Beaumont-Cherry Valley Water District
Comprehensive Annual Financial Report

Fiscal Year Ended December 31, 2019

Beaumont, California

A Century of Service, Quality, and Stewardship

1919 – 2019

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Comprehensive Annual Financial Report
For the Year Ended December 31, 2019

Beaumont-Cherry Valley Water District
Beaumont, California

Board of Directors as of June 10, 2020
John Covington, President
David Hoffman, Vice-President
Daniel Slawson, Treasurer
Lona Williams, Secretary
Andy Ramirez, 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, 2019

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Introductory

Beaumont-Cherry Valley Water District

Phone: (951) 845-9581 Fax: (951) 845-0159

Email: info@bcvwd.org

http://www.bcvwd.org

June 10, 2020

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, 2019, 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 is accurate in all material respects and is 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 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, 2019, 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.

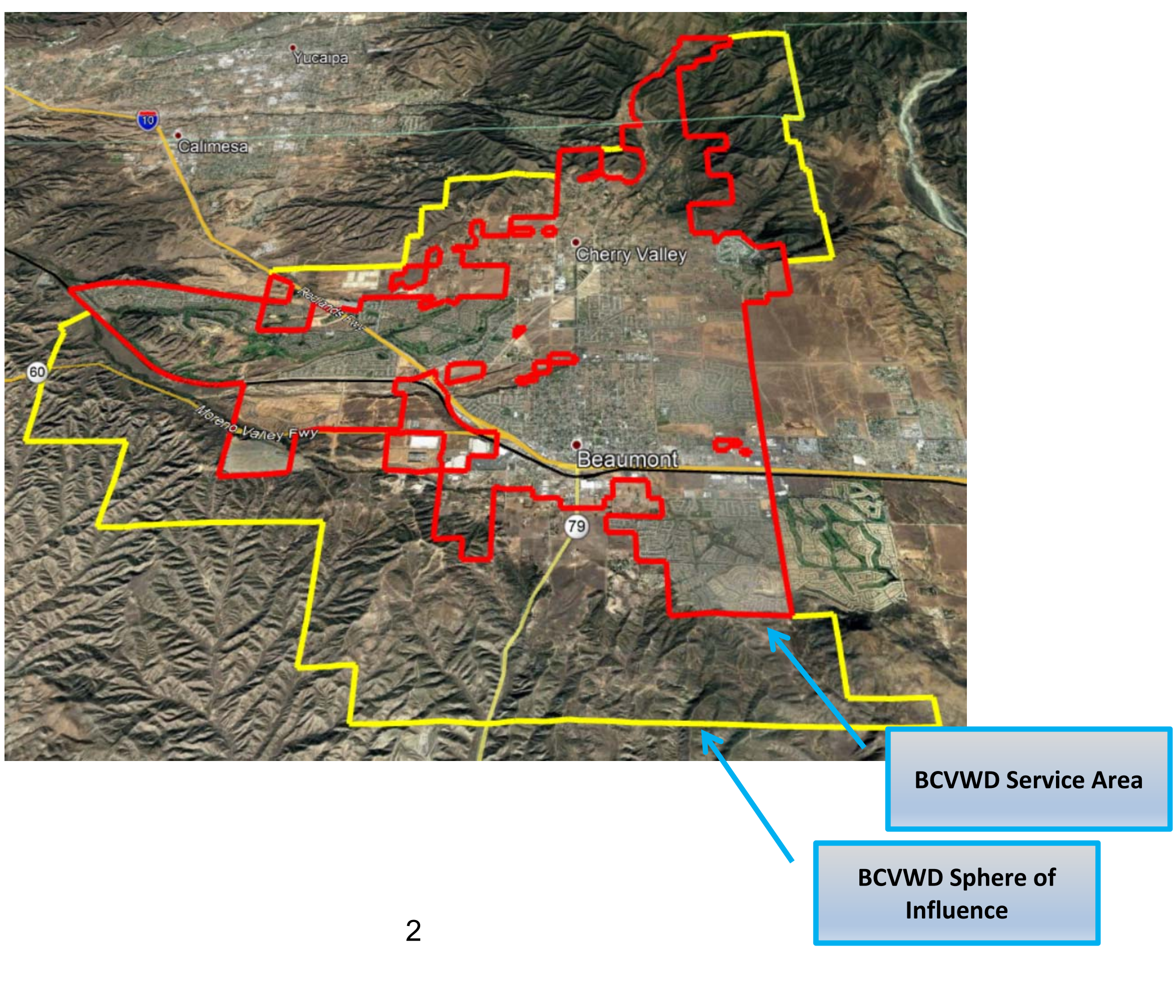
History

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, Supply, and Reliability
The District has both a potable and non-potable water distribution system. At the end of 2019, the District had a total of 19,349 connections, an increase of 592 connections over 2018, 93.05 percent of which are for single family residences.

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.

The District's water supplied for the year ended December 31, 2019 of 12,458 acre-feet (AF) was comprised 9,246 AF of imported water (74.2%), 1,308 AF of groundwater (10.5%), and a 1,905 AF allocation of unused overlying water rights (15.3%) as determined by the Beaumont Basin Watermaster in accordance with Beaumont Basin Stipulated Judgment. Groundwater is pumped from Edgar Canyon, while the allocation of unused overlying water rights is derived from a calculated distribution of the volume of allowable water not produced by Overlying Parties to Appropriators.

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 full-time and temporary staff of 41 under the direction of the General Manager.

