated. Depreciation on the other assets is calculated on the straight-line method over the following estimated useful lives of the assets:

Pumphouse Structures	25 to 40 years
Well Casings & Development	10 to 40 years
Pumping Equipment	10 to 50 years
Chlorinators	15 to 30 years
Reservoirs & Tanks	15 to 50 years
Telemetering Equipment	10 to 20 years
Transmission & Distribution Mains	40 to 75 years
Meters & Meter Services	10 to 15 years
Fire Hydrants	30 to 50 years
Structures & Improvements	10 to 75 years
Office Furniture & Equipment	3 to 20 years
Automobile Equipment:	
Vehicles	5 to 15 years
Heavy Equipment	7 to 15 years
Light Equipment	5 to 7 years
General Equipment	5 to 15 years

Please refer to *Note 5 - Capital Assets* for additional details.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Unearned Revenues

Unearned revenues arise when resources are received by the District before revenues are earned, as when developers pay in advance for services to be provided by the District at a later date. When the District has provided the services, the associated amounts will be recognized as revenue.

Please refer to *Note 8 - Unearned Revenues* for additional details.

H. Compensated Absences

Vacation

The District's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from the District. The liability for such leave is reported as an expense when incurred.

Sick Leave

Employees who are part of the District's Employee Association not using any sick leave for twelve consecutive months can convert their twelve accrued 8-hour sick days to cash at the rate of two accrued days for 8 hours paid at their regular hourly rate. Upon retirement or death, all employees or their beneficiaries are entitled to receive a pay-out of 50% of all accumulated sick leave. Accumulated sick leave dissolves when employees separate from the District in any other manner.

Please refer to *Note 9 - Compensated Absences* for additional details.

I. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

J. Uncollectible Accounts

The District provides an allowance for doubtful accounts for all accounts deemed uncollectible. Any unpaid debt is deemed a lien against the real property to which service is rendered in accordance with applicable law.

Please refer to *Note 3 - Accounts Receivable* for additional detail.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Credit/Market Risk

The District provides water services to local residential, commercial, industrial, irrigation and construction customers. As part of normal operating practices, credit is granted to residential, commercial, industrial, and irrigation customers on a secured basis and to construction customers on an unsecured basis.

L. Fair Value Measurement

The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

M. Use of Restricted Resources

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

N. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees Retirement System (CalPERS) Plans and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

O. Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's plan and additions to/deductions from the OPEB's Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

The District adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of GASB Statement No. 75 is to improve the information provided by the state and local government employers about financial support for OPEB that is provided by other entities. GASB 75 required the District to report a liability for their share of the net OPEB obligation, as well as recognize certain deferred outflows/inflows of resources and expenses associated with OPEB measurement.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Prior Year Data

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's prior year financial statements from which this selected financial information was derived.

Q. Reclassifications

Certain reclassifications have been made to prior year's balance to conform to classifications used in 2018.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments as of December 31 are classified in the accompanying financial statements as follows:

Description	2018	2017
Cash and investments	$ 28,537,743	$ 27,029,833
Restricted cash and investments - funds held for others	3,868,662	3,476,548
Restricted cash and investments - capital commitments	26,250,409	20,668,475
Total cash and investments	$ 58,656,814	$ 51,174,856

Cash and investments as of December 31 consist of the following:

Description	2018	2017
Cash on hand (petty cash and change drawers)	$ 1,400	$ 1,400
Demand deposits (cash in bank)	774,460	1,320,227
Investments	57,880,954	49,853,229
Total cash and investments	$ 58,656,814	$ 51,174,856

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

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

NOTE 2 – CASH AND INVESTMENTS (Continued)

Authorized Investment Type	Maturity Limit	Maximum Specified % of Portfolio
Local Agency Bonds	5 years	None
US Treasury Obligations	5 years	None
State Obligations - CA and others	5 years	None
CA Local Agency Obligations	5 years	None
US Agency Obligations	5 years	None
Bankers Acceptances	180 days	40%
Commercial Paper - Pooled Funds	270 days	40% of the District's money
Commercial Paper - Non-Pooled Funds	270 days	25% of the District's money
Negotiable Certificates of Deposit	5 years	30%
Non-negotiable Certificates of Deposit	5 years	None
Placement Service Deposits	5 years	30%
Placement Service Certificates of Deposit	5 years	30%
Repurchase Agreements	1 year	None
Reverse Repurchase Agreements and Securities Lending Agreements	92 days	20% of the base value of the portfolio
Medium Term Notes	5 years	30%
Mutual Funds and Money Market Mutual Funds	N/A	20%
Collateralized Bank Deposits	5 years	None
Mortgage Pass-Through Securities	5 years	20%
County Pooled Investment Funds	N/A	None
Joint Powers Authority Pool	N/A	None
Local Agency Investment Fund (LAIF)	N/A	None
Voluntary Investment Program Fund	N/A	None
Supranational Obligations	5 years	30%

Disclosures Relating to Interest Rate Risk

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

The District's investment policy follows the California Government Code as it relates to limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

NOTE 2 – CASH AND INVESTMENTS (Continued)

The District's investments as of December 31, 2018 were as follows:

Investment Type	Fair Value	Weighted Average Maturity (in years)
CalTRUST	$ 33,335,400	0.76
LAIF	24,545,554	0.53
Total investments	$ 57,880,954	

The District's investments as of December 31, 2017 were as follows:

Investment Type	Fair Value	Weighted Average Maturity (in years)
CalTRUST	$ 25,718,950	0.75
LAIF	24,134,279	0.53
Total investments	$ 49,853,229	

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's only investments are in LAIF and CalTRUST, both of which are unrated.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies.

NOTE 2 – CASH AND INVESTMENTS (Continued)

Custodial Credit Risk (Continued)

California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits. The District may waive collateral requirements for deposits which are fully insured by federal depository insurance.

As of December 31, 2018 and 2017, the District had deposits with financial Institutions of $604,800 and $1,065,565, respectively, in excess of federal depository insurance limits and subject to custodial credit risk as described above.

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. LAIF is a governmental investment pool managed and directed by the California State Treasurer and is not registered with the Securities and Exchange Commission. An oversight committee comprised of California State officials and various participants provide oversight to the management of the fund. The daily operations and responsibilities of LAIF fall under the auspices of the State Treasurer's office. The fair value of the District's investment in this pool is reported in the accompanying financial statements, at amounts based upon the District's pro-rata share of the fair value provided by LAIF, for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Accordingly, under the fair value hierarchy, the measurement of the District's investment is based on uncategorized inputs not defined as Level 1, Level 2, or Level 3 inputs. Further information about LAIF is available on the California State Controller's website: www.treasurer.ca.gov/pmia-laif/.

CalTRUST

The District is a voluntary participant in CalTRUST, a Joint Exercise Powers Agreement of the Investment Trust of California. The principal executive office is located at 1100 K Street, Suite 1010, Sacramento, California 95814. CalTRUST is subject to the California Joint Exercise of Powers Act. Each participant in CalTRUST must be a California Public Agency. The purpose of CalTRUST is to consolidate investment activities of its participants and thereby reduce duplication, achieve economies of scale and carry out coherent and consolidated investment strategies through the issuance of shares of beneficial interest in investments purchased by CalTRUST.

The two funds the District has invested in are the short-term and medium-term fund. The short-term fund has a targeted portfolio duration of 0 to 2 years and medium-term fund has a targeted portfolio duration of 1 ½ to 3 ½ years. Investment strategies are to attain as high as a level of current income as is consistent with the preservation of principal.