Local Economy
The District is located within Riverside County, the fourth largest county in the State. Riverside County and San Bernardino County comprise the Inland Empire which is one of the fastest growing metropolitan areas in the nation. The Inland Empire covers approximately 27,000 square miles with a population of about 4.6 million. Riverside County has a population of 2.4 million people and of this, the District serves approximately 59,200 between the City of Beaumont and community of Cherry Valley. According to the State Department of Finance, Beaumont was the fastest growing California city of those with populations exceeding 30,000 in 2019.

The District's customer base currently is comprised of mostly residential and commercial customers. Large consumers remain consistent year to year with the City of Beaumont, Beaumont Unified School District, K Hovnanian's Four Seasons, Highland Springs Country Club, and Perricone Juices rounding out the top five users.

According to US Census Bureau projections, median household incomes within the City of Beaumont of $78,111 are 22 percent higher than for the County of Riverside at $63,948, and ten percent higher than the State-wide median household income of $71,948. Housing prices in the District's service area continue to remain steady. The median value of a single family owner-occupied housing unit in the vicinity of the City of Beaumont is $352,122, up 2.3 percent over the past year.

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 line item (account) 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

California’s water supply continues to be a concern due to past droughts and projected population increases. This concern has increased interest in recycled water for groundwater replenishment purposes. The District has expanded and will continue to expand its conservation efforts and the availability of local sources such as canyon water. Such expansions will increase diversity of the District’s water supply and water source reliability. The District will also continue to work with local and regional water suppliers in planning and constructing other water delivery systems throughout its service area.

Considerations at the state level include the various policy decisions presided over by the CalPERS Board that can have direct bearing on the District’s financial obligations to the pension fund. There are three key policy areas that affect the District and by causing contribution amounts to change and the measurements of unfunded accrued liability to fluctuate. Those policy areas include: asset allocation across investment portfolios, which, in turn affects the second area; discount rate (or rate of return on investments of the fund); and the amortization policy, which governs the payment of unfunded accrued liability. In December 2016, the Board adopted a policy to lower the discount rate (or rate of return) from 7.5% to 7% with a three-year phase in beginning with fiscal year 2016-17. As of fiscal year 2019, the lowered discount rate of 7% was fully implemented. Implications for the District include higher pension costs and considerations of establishing a stabilization fund in order to build budget resiliency against future policy changes by the CalPERS Board. More specific information is presented in Note 12 of the Notes to the Financial Statements.

Drinking water utilities across the U.S. have experienced, and are anticipated to continue to experience, revenue and cost impacts associated with the COVID-19 pandemic. Along with many other water utilities, the District has changed its shutoff and late bill payment fee policies for delinquent accounts, mandated by the State of California, in reaction to the pandemic. It is anticipated that the District could experience some revenue losses from non-residential customers due to declines in water consumption. However, these potential losses could be offset by an increase in water demands and revenues as indoor water use increases due to higher homeowner occupancy during normal working hours because of Federal and State stay-at-home-orders.

The District may also experience some revenue losses from non-payment of customer bills due to the COVID-19 pandemic. Due to the water metering frequency employed by the District, there is a lag in observable changes in water consumption associated with the crisis, and thus it is too early to estimate the impacts precisely.

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 2018 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

- Worked 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.

- Finalized and Executed Memorandum of Understanding with the City of Beaumont for supply of Recycled Water to the District.

- Completed a seven-month Domestic and Recycled Water Rates and Fees Study with the assistance of an independent financial consulting firm. The last water rate study was conducted in 2010, and this was the first time the District took an in-depth look at the rate structure for recycled water.

- Hosted State legislators to strengthen relationships between the District and its state representatives and to continue to build the District's brand in the region and across the State

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.

- Commence Capital Improvement Projects including design of Wells 30 and 31, Well 1A and 2A Pumping Plants, Wells 30 and 31 Pumping Plant, Raw Water Filter and Pump Station, City of Beaumont WWTP Recycled Water Booster Station and connection piping, 2750 PZ to 2850 PZ Booster Station, 2020 Replacement Pipelines, and miscellaneous projects

- Apply for and gain certification for the delivery of Recycled Water through the Department of Water Resources (DWR).

- Apply for grant funding to secure additional generator power and provide redundancy during emergencies and Public Service Power Shutdowns from Southern California Edison.

Ongoing:

- Continued development of: water supply opportunities with regional partners; storm water capture programs; recycled water supply and recovery programs; and San Timoteo groundwater basin management activities.

- 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 2020 and beyond will be on design and construction of Recycled Water Booster Station on a City of Beaumont provided site located adjacent to the City of Beaumont Wastewater Treatment Plant, 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 2019 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 2020.

- AMR/AMI Deployment – the AMR/AMI Deployment project was designed to provide a streamlined and efficient way for staff to read water meters electronically. Staff planned deployment of radios over the next few years for the AMR/AMI Deployment project is defined by the $1.5 million grant the District was awarded in early 2020 related to this activity.

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

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2018. This was the second consecutive year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the District had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable program requirements.

A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. However, we believe that our current CAFR continues to meet the Certificate of Achievement for Excellence in Financial Reporting Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

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.