NOTE 2 – CASH AND INVESTMENTS (Continued)

CalTRUST (Continued)

The fair value of the District's investment in CalTRUST is based upon the net asset value (NAV) of shares held by the District at year-end. The net asset value per share is computed by dividing the total value of the securities and other assets, less any liabilities, by the total outstanding shares. Liabilities include all accrued expenses and fees, including expenses of the trust. The market value of portfolio securities is determined on the basis of the market value of such securities, or, if market quotations are not readily available, at fair value under the guidelines established by the trustees. Investments with short remaining maturities may be valued at amortized cost which the CalTRUST Board has determined to equal fair value.

NOTE 3 – ACCOUNTS RECEIVABLE

Water Sales and Services are reported net of uncollectible amounts based on actual collections as of the preparation date of the statements. The General Manager or their designee is authorized to file a lien against real property serviced with the Assessor-Clerk-Recorder of the County of Riverside for any charges 60 days past due. The amount of charges of unpaid bills are included as a lien against the debtor's property until the unpaid charges are collected and the account is brought current. Other receivables, those billings outside of the normal water sales and services billings, include items such as damages to District property and rental of District property. Amounts not expected to be collected within the next year have been included in the allowance for uncollectible accounts. Developer receivables are those receivables due from developers for development activity that has exceeded deposits collected to-date. The amount included in the allowance for uncollectible accounts is an estimate based on other refundable accounts held for the developer that the District feels they can use to negotiate settlement on balances due to the District. Amounts are aggregated into a single accounts receivable (net of allowance for uncollectible) amount on the financial statements.

The detail of the receivables, including applicable allowances for uncollectible amounts as of December 31, 2018 is as follows:

	Water Sales and Services	Other	Developer	Total
Receivables	$ 2,328,602	$ 54,755	$ 493,030	$ 2,876,387
Less: allowance for uncollectible accounts	-	(1,036)	(267,724)	(268,760)
Net receivables	$ 2,328,602	$ 53,719	$ 225,306	$ 2,607,627

NOTE 3 – ACCOUNTS RECEIVABLE (Continued)

The detail of the receivables, including applicable allowances for uncollectible amounts, as of December 31, 2017 is as follows:

	Water Sales and Services	Other	Developer	Total
Receivables	$ 2,257,606	$ 26,498	$ 432,369	$ 2,716,473
Less: allowance for uncollectible accounts	-	-	(267,724)	(267,724)
Net receivables	$ 2,257,606	$ 26,498	$ 164,645	$ 2,448,749

NOTE 4 – NOTES RECEIVABLE

In 2003, the Bonita Vista Mutual Water Company (Bonita Vista) started the annexation process to join the District. The annexation agreement called for the District to install a new water delivery system. The property owners/shareholders in Bonita Vista were responsible for 1/100th of the costs of construction of the new system, at $5,500 per meter. The notes are payable over 20 years at a variable interest rate calculated annually at 1.5 percent above the LAIF interest rate. The notes are due to mature as of February 15, 2028.

The District has entered into various agreements with the developers of the Fairway Canyon Community Association (Fairway Canyon) for payment of the new water component of the water main extension and capacity charges. The notes are payable over 10 years at an annual interest rate of 10 percent.

Amounts due from Bonita Vista and Fairway Canyon are separated into current and non-current portions on the *Statement of Net Position*.

The detail of the notes, including applicable allowances for uncollectible amounts as of December 31, 2018 is as follows:

	Notes Receivable	Restricted Notes Receivable	
	Bonita Vista	Fairway Canyon	Total
Current	$ 9,029	$ 50,160	$ 59,189
Non-current	71,959	523,467	595,426
Total notes receivable	$ 80,988	$ 573,627	$ 654,615

NOTE 4 – NOTES RECEIVABLE (Continued)

The detail of the notes, including applicable allowances for uncollectible amounts as of December 31, 2017 is as follows:

2017	Notes Receivable	Restricted Notes Receivable	
	Bonita Vista	Fairway Canyon	Total
Current	$ 9,751	$ 45,600	$ 55,351
Non-current	86,069	573,627	659,696
Total notes receivable	$ 95,820	$ 619,227	$ 715,047

NOTE 5 – CAPITAL ASSETS

The following table summarizes capital asset activity during the year ended December 31, 2018:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Capital assets, not being depreciated					
Land	$ 7,721,730	$ -	$ -	$ -	$ 7,721,730
Construction in progress	428,469	2,341,160	-	(1,781,457)	988,172
Total capital assets, not being depreciated	8,150,199	2,341,160	-	(1,781,457)	8,709,902
Capital assets, being depreciated:					
Transmission and distribution system	78,827,974	2,431,035	-	1,245,138	82,504,147
Structures and improvements	17,919,428	-	-	22,500	17,941,928
Reservoirs and tanks	22,546,667	-	-	-	22,546,667
Pumping and telemetry equipment	12,749,864	-	(46,816)	443,194	13,146,242
Vehicles and equipment	2,197,084	127,805	-	70,625	2,395,514
Total capital assets, being depreciated	134,241,017	2,558,840	(46,816)	1,781,457	138,534,498
Less accumulated depreciation for:					
Transmission and distribution system	(14,999,784)	(1,338,992)	-	-	(16,338,776)
Structures and improvements	(3,780,882)	(332,086)	-	-	(4,112,968)
Reservoirs and tanks	(5,824,416)	(487,724)	-	-	(6,312,140)
Pumping and telemetry equipment	(3,449,756)	(222,651)	46,816	-	(3,625,591)
Vehicles and equipment	(1,486,315)	(194,351)	-	-	(1,680,666)
Total accumulated depreciation	(29,541,153)	(2,575,804)	46,816	-	(32,070,141)
Total capital assets, being depreciated, net	104,699,864	(16,964)	-	1,781,457	106,464,357
Capital assets, net of depreciation	$ 112,850,063	$ 2,324,196	$ -	$ -	$ 115,174,259

NOTE 5 – CAPITAL ASSETS (Continued)

The following table summarizes capital asset activity during the year ended December 31, 2017:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Capital assets, not being depreciated					
Land	$ 7,721,730	$ -	$ -	$ -	$ 7,721,730
Construction in progress	296,555	465,731	(14,432)	(319,385)	428,469
Total capital assets, not being depreciated	8,018,285	465,731	(14,432)	(319,385)	8,150,199
Capital assets, being depreciated:					
Transmission and distribution system	78,246,903	581,071	-	-	78,827,974
Structures and improvements	17,919,428	-	-	-	17,919,428
Reservoirs and tanks	22,546,667	-	-	-	22,546,667
Pumping and telemetry equipment	12,654,512	21,742	-	73,610	12,749,864
Vehicles and equipment	2,067,116	182,622	(298,429)	245,775	2,197,084
Total capital assets, being depreciated	133,434,626	785,435	(298,429)	319,385	134,241,017
Less accumulated depreciation for:					
Transmission and distribution system	(13,694,862)	(1,304,922)	-	-	(14,999,784)
Structures and improvements	(3,388,420)	(392,462)	-	-	(3,780,882)
Reservoirs and tanks	(5,331,144)	(493,272)	-	-	(5,824,416)
Pumping and telemetry equipment	(3,241,574)	(208,182)	-	-	(3,449,756)
Vehicles and equipment	(1,555,343)	(192,370)	261,398	-	(1,486,315)
Total accumulated depreciation	(27,211,343)	(2,591,208)	261,398	-	(29,541,153)
Total capital assets, being depreciated, net	106,223,283	(1,805,773)	(37,031)	319,385	104,699,864
Capital assets, net of depreciation	$ 114,241,568	$ (1,340,042)	$ (51,463)	$ -	$ 112,850,063

NOTE 6 – ACCOUNTS PAYABLE AND OTHER ACCRUED LIABILITIES

Accounts payable and other accrued liabilities as of December 31 were as follows:

Description	2018	2017
Accounts payable	$ 684,262	$ 659,211
Salaries and employee benefits	72,374	42,446
Other	27,185	32,901
Total accounts payable and accrued liabilities	$ 783,821	$ 734,558

NOTE 7 – CUSTOMER ACCOUNT CREDIT BALANCES

Credit balances on customer utility accounts are to be used against future billings or refunded upon request. As of December 31, 2018 and 2017, the balance was $181,178 and $163,619, respectively.