6/10/20

Daniel Jaggers
General Manager

Digitally signed by Yolanda Rodriguez
DN: cn=Yolanda Rodriguez, o=Finance and Administration, ou=Finance and Administration email=yolanda.rodriguez@bcvwd.org, c=US
Date: 2020.06.09 10:08:58 -07'00'

Yolanda Rodriguez
Director of Finance and Administrative Services

Beaumont-Cherry Valley Water District

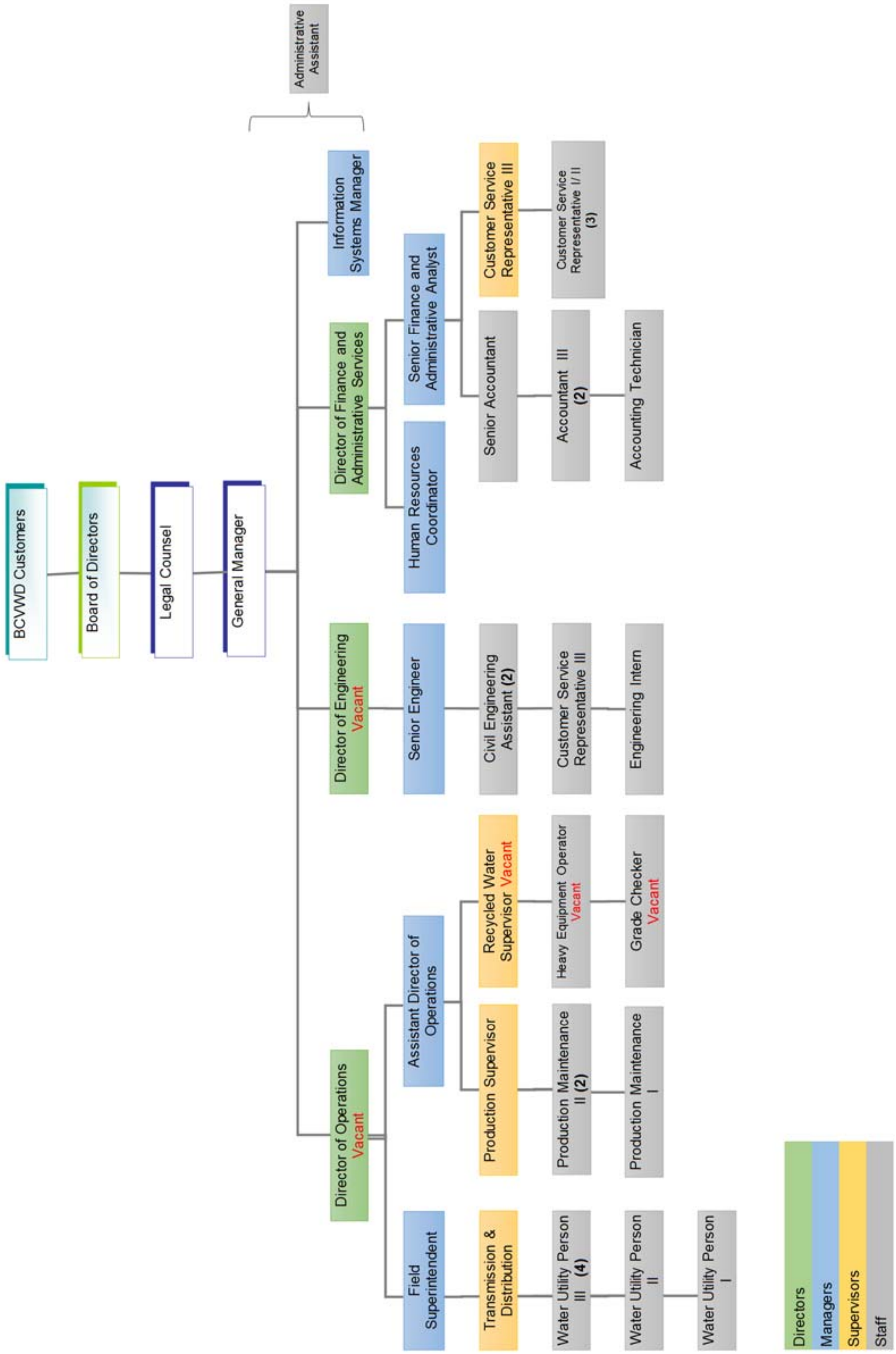
560 Magnolia Avenue Beaumont CA 92223
951.845-9581 www.bcvwd.org

Board of Directors as of December 31, 2019

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	12/2018 – 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, 2018

Christopher P. Morrill

Executive Director/CEO

Financial

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Independent Auditor's Report

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

735 E. Carnegie Dr. Suite 100
San Bernardino, CA 92408
909 889 0871 T
909 889 5361 F
ramscpa.net

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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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, 2019, 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.

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

Prior Year Comparative Information

We have previously audited the District's 2018 financial statements, and we expressed an unmodified opinion in our report dated June 27, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, 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 10, 2020 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 10, 2020

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, 2019 and 2018. 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, 2019, 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 $172,166,721 (net position). Of this amount, $27,472,086 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 $1,801,503 from the prior fiscal year. The increase is mainly a result of capacity charges to developers in the amount of $2,989,469, to ensure that funds are set aside to provide for the expansion of the domestic and non-potable water system.
- In addition to the capacity charges, the increase in net position was due to investment earnings of $1,668,981, and together these helped offset a loss from operations of $2,643,548.

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.

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, 2019 (2018 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 28-55 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 funding progress on the other post-employment benefit (OPEB) plan. *Required Supplementary Information* can be found on pages 56-58 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

	2019	2018	2017
Assets			
Current assets	$ 65,234,010	$ 62,512,946	$ 54,612,083
Non-current assets	529,104	595,426	659,696
Capital assets	114,636,883	115,174,259	112,850,063
Total assets	180,399,997	178,282,631	168,121,842
Deferred outflows of resources	729,769	677,933	844,250
Liabilities			
Current liabilities	4,813,944	4,865,655	4,379,864
Non-current liabilities	3,979,186	3,511,702	3,478,403
Total liabilities	8,793,130	8,377,357	7,858,267
Deferred inflows of resources	169,915	217,989	192,442
Net position			
Net investment in capital assets	114,636,883	115,174,259	112,850,063
Restricted	30,057,752	26,824,036	21,287,702
Unrestricted	27,472,086	28,366,923	26,777,618
Total net position	$ 172,166,721	$ 170,365,218	$ 160,915,383

Assets

2019 compared to 2018 Total assets were $180,393,997, reflecting an increase of $2,117,366 primarily due to the following:

- Current assets, comprised of restricted and unrestricted assets, increased by $2,721,064. This change is primarily reflective of the $396,106 provided by operating activities, capital contributions from developers, net of capital contributed to another government, of $2,469,818, and $1,510,069 of interest received, less $1,856,995 for acquisition and construction of capital assets.

FINANCIAL ANALYSIS OF THE DISTRICT (Continued)

Assets (Continued)

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 capital contributions of $5,327,811 less $2,476,161 for acquisition and construction of capital assets.

Liabilities

2019 compared to 2018 Total liabilities were $8,793,130, reflecting an increase of $415,773 primarily due to the following:

- The District's net pension liability increased by $248,900, a year-end calculation made in accordance with Governmental Accounting Standards Board (GASB) statement number 68 Accounting and Financial Reporting for Pensions.
- The District's net other post-employment benefits (OPEB) liability increase by $219,779, a year-end calculation made in accordance with Governmental Accounting Standards Board (GASB) statement number 75, Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions.

2018 compared to 2017 Total liabilities were $8,337,357, reflecting an increase of $519,090 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 $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 Post-employment Benefits Other Than Pensions.
- The District's net pension liability increased 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.

FINANCIAL ANALYSIS OF THE DISTRICT (Continued)

Net Position

2019 compared to 2018 Total net position was $172,166,721, reflecting an increase of $1,801,503.

- The largest portion of the District's net position, which is its investment in capital assets of $114,636,883 (66.6%) had a decrease of $537,376 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 $30,057,752 (17.5%), an increase of $3,233,716 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 $27,472,086 (15.9%), a decrease of $894,837, is non-spendable ($996,240) and designated ($26,475,846), according to Board policy, to meet the ongoing needs of the District. See Note 11 on page 45 for more details on the District's net position.

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

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

	2019	2018	2017
Operating revenues	$ 13,351,751	$ 14,160,641	$ 13,177,509
Non-operating revenues	1,711,954	1,167,115	461,712
Total revenues	15,063,705	15,327,756	13,639,221
Operating expenses	15,995,299	13,583,971	13,235,100
Non-operating expenses	-	-	37,031
Total expenses	15,995,299	13,583,971	13,272,131
Income (loss) before contributions	(931,594)	1,743,785	367,090
Capital contributions	2,733,097	7,706,050	11,270,398
Change in net position	$ 1,801,503	$ 9,449,835	$ 11,637,488

FINANCIAL ANALYSIS OF THE DISTRICT (Continued)

Operating Revenues and Expenses

2019 compared to 2018

Total operating revenues of $13,351,751 decreased by $808,890 primarily due to the following:

- Metered water sales and the corresponding water importation charges and water pumping pass-through charges totaling $8,775,157 decreased by $763,242, mainly due to a 7.2 percent decrease in water consumption.
- Development and installation charges of $851,465 decreased by $128,164, mainly due to a slight downturn in development-driven activities.
- Water service charges of $3,403,608 increased by $164,965, mainly due to the installation of 592 meters during 2019.

Total operating expenses of $15,995,299 increased by $2,411,328 primarily due to the following:

- Purchases of imported water totaling $5,200,241 increased by $1,357,884 as the District participated in a regional effort to buy imported water from Northern California to recharge the local groundwater basin. In addition, the District paid for the costs to increase the San Gorgonio Pass Water Agency's State Water Project facility's hydraulic capacity, which enabled the District to import more water in a calendar year than ever before. Higher groundwater levels resulting from the recharge not only helps ensure the health of the basin but also makes pumping groundwater more cost effective.
- Salaries and employee benefits expenses of $4,214,548 decreased by $353,374 as the District implemented the second of a three-year phasing in the wage increases in accordance with a salary and compensation study performed in late 2017.
- Maintenance and repair expenses increased by $202,681 as the District drastically increased landscaping maintenance activities at many of its facilities.
- The District's year-end calculation of pension expense of $242,066 under GASB statement number 68 increased by $149,420. This is a required each year and can be volatile as it involves complex actuarial assumptions and calculations.

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 8.8 percent increase in water consumption.
- Development and installation charges of $979,629 increased by $161,199, mainly due to an increase in development-driven activities.
- Water service charges of $3,238,643 increased by $223,891, mainly due to the installation of 760 meters during 2018.

FINANCIAL ANALYSIS OF THE DISTRICT (Continued)

Operating Revenues and Expenses (continued)

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 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, purchased of imported water totaling $3,842,357 decreased by $456,673. 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 the 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.

Capital Assets

	Balance December 31, 2019	Balance December 31, 2018	Balance December 31, 2017
Land	$ 7,721,730	$ 7,721,730	$ 7,721,730
Construction in progress	1,505,184	988,172	428,469
Transmission and distribution system	65,878,826	66,165,371	63,828,190
Structures and improvements	13,514,867	13,828,960	14,138,546
Reservoirs and tanks	15,748,653	16,234,527	16,722,251
Pumping and telemetry equipment	9,516,397	9,520,651	9,300,108
Vehicles and equipment	751,226	714,848	710,769
Capital assets, net of depreciation	$ 114,636,883	$ 115,174,259	$ 112,850,063

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

2019 compared to 2018 The District's investment in capital assets, net of accumulated depreciation, was $114,636,883, a decrease of $537,376. The decrease resulted mainly from the following significant capital additions, offset by current year depreciation of $2,707,811:

- Well pumping and chlorination equipment of $245,397.
- Developer donated water systems totaling $312,918.
- Installations of new and retrofitted radio read-capable meters amounting to $827,370.
- New additions to construction in progress of $517,012.