NOTE 8 – UNEARNED REVENUES

Developers make payments in advance of the District providing services, including items such as meter installations, development plan checks and development inspections. As the District provides these services, revenues are recognized and the unearned revenues balance is reduced. As of December 31, 2018 and 2017, the balance was $3,218,476 and $2,887,482, respectively.

NOTE 9 – COMPENSATED ABSENCES

Compensated absences comprise unpaid vacation, sick, holiday and administrative leave, which is accrued as earned. The liability for compensated absences is determined annually.

The activity for the year ended December 31, 2018 was as follows:

Beginning Balance	Additions	Deletions	Ending Balance	Current Portion	Non-current Portion
$ 269,529	$ 294,473	$ (249,829)	$ 314,173	$ 213,171	$ 101,002

The activity for the year ended December 31, 2017 was as follows:

Beginning Balance	Additions	Deletions	Ending Balance	Current Portion	Non-current Portion
$ 347,237	$ 244,835	$ (322,543)	$ 269,529	$ 168,758	$ 100,771

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS OBLIGATION

A. Plan Description

The District has established a Retiree Health plan which is a single employer defined benefit plan. The District pays a portion of the cost of health insurance (including prescription drug benefits) as post-employment benefits to retired employees who satisfy the eligibility rules as required by CalPERS Health Program enrollment. The current District contribution is fixed at $450.30 per month and is scheduled to increase by 5 percent per year up to a maximum of $474.00 per month. Spouses and surviving spouses are also eligible to receive benefits. Retirees may enroll in any medical plan available through the District’s CalPERS Health Program, a cost-sharing multiple-employer medical coverage plan. The contribution requirements of eligible retired employees and the District are established and may be amended by the Board of Directors.

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS OBLIGATION (Continued)

B. Employees Covered

As of the June 30, 2018 measurement date, the following numbers of participants were covered by the benefit terms under the Plan:

Active employees	39
Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to, but not yet receiving benefits	-
Total	42

C. Funding Policy

The District funds the Plan on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust.

D. Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2018 to determine the June 30, 2018 total OPEB liability, based on the following actuarial methods and assumptions:

Actuarial Assumptions	June 30, 2018 Measurement Date
Actuarial Valuation Date	June 30, 2018
Contribution Policy	No pre-funding
Discount Rate	3.87%
General Inflation	2.75%
Mortality, Retirement, Disability, Termination	Based on CalPERS 1997-2011 Experience Study
Salary increases	3.00%
Medical Trend	Non-Medicare – 7.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later Medicare – 6.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS OBLIGATION (Continued)

E. Discount Rate

A discount rate of 3.87 percent was used in the valuation for measurement date June 30, 2018.

F. Changes in the OPEB Liability

The changes in the net OPEB liability for the Plan are as follows:

	(a) Total OPEB Liability	(b) Plan Fiduciary Net Position	(a) - (b) = (c) Net OPEB Liability
Balance at December 31, 2017			
(6/30/17 measurement date)	$ 1,251,010	$ -	$ 1,251,010
Changes recognized for the measurement period:			
Service cost	108,164	-	108,164
Interest	48,433	-	48,433
Differences between expected and actual experience	-	-	-
Changes in assumptions	(64,185)	-	(64,185)
Contributions – employer	-	-	-
Net investment income	-	-	-
Benefit payments	(12,565)	-	(12,565)
Administrative expense	-	-	-
Net changes	79,847	-	79,847
Balance at December 31, 2018			
(6/30/18 measurement date)	$ 1,330,857	$ -	$ 1,330,857

G. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2018:

	1% Decrease (2.87%)	**Current Discount Rate (3.87%)**	**1% Increase (4.87%)**
Net OPEB Liability	$ 1,572,091	$1,330,857	$ 1,139,286

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS OBLIGATION (Continued)

H. Sensitivity of the Net OPEB Liability to Changes in the Health Care Trend Rates

The following represents the net OPEB liability of the District if it were calculated using healthcare costs trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2018:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Net OPEB Liability	$ 1,204,837	$1,330,857	$ 1,538,991

I. OPEB Plan Fiduciary Net Position

As the District is not prefunding with an OPEB trust, Plan Fiduciary Net Position was $0 at the June 30, 2018 measurement date.

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The net difference between projected and actual earnings on OPEB plan investments is amortized over the expected average remaining service lifetime (EARSL) of plan participants.

J. OPEB Expense and Deferred Outflows /Inflows of Resources Related to OPEB

For the year ended December 31, 2018, the District recognized OPEB expense of $151,113. As of December 31, 2018, the District reported deferred outflows and inflows related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ -	$ 58,652
Contributions to OPEB plan subsequent to the measurement date	12,349	-
Total	$ 12,349	$ 58,652

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS OBLIGATION (Continued)

J. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB (Continued)

The $12,349 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2018 measurement date will be recognized as a reduction of the net OPEB liability in the upcoming fiscal year. Other amounts reported as deferred outflows or inflows of resources related to OPEB will be recognized as expense as follows:

Fiscal Year Ended December 31	Deferred Outflows/(Inflows) of Resources
2019	$ (5,533)
2020	(5,533)
2021	(5,533)
2022	(5,533)
2023	(5,533)
Thereafter	(30,987)
	$ (58,652)

NOTE 11 – NET POSITION

	December 31, 2018	December 31, 2017
Net Position:		
Net investment in capital assets	$ 115,174,259	$ 112,850,063
Restricted		
Capital commitments	26,250,409	20,668,475
Notes receivable	573,627	619,227
Unrestricted	28,366,923	26,777,618
Total net position	$ 170,365,218	$ 160,915,383

Net investment in capital assets is the value of the District's assets, less accumulated depreciation.

NOTE 11 – NET POSITION (Continued)

Unrestricted net position includes non-spendable assets and spending designations set by the Board of Directors:

	December 31, 2018	December 31, 2017
Unrestricted Net Position:		
Nonspendable assets:		
Inventories	$ 787,117	$ 635,908
Prepaid items	195,622	161,261
Non-current portion of notes receivable	71,959	86,069
Total nonspendable items	1,054,698	883,238
Board of Directors' Designations:		
Capital replacement reserve	22,022,905	21,912,747
Operating reserve	3,371,679	2,307,050
Emergency reserve	1,917,641	1,674,583
Total designations	27,312,225	25,894,380
Total unrestricted net position	$ 28,366,923	$ 26,777,618

NOTE 12 – DEFINED BENEFIT PENSION PLAN

A. General Information about the Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS.) The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The District sponsors two miscellaneous rate plans. Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS' website, at www.calpers.ca.gov.

NOTE 12 – DEFINED BENEFIT PENSION PLAN (Continued)

A. General Information about the Pension Plan (Continued)

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan operates under the provisions of the California Public Employees' Retirement Law (PERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures and policies adopted by the CalPERS Board of Administration. The Plan's authority to establish and amend the benefit terms are set by the PERL and PEPRA, and may be amended by the California state legislature and in some cases require approval by the CalPERS Board.

The Plan's provisions and benefits in effect at December 31, 2018 are summarized as follows:

Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.7% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 60	52 - 62
Monthly benefits, as a % of eligible compensation	2.0% to 3.0%	1.0% to 2.0%
Required employee contribution rates	8.0%	7.0%
Required employer contribution rates	13.714%	7.170%

NOTE 12 – DEFINED BENEFIT PENSION PLAN (Continued)

A. General Information about the Pension Plan (Continued)

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions. Employer Contributions to the Plan for the fiscal year ended December 31, 2018 were $275,682. The actual employer payments of $258,396 made to CalPERS by the District during the measurement period ended June 30, 2018 differed from the District's proportionate share of the employer's contributions of $309,456 by $51,060, which is being amortized over the expected average remaining service lifetime in the Public Agency Cost-Sharing Multiple Employer Plan.