FINANCIAL ANALYSIS OF THE DISTRICT (Continued)

Capital Assets (Continued)

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.
- New additions to construction in progress of $559,703.

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, 2019 and 2018 can be found in Note 5 beginning on page 38 of this report.

Long-term Debt

At December 31, 2019, the District had no long-term debt.

CONDITIONS AFFECTING CURRENT FINANCIAL POSITION

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.

Water Rates and Charges

The District Board of Directors approved proposed changes to water rates and service charges following a public hearing on February 27, 2020, after a seven-month evaluation by an independent financial expert who studied the then-current rate structures and cost of service, balancing revenue needs with mitigating rate increases for customers. The study revealed the need for new rates and charges based on increasing operating, maintenance and capital replacement costs, which went into effect on March 1, 2020.

CONDITIONS AFFECTING CURRENT FINANCIAL POSITION (Continued)

WaterSMART Water and Energy Efficiency Grant

In February 2020, the District received notification that it had been awarded a $1.5 million WaterSMART Water and Energy Efficiency Grant from the United States Bureau of Reclamation for its Advanced Meter Infrastructure (AMI) Project.

Once fully completed, the project is expected to reduce the District's reliance on imported water and offset local groundwater pumping. The meters will allow for automated meter reads and improve water conservation by increasing system-wide leak detection effectiveness. Switching to AMI meters is also anticipated to increase efficiency, improve customer service, reduce costs, and decrease fuel and carbon dioxide emissions.

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.

Basic Financial Statements

Beaumont-Cherry Valley Water District

Statements of Net Position
December 31, 2019 with Comparative Information as of December 31, 2018

	2019	2018
ASSETS		
Current assets:		
Cash and investments (Note 2)	$ 27,918,643	$ 28,537,743
Restricted cash and investments - funds held for others (Note 2)	3,912,513	3,868,662
Restricted cash and investments - capital commitments (Note 2)	29,534,286	26,250,409
Interest receivable	191,699	206,577
Accounts receivable, net of allowance for uncollectible accounts (Note 3)	2,677,821	2,607,627
Notes receivable	8,446	9,029
Restricted notes receivable (Note 4)	55,176	50,160
Inventories	720,828	787,117
Prepaid items	214,598	195,622
Total current assets	65,234,010	62,512,946
Noncurrent assets:		
Notes receivable (Note 4)	60,814	71,959
Restricted notes receivable (Note 4)	468,290	523,467
Capital assets, net of accumulated depreciation (Note 5)	114,636,883	115,174,259
Total noncurrent assets	115,165,987	115,769,685
Total assets	180,399,997	178,282,631
DEFERRED OUTFLOWS OF RESOURCES		
OPEB related (Note 10)	99,893	12,349
Pension related (Note 12)	629,876	665,584
Total deferred outflows of resources	729,769	677,933
LIABILITIES		
Current liabilities:		
Accounts payable and other accrued liabilities (Note 6)	659,393	783,821
Customer account credit balances (Note 7)	177,912	181,178
Customer deposits payable	498,818	469,009
Unearned revenues (Note 8)	3,235,784	3,218,476
Current portion of long-term liabilities:		
Compensated absences (Note 9)	242,037	213,171
Total current liabilities	4,813,944	4,865,655
Noncurrent liabilities:		
Compensated absences (Note 9)	99,807	101,002
Net OPEB liability (Note 10)	1,550,636	1,330,857
Net pension liability (Note 12)	2,328,743	2,079,843
Total noncurrent liabilities	3,979,186	3,511,702
Total liabilities	8,793,130	8,377,357
DEFERRED INFLOWS OF RESOURCES		
OPEB related (Note 10)	53,119	58,652
Pension related (Note 12)	116,796	159,337
Total deferred inflows of resources	169,915	217,989
NET POSITION		
Net investment in capital assets (Note 11)	114,636,883	115,174,259
Restricted (Note 11)		
Capital Commitments	29,534,286	26,250,409
Notes Receivable	523,466	573,627
Unrestricted (Note 11)	27,472,086	28,366,923
Total net position	$ 172,166,721	$ 170,365,218

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, 2019 with Comparative Information for the year ended December 31, 2018

	2019	2018
OPERATING REVENUES		
Metered water sales	$ 4,933,445	$ 5,375,165
Water service charges	3,403,608	3,238,643
Water importation pass-through charges	2,237,051	2,424,212
Water pumping power pass-through charges	1,604,661	1,739,022
Development and installation charges	851,465	979,629
Other revenue	321,521	403,970
Total operating revenues	13,351,751	14,160,641
OPERATING EXPENSES		
Salaries and employee benefits	4,214,548	3,861,174
Pension expense	242,066	92,646
Energy expenses	1,621,377	1,760,641
Water purchases	5,200,241	3,842,357
Administration	508,291	313,973
Operations	586,603	574,263
Maintenance and repairs	536,022	333,341
Depreciation	2,707,811	2,575,804
Insurance	75,858	73,530
Professional fees	272,752	144,908
Other expenses	29,730	11,334
Total operating expenses	15,995,299	13,583,971
Operating income (loss)	(2,643,548)	576,670
NONOPERATING REVENUES (EXPENSES)		
Investment earnings	1,668,981	1,121,500
Rental income	23,805	20,934
Other revenue	3,328	24,681
Gain on sale of capital assets	15,840	-
Total nonoperating revenues (expenses)	1,711,954	1,167,115
Income before contributions	(931,594)	1,743,785
CAPITAL CONTRIBUTIONS		
Donated capital assets	313,440	2,423,839
Capital contribution to other government	(569,812)	-
Capacity charges	2,989,469	5,282,211
Total capital contributions	2,733,097	7,706,050
Change in net position	1,801,503	9,449,835
Net position, beginning of year	170,365,218	160,915,383
Net position, end of year	$ 172,166,721	$ 170,365,218

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, 2019 with Comparative Information for the year ended December 31, 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	$ 13,338,280	$ 14,404,274
Payments to employees for salaries and benefits	(4,040,357)	(3,647,387)
Payments to suppliers and service providers	(8,931,626)	(7,221,022)
Receipt of customer deposits	29,809	43,562
Net cash provided by operating activities	396,106	3,579,427
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(1,856,995)	(2,476,161)
Capital contributions	3,039,630	5,327,811
Capital contribution to other government	(569,812)	-
Gain on sale of capital assets	15,840	-
Net cash provided by capital and related financing activities	628,663	2,851,650
CASH FLOWS FROM INVESTNG ACTIVITIES:		
Interest received	1,510,069	1,080,380
Gain/(loss) on investments	173,790	(29,499)
Net cash provided by investing activities	1,683,859	1,050,881
Net increase in cash and cash equivalents	2,708,628	7,481,958
Cash and investments, beginning of year	58,656,814	51,174,856
Cash and investments, end of year	$ 61,365,442	$ 58,656,814
Reconciliation to the Statement of Net Position:		
Cash and investments	$ 27,918,643	$ 28,537,743
Restricted cash and investments - funds held for others	3,912,513	3,868,662
Restricted cash and investments - capital commitments	29,534,286	26,250,409
Total cash and investments	$ 61,365,442	$ 58,656,814

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

Statements of Cash Flows, Continued
For the Year Ended December 31, 2019 with Comparative Information for the year ended December 31, 2018

	2019	2018
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	$ (2,643,548)	$ 576,670
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation expense	2,707,811	2,575,804
Other income	3,328	24,681
Rental income	23,805	20,934
(Increase) decrease in accounts receivable	(70,194)	(158,878)
(Increase) decrease in notes receivable	11,728	14,832
(Increase) decrease in inventories	66,289	(151,209)
(Increase) decrease in prepaid items	(18,976)	(34,361)
(Increase) decrease in deferred outflows of resources	(51,836)	166,317
Increase (decrease) in accounts payable and other accrued liabilities	(124,428)	49,263
Increase (decrease) in customer account credit balances	(3,266)	17,559
Increase (decrease) in customer deposits payable	29,809	43,562
Increase (decrease) in unearned revenues	17,308	330,994
Increase (decrease) in compensated absences	27,671	44,644
Increase (decrease) in other post-employment benefit obligations	219,779	79,847
Increase (decrease) in net pension liability	248,900	(46,779)
Increase (decrease) in deferred inflows of resources	(48,074)	25,547
Total adjustments	3,039,654	3,002,757
Net cash provided by operating activities	$ 396,106	$ 3,579,427
Schedule of non-cash investing and capital and related financing activities		
Capital contributions - donated capital assets	$ 313,440	$ 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 is 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:

Pump House 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

All full-time, regular employees 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.

K. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Credit/Market Risk

The District provides water services to local residents, 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.

M. 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. The District has no investments subject to the fair value hierarchy.

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.

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Measurement Period	January 1 to December 31, 2019

O. Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows/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.

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Measurement Period	January 1 to December 31, 2019

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 2019.

NOTE 2 – CASH AND INVESTMENTS

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

Description	2019	2018
Cash and investments	$ 27,918,643	$ 28,537,743
Restricted cash and investments - funds held for others	3,912,513	3,868,662
Restricted cash and investments - capital commitments	29,534,286	26,250,409
Total cash and investments	$ 61,365,442	$ 58,656,814

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

Description	2019	2018
Cash on hand (petty cash and change drawers)	$ 1,400	$ 1,400
Demand deposits (cash in bank)	491,614	774,460
Investments	60,872,428	57,880,954
Total cash and investments	$ 61,365,442	$ 58,656,814

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, 2019 were as follows:

Investment Type	Fair Value	Maturity 12 Months or Less
CalTRUST	$ 36,292,837	$ 36,292,837
LAIF	24,579,591	24,579,591
Total investments	$ 60,872,428	$ 60,872,428

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

Investment Type	Fair Value	Maturity 12 Months or Less
CalTRUST	$ 33,335,400	$ 33,335,400
LAIF	24,545,554	24,545,554
	$ 57,880,954	$ 57,880,954

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, 2019 and 2018, the District had deposits with financial institutions of $274,521 and $604,800, 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 CalTRUST 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, 2019 is as follows:

	Water Sales and Services	Other	Developer	Total
Receivables	$ 2,366,044	$ 16,189	$ 564,778	$ 2,947,011
Less: allowance for uncollectible accounts	-	-	(269,190)	(269,190)
Net receivables	$ 2,366,044	$ 16,189	$ 295,588	$ 2,677,821

NOTE 3 – ACCOUNTS RECEIVABLE (Continued)

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 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, 2019 is as follows:

	Notes Receivable	Restricted Notes Receivable	
	Bonita Vista	Fairway Canyon	Total
Current	$ 8,446	$ 55,176	$ 63,622
Non-current	60,814	468,290	529,104
Total notes receivable	$ 69,260	$ 523,466	$ 592,726

NOTE 4 – NOTES RECEIVABLE (Continued)