B. Net Pension Liability

The District's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2018, using an annual actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

NOTE 12 – DEFINED BENEFIT PENSION PLAN (Continued)

B. Net Pension Liability (Continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

Valuation Date	June 30, 2017	June 30, 2016
Measurement Date	June 30, 2018	June 30, 2017
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Asset Valuation Method	Market Value of Assets	Market Value of Assets
Actuarial Assumptions:		
Discount Rate	7.15%	7.15%
Inflation	2.75%	2.75%
Salary Increases (1)	3.3% - 14.2%	3.2% - 12.2%
Investment Rate of Return (2)	7.65%	7.65%
Mortality Rate Table (3)	Derived using CalPERS' membership data for all Funds	Derived using CalPERS' membership data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

(1) Annual increases vary by category, entry age and duration of service
(2) Net of pension plan investment and administrative expenses; includes inflation
(3) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website, at www.calpers.ca.gov.

Change of Assumptions

In 2018, there were no changes in the discount rate. In fiscal year 2017, the financial reporting discount rate for the PERF-C was lowered from 7.65 percent to 7.15 percent.

NOTE 12 – DEFINED BENEFIT PENSION PLAN (Continued)

B. Net Pension Liability (Continued)

Discount Rate (Continued)

The discount rate used to measure the total pension liability was 7.15 percent and reflects the long-term expected rate of return for the Plan net of investment expenses and without reduction for administrative expenses. To determine whether the municipal bond rate should be used in the calculation of the discount rate for public agency plans (including PERF C), the amortization and smoothing periods adopted by the Board in 2013 were used. For the Plan, the crossover test was performed for a miscellaneous agent plan and a safety agent plan selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investments. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for PERF C. The crossover test results can be found on CalPERS' website, at www.calpers.ca.gov.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The following table reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the CalPERS Board effective on July 1, 2014.

NOTE 12 – DEFINED BENEFIT PENSION PLAN (Continued)

B. Net Pension Liability (Continued)

Discount Rate (Continued)

Asset Class	New Strategic Allocation	Real Return Years 1 - 10[1]	Real Return Years 11+[2]
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	(0.40%)	(0.90%)
Total	100%		

[1] An expected inflation of 2.5% used for this period

[2] An expected inflation of 3.0% used for this period

Pension Plan Fiduciary Net Position

Information about the pension plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position are presented in CalPERS' audited financial statements, which are publicly available reports that can be obtained at CalPERS' website, at www.calpers.ca.gov. The plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis used by the pension plan, which is the economic resources measurement focus and the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

The plan fiduciary net position disclosed in the GASB 68 accounting valuation report may differ from the plan assets reported in the funding actuarial valuation report due to several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and other post-employment benefits (OPEB) expense included as assets. These amounts are excluded for rate setting purposes in the funding actuarial valuation. In addition, differences may result from early Comprehensive Annual Financial Report closing and final reconciled reserves.

C. Proportionate Share of Net Pension Liability

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2017 (Valuation Date)	$ 9,597,115	$ 7,470,493	$ 2,126,622
Balance at: 6/30/2018 (Measurement Date)	$ 10,203,946	$ 8,124,103	$ 2,079,843
Net Changes during 2017-18	$ 606,831	$ 653,610	$ (46,779)

NOTE 12 – DEFINED BENEFIT PENSION PLAN (Continued)

C. Proportionate Share of Net Pension Liability (Continued)

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2018, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. The District's proportion of the net pension liability was determined by CalPERS using the output from the Actuarial Valuation System and the fiduciary net position, as provided in the CalPERS Public Agency Cost-Sharing Allocation Methodology Report, which is a publicly available report that can be obtained at CalPERS' website, at www.calpers.ca.gov. The changes in the District's proportionate share of the net pension liability were as follows:

December 31, 2018	
Proportionate Share - December 31, 2017 (measurement date June 30, 2017)	0.021444%
Proportionate Share - December 31, 2018 (measurement date June 30, 2018)	0.021580%
Change - Increase (Decrease)	0.000136%

December 31, 2017	
Proportionate Share - December 31, 2016 (measurement date June 30, 2016)	0.020557%
Proportionate Share - December 31, 2017 (measurement date June 30, 2017)	0.021444%
Change - Increase (Decrease)	0.000887%

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.15 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

December 31, 2018

	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Plan's Net Pension Liability	$ 3,460,143	$ 2,079,843	$ 940,428

December 31, 2017

	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Plan's Net Pension Liability	$ 3,446,676	$ 2,126,622	$ 1,033,330

NOTE 12 – DEFINED BENEFIT PENSION PLAN (Continued)

C. Proportionate Share of Net Pension Liability (Continued)

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

Recognition of Gains and Losses

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

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

Difference between projected and actual earnings	5 year straight-line amortization
All other amounts	Straight-line amortization over the expected average remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the Public Agency Cost-Sharing Multiple-Employer Plan (PERF C).

The EARSL for the Plan for the 2017-18 measurement period is 3.8 years, which was obtained by dividing the total service years of 516,147 (the sum of remaining service lifetimes of the active employees) by 135,474 (the total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

D. Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

As of the start of the measurement period (July 1, 2017), the District's net pension liability was $2,126,622. For the measurement period ending June 30, 2018 (the measurement date), the District incurred a pension expense/(income) of $92,646.

NOTE 12 – DEFINED BENEFIT PENSION PLAN (Continued)

D. Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions (Continued)

As of December 31, 2018 and 2017, the District has deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 237,108	$ (58,111)
Changes of Assumptions	79,800	(27,155)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	10,281	-
Change in Employer's Proportion	20,150	(37,623)
Difference in Actual vs Projected Contributions	177,020	(36,448)
Pension Contributions Subsequent to Measurement Date	141,225	-
Total	**$ 665,584**	**$ (159,337)**

December 31, 2017

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 3,228	$ (46,241)
Changes of Assumptions	400,467	(30,536)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	90,568	-
Change in Employer's Proportion	153,148	(115,665)
Difference in Actual vs Projected Contributions	72,728	-
Pension Contributions Subsequent to Measurement Date	117,975	-
Total	**$ 838,114**	**$ (192,442)**

NOTE 12 – DEFINED BENEFIT PENSION PLAN (Continued)

D. Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions (Continued)

These amounts above are net of outflows and inflows recognized in the 2017-18 measurement period expense. Contributions subsequent to the measurement date of $141,225 reported with deferred outflows of resources will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Fiscal Year Ended December 31:	Deferred Outflows/(Inflows) of Resources
2019	$ 251,607
2020	182,459
2021	(50,337)
2022	(18,707)

E. Payable to the Pension Plan

At December 31, 2018, the District reported a payable of $0 for the outstanding amount of contributions to the pension plan required for the year ended December 31, 2018.

NOTE 13 – COMMITMENTS

In 2004, the Beaumont Basin Watermaster (Watermaster) was created to manage the groundwater excavations, replenishment thereof, and storage of supplemental water within the Beaumont Basin. The Watermaster consists of representatives from the Beaumont-Cherry Valley Water District, the City of Banning, the City of Beaumont, the South Mesa Water Company, and the Yucaipa Valley Water District. The District is a member agency of the Watermaster and contributes a varied annual amount to the Watermaster to fund its operations. For the years ended December 31, 2018 and 2017, the District contributed $37,874 and $42,726, respectively.