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 5 – CAPITAL ASSETS

The following table summarizes capital asset activity during the year ended December 31, 2019:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Capital assets, not being depreciated					
Land	$ 7,721,730	$ -	$ -	$ -	$ 7,721,730
Construction in progress	988,172	1,842,861	-	(1,325,849)	1,505,184
Total capital assets, not being depreciated	8,709,902	1,842,861	-	(1,325,849)	9,226,914
Capital assets, being depreciated:					
Transmission and distribution system	82,504,147	319,666	-	834,323	83,658,136
Structures and improvements	17,941,928	-	-	-	17,941,928
Reservoirs and tanks	22,546,667	-	-	-	22,546,667
Pumping and telemetry equipment	13,146,242	-	-	251,485	13,397,727
Vehicles and equipment	2,395,514	7,908	(184,669)	240,041	2,458,794
Total capital assets, being depreciated	138,534,498	327,574	(184,669)	1,325,849	140,003,252
Less accumulated depreciation for:					
Transmission and distribution system	(16,338,776)	(1,440,534)	-	-	(17,779,310)
Structures and improvements	(4,112,968)	(314,093)	-	-	(4,427,061)
Reservoirs and tanks	(6,312,140)	(485,874)	-	-	(6,798,014)
Pumping and telemetry equipment	(3,625,591)	(255,739)		-	(3,881,330)
Vehicles and equipment	(1,680,666)	(211,571)	184,669	-	(1,707,568)
Total accumulated depreciation	(32,070,141)	(2,707,811)	184,669	-	(34,593,283)
Total capital assets, being depreciated, net	106,464,357	(2,380,237)	-	1,325,849	105,409,969
Capital assets, net of depreciation	$ 115,174,259	$ (537,376)	$ -	$ -	$ 114,636,883

NOTE 5 – CAPITAL ASSETS (Continued)

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 6 – ACCOUNTS PAYABLE AND OTHER ACCRUED LIABILITIES

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

Description	2019	2018
Accounts payable	$ 536,197	$ 684,262
Salaries and employee benefits	92,521	72,374
Other	30,675	27,185
Total accounts payable and other accrued liabilities	$ 659,393	$ 783,821

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, 2019 and 2018, the balance was $177,912 and $181,178, 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, 2019 and 2018, the balance was $3,235,784 and $3,218,476, 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, 2019 was as follows:

Beginning Balance	Additions	Deletions	Ending Balance	Current Portion	Non-current Portion
$ 314,173	$ 290,601	$ (262,930)	$ 341,844	$ 242,037	$ 99,807

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

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS OBLIGATION

A. Plan Description

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 $474 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, 2019 measurement date, the following numbers of participants were covered by the benefit terms under the Plan:

Active employees	34
Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to, but not yet receiving benefits	-
Total	39

C. Funding Policy

The District funds the Plan on a pay-as-you-go basis. There are no assets accumulated in a qualifying trust to pay related benefits.

D. Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2018 that was rolled forward to determine the June 30, 2019 total OPEB liability, based on the following actuarial methods and assumptions:

Actuarial Assumptions	June 30, 2019 Measurement Date
Actuarial Valuation Date	June 30, 2018
Contribution Policy	No pre-funding
Discount Rate	3.50% at June 30, 2019 3.87% at June 30, 2018
General Inflation	2.75%
Mortality, Retirement, Disability, Termination	Based on CalPERS 1997-2015 Experience Study
Salary increases	3.00%
Medical Trend	Non-Medicare – 7.5% for 2020, decreasing to an ultimate rate of 4.0% in 2076 and later Medicare – 6.5% for 2020, decreasing to an ultimate rate of 4.0% in 2076 and later

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

D. Net OPEB Liability (Continued)

Change in Assumptions

The discount rate changed from 3.87 percent in 2018 to 3.50 percent in 2019.

E. Discount Rate

A discount rate of 3.50 percent was used in the valuation for measurement date June 30, 2019.

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, 2018			
(6/30/18 measurement date)	$ 1,330,857	$ -	$ 1,330,857
Changes recognized for the measurement period:			
Service cost	104,143	-	104,143
Interest	54,966	-	54,966
Differences between expected and actual experience	-	-	-
Changes in assumptions	90,015	-	90,015
Contributions – employer	-	-	-
Net investment income	-	-	-
Benefit payments	(29,345)	-	(29,345)
Administrative expense	-	-	-
Net changes	219,779	-	219,779
Balance at December 31, 2019			
(6/30/19 measurement date)	$ 1,550,636	$ -	$ 1,550,636

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

The following represents the net OPEB liability of the District if it were calculated using a discount rate that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2019:

December 31, 2019 (measurement date June 30, 2019)

	1% Decrease (2.50%)	**Current Discount Rate (3.50%)**	**1% Increase (4.50%)**
Net OPEB Liability	$ 1,837,720	$1,550,636	$ 1,323,832

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

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

December 31, 2018 (measurement date June 30, 2018)

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Net OPEB Liability	$ 1,572,091	$1,330,857	$ 1,139,286

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, 2019:

December 31, 2019 (measurement date June 30, 2019)

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Net OPEB Liability	$ 1,389,126	$1,550,636	$ 1,819,476

December 31, 2018 (measurement date 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 June 30, 2019 measurement date. The District does not have assets accumulated in a trust that meets the criteria of GASB 75 to pay related benefits.

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.