NOTE 14 – CONTINGENCIES

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not have a material adverse effect on the financial position of the District.

NOTE 15 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California water agencies. The purpose of the ACWA/JPIA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage. At December 31, 2018, the District participated in the liability, property, and workers' compensation programs of the ACWA/JPIA as follows:

- General and auto liability, public officials and employees' errors and omissions: Total risk financing limits of $2,000,000, combined single limit at $2,000,000 per occurrence. The District purchased additional excess coverage layers: $60 million for general, auto and public officials liability, which increases the limits on the insurance coverage noted above.

In addition to the above, the District also has the following insurance coverage:

- Employee dishonesty coverage up to $100,000 per loss includes public employee dishonesty, forgery or alteration and theft, computer fraud, disappearance and destruction coverages, subject to a $1,000 deductible per occurrence.
- Property loss is paid at the replacement cost for property on file, if replaced within two years after the loss, otherwise paid on an actual cash value basis, to a combined total of $100 million per occurrence, subject to a $1,000 deductible per occurrence. Mobile equipment and vehicles have a $1,000 deductible and $500 deductible per occurrence, respectively.
- Boiler and machinery coverage for the replacement cost up to $100 million per occurrence, subject to various deductibles depending on the type of equipment.
- Workers' compensation insurance up to California statutory limits for all work related injuries/illnesses covered by California law.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there was no reduction in the District's insurance coverage during the year ended December 31, 2018. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage.

NOTE 16 – RESTATEMENT OF BEGINNING NET POSITION

Beginning net position for the year ended June 30, 2018 has been restated as follows:

Net position - beginning as previously reported	$ 161,399,305
Restatement of OPEB beginning liability (GASB 75)	(483,922)
	$ 160,915,383

The restatement of the OPEB liability is due to the implementation of GASB Statement No. 75, as discussed on Note 1.

Required Supplementary Information

Beaumont-Cherry Valley Water District

Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and Related Ratios as of the Measurement Date
Last 10 Years*

Measurement Date	Employer's Proportion of the Collective Net Pension Liability[1]	Employer's Proportionate Share of the Collective Net Pension Liability	Employer's Covered Payroll	Employer's Proportionate Share of the Net Pension Liability as a Percentage of the Employer's Covered Payroll	Pension Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2015	0.020719%	$ 1,422,127	$ 1,716,891	82.83%	82.06%
6/30/2016	0.020557%	$ 1,778,844	$ 1,894,097	93.92%	75.87%
6/30/2017	0.021444%	$ 2,126,622	$ 1,969,047	108.00%	75.39%
6/30/2018	0.021580%	$ 2,079,843	$ 2,128,022	97.74%	79.62%

[1] Proportion of the collective net pension liability represents the plan's proportion of PERF C, which includes both the Miscellaneous and Safety Risk pools excluding the 1959 Survivors Risk Pool.

* Measurement date 6/30/2014 (fiscal year 2015) was the 1st year of implementation. Additional years will be presented as they become available.

Beaumont-Cherry Valley Water District

Required Supplementary Information
Schedule of Plan Contributions
Last 10 Years*

Fiscal Year	Contractually Determined Contributions	Contributions in Relation to the Contractually Determined Contributions	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/2015	$ 275,729	$ (275,729)	$ -	$ 1,914,001	14.41%
12/31/2016	237,259	(237,259)	-	1,985,446	11.95%
12/31/2017	241,633	(241,633)	-	2,019,541	11.96%
12/31/2018	275,682	(275,682)	-	2,393,812	11.52%

* Measurement date 6/30/2014 (fiscal year 2015) was the 1st year of implementation. Additional years will be presented as they become available.

Notes to Schedule:

Change in Benefit Terms: None

Change in Assumptions: For measurement date 6/30/2017, the discount rate was changed from 7.65 percent (net of administrative expenses) to 7.15 percent. For measurement date 6/30/2015, the discount rate was changed from 7.5 percent (net of administrative expenses) to 7.65 percent.

Beaumont-Cherry Valley Water District

Required Supplementary Information
Schedule of Changes in Other Post-Employment Benefits and Related Ratios

Fiscal Year	2018
Measurement Period	**2017**
Total OPEB Liability	
Service cost	$ 108,164
Interest	48,433
Changes in assumptions	(64,185)
Benefit payments	(12,565)
Net change in total OPEB liability	79,847
Total OPEB liability - beginning	1,251,010
Total OPEB liability - ending (a)	1,330,857
Plan Fiduciary Net Position	
Contributions – employer	-
Net investment income	-
Benefit payments	-
Administrative expense	-
Net change in plan fiduciary net position	-
Plan fiduciary net position - beginning	-
Plan fiduciary net position - ending (b)	-
Net OPEB liability - ending (a) - (b)	$ 1,330,857
Plan fiduciary net position as a percentage of the total OPEB liability	0.0%
Covered-employee payroll	$ 2,186,445
Net OPEB liability as a percentage of covered payroll	60.9%

Statistical Section

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Beaumont-Cherry Valley Water District

Net Position by Component
Last Ten Years

	2009	2010	2011	2012	2013
Net investment in capital assets	$ 103,938,452	$ 99,800,836	$ 99,194,309	$ 98,791,875	$ 117,924,668
Restricted					
Capital commitments	-	-	-	-	-
Notes receivable	-	-	-	-	-
Unrestricted	2,885,726	7,090,191	5,283,208	5,827,344	5,499,646
Total net position	$ 106,824,178	$ 106,891,027	$ 104,477,517	$ 104,619,219	$ 123,424,314

	2014	2015	2016	2017	2018
Net investment in capital assets	$ 116,054,562	$ 115,246,313	$ 114,241,568	$ 112,850,063	$ 115,174,259
Restricted					
Capital commitments	2,138,747	9,225,608	10,226,231	20,668,475	26,250,409
Notes receivable	-	-	-	619,227	573,627
Unrestricted	13,498,835	14,338,676	25,294,018	26,777,618	28,191,312
Total net position	$ 131,692,144	$ 138,810,597	$ 149,761,817	$ 160,915,383	$ 170,189,607

Source: *Beaumont-Cherry Valley Water District*

Beaumont-Cherry Valley Water District

Changes in Net Position
Last Ten Years

	2009	2010	2011	2012	2013
OPERATING REVENUES					
Metered water sales	$ 4,651,105	$ 4,170,001	$ 4,766,022	$ 5,139,923	$ 5,046,558
Water service charges	1,796,816	1,810,098	2,188,438	2,339,128	2,544,173
Water importation pass-through charges	768,624	1,025,996	1,326,091	2,318,837	2,321,236
Water pumping power pass-through charges	1,263,040	1,349,287	1,617,081	1,663,191	1,685,246
Development and installation charges	282,049	228,986	127,141	146,889	271,122
Other revenue	262,823	381,094	288,708	364,628	369,537
Total operating revenues	9,024,457	8,965,462	10,313,481	11,972,596	12,237,872
OPERATING EXPENSES (1)					
Salaries and employee benefits	2,495,567	2,404,984	3,094,522	4,040,757	3,780,225
Pension expense (credit)	-	-	-	-	-
Energy expenses				1,231,156	1,435,343
Water purchases	1,361,308	1,815,459	3,125,537	2,642,003	2,607,642
Administration	303,135	187,758	196,422	552,707	270,533
Operations	3,379,820	3,051,149	2,877,985	281,110	297,048
Maintenance and repairs	-	-	-	577,422	272,990
Depreciation	2,223,219	1,998,033	2,002,794	2,072,402	2,528,691
Insurance	-	-	-	95,208	96,385
Professional fees	-	-	-	211,580	295,528
Other expenses	174,322	193,713	199,934	11,749	11,246
Total operating expenses	9,937,371	9,651,096	11,497,194	11,716,094	11,595,631
Operating Income (loss)	(912,914)	(685,634)	(1,183,713)	256,502	642,241
NONOPERATING REVENUES (EXPENSES)					
Interest earnings	54,576	89,198	127,905	110,426	84,830
Rental income	10,027	22,031	20,507	22,969	17,815
Other revenue	38,243	193,834	101,383	43,092	3,889
Gain/loss on disposal of capital assets	-	4,500	-	-	(41,421)
Interest expense	-	(38,278)	(137,271)	(122,975)	(49,968)
Amortization of deferred charges	-	(13,742)	(18,322)	-	-
Other non-operating expenses	-	(104,659)	-	-	-
Total nonoperating revenues (expenses)	102,846	152,884	94,202	53,512	15,145
Income (loss) before contributions	(810,068)	(532,750)	(1,089,511)	310,014	657,386
CAPITAL CONTRIBUTIONS					
Donated capital assets	-	-	-	-	-
Capacity charges	478,614	1,853,106	579,869	66,382	1,025,791
Total capital contributions	478,614	1,853,106	579,869	66,382	1,025,791
SPECIAL ITEM					
Change in assumptions - OPEB	-	-	-	-	-
Change in net position	(331,454)	1,320,356	(509,642)	376,396	1,683,177
Net position, beginning of year	-	106,824,178	106,891,027	104,477,517	104,619,219
Prior period adjustment	(434,725)	(1,253,507)	(1,903,868)	(234,694)	17,121,918
Net position, end of year	$ 106,824,178	$ 106,891,027	$ 104,477,517	$ 104,619,219	$ 123,424,314

Note:
(1)
Amounts may appear to be inconsistent and incomparable as classifications of operating expenses changed in 2012

Source: *Beaumont-Cherry Valley Water District*

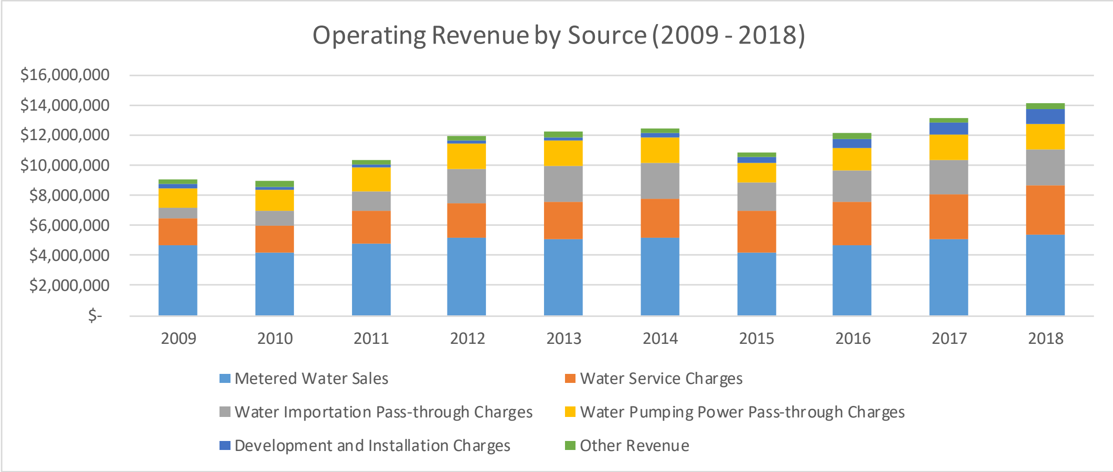
(continued)

2014	2015	2016	2017	2018
$ 5,174,292	$ 4,165,087	$ 4,655,883	$ 5,060,758	$ 5,375,165
2,623,140	2,756,998	2,865,733	3,014,752	3,238,643
2,334,731	1,889,751	2,102,694	2,288,455	2,424,212
1,674,936	1,355,677	1,508,460	1,641,681	1,739,022
315,244	348,830	653,251	818,430	979,629
313,807	315,952	353,419	353,433	403,970
12,436,150	10,832,295	12,139,440	13,177,509	14,160,641
2,985,138	3,076,232	2,974,987	3,395,058	3,855,018
-	394,267	(225,040)	(87,514)	92,646
1,772,112	1,371,858	1,344,733	1,598,665	1,760,641
1,396,410	879,066	2,954,123	4,308,030	3,842,357
173,873	381,598	193,382	284,724	313,973
468,345	236,757	234,245	292,991	420,403
469,552	591,554	604,118	515,645	493,357
2,514,369	2,517,384	2,528,643	2,591,208	2,575,804
80,162	78,285	75,502	73,674	73,530
310,590	184,169	228,162	250,504	144,908
10,736	10,503	10,978	12,115	11,334
10,181,287	9,721,673	10,923,833	13,235,100	13,583,971
2,254,863	1,110,622	1,215,607	(57,591)	576,670
55,597	84,254	180,342	350,406	1,121,500
21,007	20,103	20,577	21,715	20,934
291,671	35,528	1,101	89,591	24,681
3,310	-	(7,898)	(37,031)	-
(300)	-	-	-	-
-	-	-	-	-
-	-	-	-	-
371,285	139,885	194,122	424,681	1,167,115
2,626,148	1,250,507	1,409,729	367,090	1,743,785
-	1,092,505	1,004,624	-	2,423,839
2,677,180	6,296,897	8,536,867	11,270,398	5,282,211
2,677,180	7,389,402	9,541,491	11,270,398	7,706,050
2,964,502	-	-	-	-
8,267,830	8,639,909	10,951,220	11,637,488	9,449,835
123,424,314	131,692,144	138,810,597	149,761,817	160,915,383
-	(1,521,456)	-	(483,922)	-
$ 131,692,144	$ 138,810,597	$ 149,761,817	$ 160,915,383	$ 170,365,218

Beaumont-Cherry Valley Water District

Operating Revenue by Source
Last Ten Years

Fiscal Year	Metered Water Sales	Water Service Charges	Water Importation Pass-through Charges	Water Pumping Power Pass-through Charges	Development and Installation Charges	Other Revenue	Totals
2009	$ 4,651,105	$ 1,796,816	$ 768,624	$ 1,263,040	$ 282,049	$ 262,823	$ 9,024,457
2010	4,170,001	1,810,098	1,025,996	1,349,287	228,986	381,094	8,965,462
2011	4,766,022	2,188,438	1,326,091	1,617,081	127,141	288,708	10,313,481
2012	5,139,923	2,339,128	2,318,837	1,663,191	146,889	364,628	11,972,596
2013	5,046,558	2,544,173	2,321,236	1,685,246	271,122	369,537	12,237,872
2014	5,174,292	2,623,140	2,334,731	1,674,936	315,244	313,807	12,436,150
2015	4,165,087	2,756,998	1,889,751	1,355,677	348,830	315,952	10,832,295
2016	4,655,883	2,865,733	2,102,694	1,508,460	653,251	353,419	12,139,440
2017	5,060,758	3,014,752	2,288,455	1,641,681	818,430	353,433	13,177,509
2018	5,375,165	3,238,643	2,424,212	1,739,022	979,629	403,970	14,160,641

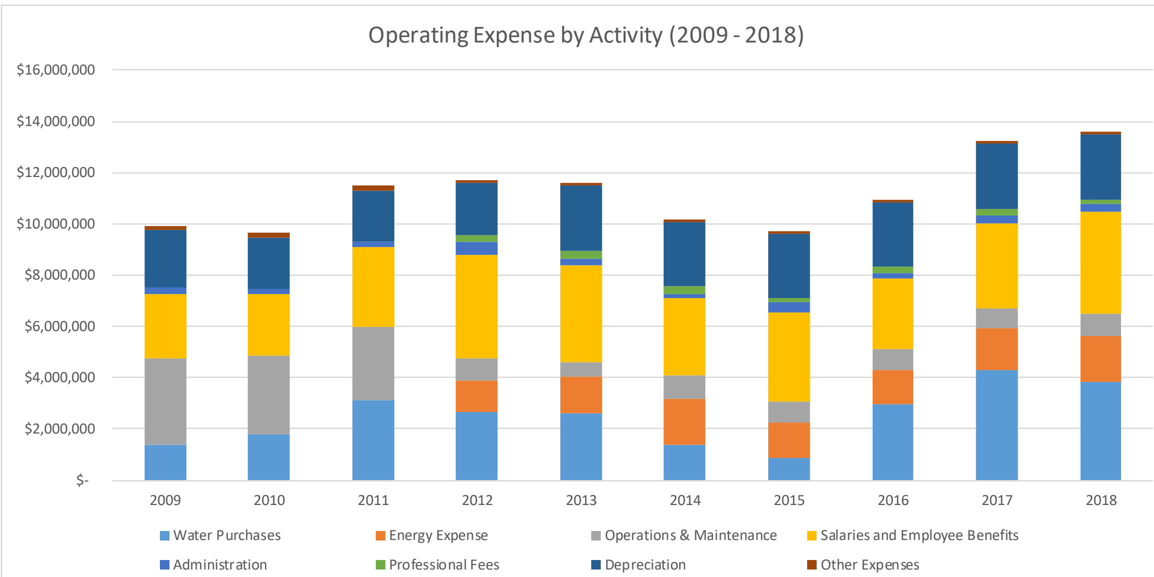


Source: *Beaumont-Cherry Valley Water District*

Beaumont-Cherry Valley Water District

Operating Expense by Activity[(1)(2)]
Last Ten Years

Fiscal Year	Salaries and Employee Benefits	Water Purchases	Energy Expense	Operations & Maintenance	Administration	Professional Fees	Depreciation	Other Expenses
2009	$ 2,495,567	$ 1,361,308	$ -	$ 3,379,820	$ 303,135	$ -	$ 2,223,219	$ 174,322
2010	2,404,984	1,815,459	-	3,051,149	187,758	-	1,998,033	193,713
2011	3,094,522	3,125,537	-	2,877,985	196,422	-	2,002,794	199,934
2012	4,040,757	2,642,003	1,231,156	858,532	552,707	211,580	2,072,402	106,957
2013	3,780,225	2,607,642	1,435,343	570,038	270,533	295,528	2,528,691	107,631
2014	2,985,138	1,396,410	1,772,112	937,897	173,873	310,590	2,514,369	90,898
2015	3,470,499	879,066	1,371,858	828,311	381,598	184,169	2,517,384	88,788
2016	2,749,947	2,954,123	1,344,733	838,363	193,382	228,162	2,528,643	86,480
2017	3,307,544	4,308,030	1,598,665	808,636	284,724	250,504	2,591,208	85,789
2018	3,947,664	3,842,357	1,760,641	913,760	313,973	144,908	2,575,804	84,864



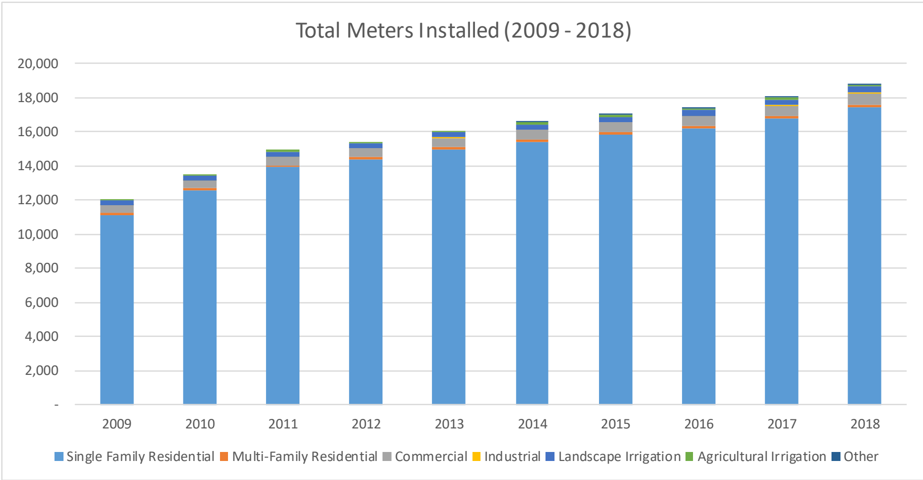
Notes:
(1) Amounts may appear to be inconsistent and incomparable as classifications of operating expenses changed in 2012
(2) Some amounts from the Changes in Net Position schedule are grouped together for comparability

Source: *Beaumont-Cherry Valley Water District*

Beaumont-Cherry Valley Water District

Customers by Type
Last Ten Years

Fiscal Year	Single Family Residential	Multi-Family Residential	Commercial	Industrial	Landscape Irrigation	Agricultural Irrigation	Other
2009	11,143	99	432	22	282	77	-
2010	12,578	114	453	23	286	82	-
2011	13,921	122	494	26	288	84	-
2012	14,388	130	507	26	297	86	-
2013	14,981	140	536	31	311	89	-
2014	15,436	140	540	31	314	90	1
2015	15,860	140	546	31	321	90	2
2016	16,222	141	560	31	326	89	1
2017	16,768	141	631	31	337	88	1
2018	17,430	159	692	33	354	88	1



Source: *Beaumont-Cherry Valley Water District*

Beaumont-Cherry Valley Water District

Principal Customers
Current and Eight Years Ago (1)

Customer	2018 Annual Consumption (hcf)	2018 Percentage of Total Consumption	2010 Annual Consumption (hcf)	2010 Percentage of Total Consumption	Change in Consumption	Percentage of Change
City of Beaumont	352,481	6.77%	323,495	6.73%	28,986	8.96%
Beaumont Unified School District	195,063	3.75%	157,291	3.27%	37,772	24.01%
K Hovnanians Four Seasons	180,034	3.46%	75,843	1.58%	104,191	137.38%
Fairway Cyn Comm Assoc	62,281	1.20%	54,593	1.14%	7,688	14.08%
Perricone Juices	60,870	1.17%	26,483	0.55%	34,387	129.85%
Solera Oak Valley Greens	58,525	1.12%	64,616	1.34%	(6,091)	-9.43%
Highland Sprgs Cntry Club	53,082	1.02%	51,032	1.06%	2,050	4.02%
Bcv Rec & Park District	31,283	0.60%	28,546	0.59%	2,737	9.59%
Country Highlands MHC	29,307	0.56%	30,631	0.64%	(1,324)	-4.32%
Oak Valley II Community Association	27,644	0.53%	-	0.00%	27,644	100.00%
	1,050,570	20.19%	812,530	16.91%	238,040	
Total Water Consumed	5,202,948	100.00%	4,805,082	100.00%		

Notes:
(1) Data for years prior to 2010 not available

Source: *Beaumont-Cherry Valley Water District*

Beaumont-Cherry Valley Water District

Revenue Rates
Last Ten Years

Charges for Water Used (per ccf)

Fiscal Year	Single-Family Residential Tier 1	Single-Family Residential Tier 2	Multi-Family Residential Tier 1	Multi-Family Residential Tier 2	Commercial/ Fire Service	Landscape	Agricultural Irrigation	Construction
2009	$ 0.84	$ 0.84	$ 0.84	$ 0.84	$ 0.84	$ 0.84	$ 0.47	$ 1.61
2010	0.80	0.88	0.80	0.82	0.82	0.96	0.84	0.96
2011	0.91	1.00	0.91	0.93	0.94	1.09	0.96	1.09
2012	0.96	1.05	0.96	0.98	0.99	1.15	1.01	1.15
2013	0.96	1.05	0.96	0.98	0.99	1.15	1.01	1.15
2014	0.96	1.05	0.96	0.98	0.99	1.15	1.01	1.15
2015	0.96	1.05	0.96	0.98	0.99	1.15	1.01	1.15
2016	0.96	1.05	0.96	0.98	0.99	1.15	1.01	1.15
2017	0.96	1.05	0.96	0.98	0.99	1.15	1.01	1.15
2018	0.96	1.05	0.96	0.98	0.99	1.15	1.01	1.15

Domestic Service Charge (bi-monthly)

Fiscal Year	5/8"	3/4"	1"	1.5"	2"	3"	4"	6"	8"	10"	12"
2009	$ 12.00	$ 17.25	$ 28.00	$ 54.00	$ 85.00	$ 158.00	$ 262.00	$ 522.00	$ 834.00	$ 1,198.00	$ 2,238.00
2010	15.00	22.50	37.50	75.01	120.01	240.02	375.03	750.05	1,200.08	1,725.12	2,325.16
2011	17.04	25.56	42.61	85.21	136.34	272.67	426.05	852.10	1,363.36	1,959.83	2,641.51
2012	18.01	27.02	45.03	90.06	144.09	288.18	450.28	900.55	1,440.88	2,071.27	2,791.71
2013	18.01	27.02	45.03	90.06	144.09	288.18	450.28	900.55	1,440.88	2,071.27	2,791.71
2014	18.01	27.02	45.03	90.06	144.09	288.18	450.28	900.55	1,440.88	2,071.27	2,791.71
2015	18.01	27.02	45.03	90.06	144.09	288.18	450.28	900.55	1,440.88	2,071.27	2,791.71
2016	18.01	27.02	45.03	90.06	144.09	288.18	450.28	900.55	1,440.88	2,071.27	2,791.71
2017	18.01	27.02	45.03	90.06	144.09	288.18	450.28	900.55	1,440.88	2,071.27	2,791.71
2018	18.01	27.02	45.03	90.06	144.09	288.18	450.28	900.55	1,440.88	2,071.27	2,791.71

***Source**: Beaumont-Cherry Valley Water District*

Beaumont-Cherry Valley Water District

Ratios of Outstanding Debt by Type
Last Ten Years

Fiscal Year	General Obligation Bonds	Revenue Bonds	Notes Payable	Capital Leases	Loans Payable	Total Outstanding Debt	Per Capita	Share of Personal Income
2009	$ -	$ -	$ -	$ -	$ -	$ -	$ -	0%
2010	-	-	4,530,000	-	-	4,530,000	121.52	0%
2011	-	-	3,585,000	-	-	3,585,000	92.99	0%
2012	-	-	2,600,000	-	-	2,600,000	66.07	0%
2013	-	-	-	-	-	-	-	0%
2014	-	-	-	-	-	-	-	0%
2015	-	-	-	-	-	-	-	0%
2016	-	-	-	-	-	-	-	0%
2017	-	-	-	-	-	-	-	0%
2018	-	-	-	-	-	-	-	0%

Source: *Beaumont-Cherry Valley Water District*

Beaumont-Cherry Valley Water District

Debt Coverage
Last Ten Years

Fiscal Year	Net Revenues	Operating Expenses	Net Available Revenues	Principal	Interest	Total	Debt Coverage Ratio
2009	$ 9,605,917	$ (7,714,152)	$ 1,891,765	$ -	$ -	$ -	-
2010	11,123,631	(7,653,063)	3,470,568	470,000	-	470,000	7.38
2011	11,143,145	(9,494,400)	1,648,745	945,000	145,256	1,090,256	1.74
2012	12,215,465	(9,643,692)	2,571,773	985,000	112,976	1,097,976	2.61
2013	13,370,197	(9,066,940)	4,303,257	2,600,000	71,938	2,671,938	1.66
2014	15,481,605	(7,666,918)	7,814,687	-	300	300	-
2015	17,269,077	(7,204,289)	10,064,788	-	-	-	-
2016	20,878,327	(8,395,190)	12,483,137	-	-	-	-
2017	24,909,619	(10,643,892)	14,265,727	-	-	-	-
2018	20,609,967	(11,008,167)	9,601,800	-	-	-	-

Source: *Beaumont-Cherry Valley Water District*

Beaumont-Cherry Valley Water District

Demographic and Economic Statistics
Last Ten Years

Calendar Year	Population	County of Riverside Median Household Income	County of Riverside Per Capita Personal Income	County of Riverside Unemployment Rate
2009	33,523	$ 58,134	$ 24,361	10.6%
2010	37,278	57,768	24,431	11.2%
2011	38,553	58,365	24,516	12.9%
2012	39,353	57,096	23,863	14.2%
2013	40,424	56,529	23,591	14.9%
2014	42,117	63,523	23,660	14.3%
2015	43,629	56,603	23,783	12.9%
2016	45,349	57,972	24,443	11.3%
2017	46,179	60,100	36,800	4.3%
2018 (1)	48,237	63,900	39,300	4.1%

Notes:
(1) Population Source: State of California Department of Finance;
County Source: Riverside County Economic Development Agency

Source: *United States Census Bureau*

Beaumont-Cherry Valley Water District

Principal Employers for the Community Area (1)
Current Year (3)

	2018	
Employer	Number of Employees	Percent of Total Employment (2)
County of Riverside	21,215	30.19%
March Air Reserve Base	9,000	12.81%
University of California, Riverside	8,735	12.43%
Kaiser Permanente Riverside Medical Center	5,592	7.96%
Corona-Norco Unified School District	4,989	7.10%
Pechanga Resort & Casino	4,683	6.66%
Riverside Unified School District	4,335	6.17%
Hemet Unified Schhol District	4,302	6.12%
Eisenhower Medical Center	3,743	5.33%
Moreno Valley Unified School District	3,684	5.24%
Total	70,278	100.00%

Notes:
(1) Community Area defined as the County of Riverside
(2) Total employment for the ten major employers for the community area
(3) Information for 2009 (ten years prior) is unavailable

Source: *Riverside County Economic Development Agency*

Beaumont-Cherry Valley Water District

Full-time and Part-time District Employees by Department
Last Ten Years[(1)]

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Department										
Engineering	2	2	2	2	2	2	2	3	5	5
Finance & Administrative Services	11	11	13	7	8	6	10	10	12	13
IT	0	0	0	1	1	1	1	1	1	1
Operations										
Source of Supply	4	4	4	3	3	3	3	3	4	4
Transmission and Distribution	13	13	12	11	12	12	11	11	10	13
Customer Service and Meter Reading	3	3	3	3	3	3	3	3	3	3
Total	33	33	34	27	29	27	30	31	35	39

Notes:
(1) As of 12/31 of each year

Source: *Beaumont-Cherry Valley Water District*

Beaumont-Cherry Valley Water District

Operating Indicators by Function
Last Ten Years

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
District Service Area (square miles)	28	28	28	28	28	28	28	28	28	28
Water mains (miles)	282	282	282	282	282	282	282	282	282	282
Fire hydrants	1,189	1,248	1,310	1,375	1,443	1,515	1,590	1,669	1,752	1,840
Number of reservoirs (non-potable)	-	-	1	1	1	1	1	1	1	1
Reservoir capacity (MG)	-	-	2	2	2	2	2	2	2	2
Storage Tanks	13	13	13	13	13	13	13	13	13	13
Storage Capacity (MG)	23	23	23	23	23	23	23	23	23	23
Number of wells	22	22	21	21	21	21	21	21	21	21
Well Capacity (GPM)	23,175	23,175	23,175	23,175	23,175	23,175	23,175	23,175	23,175	23,175

Source: *Beaumont-Cherry Valley Water District*