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

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

For the fiscal year ended December 31, 2019, the District recognized OPEB expense of $161,468. As of fiscal year ended December 31, 2019 and December 31, 2018, the District reported deferred outflows and inflows related to OPEB from the following sources:

December 31, 2019 (measurement date June 30, 2019)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ 82,255	$ (53,119)
Contributions to OPEB plan subsequent to the measurement date	17,638	-
Total	$ 99,893	$ (53,119)

December 31, 2018 (measurement date June 30, 2018)

	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)

The $17,638 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2019 measurement date will be recognized as a reduction of the net OPEB liability during 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
2020	$ 2,227
2021	2,227
2022	2,227
2023	2,227
2024	2,227
Thereafter	18,001
	$ 29,136

NOTE 11 – NET POSITION

	December 31, 2019	December 31, 2018
Net Position:		
Net investment in capital assets	$ 114,636,883	$ 115,174,259
Restricted	30,057,752	26,824,036
Unrestricted	27,472,086	28,366,923
Total net position	$ 172,166,721	$ 170,365,218

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

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

	December 31, 2019	December 31, 2018
Unrestricted Net Position:		
Nonspendable assets:		
Inventories	$ 720,828	$ 787,117
Prepaid items	214,598	195,622
Non-current portion of notes receivable	60,814	71,959
Total nonspendable items	996,240	1,054,698
Board of Directors' Designations:		
Capital replacement reserve	20,742,568	22,022,905
Operating reserve	3,583,299	3,371,679
Emergency reserve	2,149,979	1,917,641
Total designations	26,475,846	27,312,225
Total unrestricted net position	$ 27,472,086	$ 28,366,923

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.

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, 2019 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 of service	5 years of 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%	7.5%
Required employer contribution rates	15.097%	7.528%

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, 2019 were $303,397. The actual employer payments of $396,918 made to CalPERS by the District during the measurement period ended June 30, 2019 differed from the District's proportionate share of the employer's contributions of $374,841 by $22,077, 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, 2019, using an annual actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 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, 2018	June 30, 2017
Measurement Date	June 30, 2019	June 30, 2018
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	2.50%	2.75%
Salary Increases (1)	3.3% - 14.2%	3.3% - 14.2%
Mortality Rate Table (2)	Derived using CalPERS' membership data for all Funds	Derived using CalPERS' membership data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.0% until purchasing power protection allowance floor on purchasing power applies, 2.5% 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) The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographics from 1997 to 2015) that can be found on the CalPERS website.

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 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website, at www.calpers.ca.gov.

Long-term Expected Rate of Return

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.

NOTE 12 – DEFINED BENEFIT PENSION PLAN (Continued)

B. Net Pension Liability (Continued)

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 expected real rates of return by asset class are as follows:

Asset Class	New Strategic Allocation	Real Return Years 1 - 10[1]	Real Return Years 11+[2]
Global Equity	50.0%	4.80%	5.98%
Global Fixed Income	28.0%	1.00%	2.62%
Inflation Sensitive	-	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	-	(0.92%)
Total	100%		

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

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

Change of Assumptions

In 2019, there were no changes to the discount rate. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

NOTE 12 – DEFINED BENEFIT PENSION PLAN (Continued)

B. Net Pension Liability (Continued)

Discount Rate

The discount rate used to measure the total pension liability for PERF C was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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: 6/30/2018 (Valuation Date)	$ 10,203,946	$ 8,124,103	$ 2,079,843
Balance at: 6/30/2019 (Measurement Date)	$ 11,374,999	$ 9,046,256	$ 2,328,743
Net Changes during 2018-19	$ 1,171,053	$ 922,153	$ 248,900

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, 2019, 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, 2018 rolled forward to June 30, 2019 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, 2019	
Proportionate Share - December 31, 2018 (measurement date June 30, 2018)	0.021583%
Proportionate Share - December 31, 2019 (measurement date June 30, 2019)	0.022726%
Change - Increase (Decrease)	0.001143%

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)	0.021583%
Change - Increase (Decrease)	0.000139%

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, 2019

	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Plan's Net Pension Liability	$ 3,858,716	$ 2,328,743	$ 1,065,860

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

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 PERF C for the measurement period ending June 3, 2019 is 3.8 years, which was obtained by dividing the total service years of 530,470 (the sum of remaining service lifetimes of the active employees) by 140,593 (the total number of participants: active, inactive, and retired) in PERF C. Inactive employees and retirees have remaining service lifetimes equal to 0. 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, 2018), the District’s net pension liability was $2,079,843. For the measurement period ending June 30, 2019 (the measurement date), the District incurred a pension expense/(income) of $242,066.

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, 2019 and 2018, the District has deferred outflows and deferred inflows of resources related to pensions as follows:

December 31, 2019

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 161,741	$ (12,532)
Changes of Assumptions	111,043	(39,364)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	(40,714)
Change in Employer's Proportion	167,416	-
Difference in Actual vs Projected Contributions	22,040	(24,186)
Pension Contributions Subsequent to Measurement Date	167,636	-
Total	**$ 629,876**	**$ (116,796)**

December 31, 2018

	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)**

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 2018-19 measurement period expense. Contributions subsequent to the measurement date of $167,636 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
2020	$ 267,439
2021	24,950
2022	44,830
2023	8,225
2024	-

E. Payable to the Pension Plan

At December 31, 2019, the District reported a payable of $0 for the outstanding amount of contributions to the pension plan required for the year ended December 31, 2019.

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, 2019 and 2018, the District contributed $25,171 and $37,874, 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, 2019, 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, 2019. 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 – SUBSEQUENT EVENT

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders for all but those deemed essential services. While the business disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings and shelter in place orders. As a result, the outbreak has caused uncertainty in the financial markets. Although many of the District's services are considered essential, the District was closed to the public, certain other services transitioned to online-only, and because the District's major revenue source is directly impacted by these events, it is probable that this matter will negatively impact the District. However, the ultimate financial impact and duration cannot be estimated at this time.

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	0.021583%	$ 2,079,843	$ 2,128,022	97.74%	79.62%
6/30/2019	0.022726%	$ 2,328,743	$ 2,455,799	94.83%	79.53%

[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%
12/31/2019	303,397	(303,397)	-	2,532,417	11.98%

* 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

Changes in Assumptions: In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate. In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

Beaumont-Cherry Valley Water District

Required Supplementary Information
Schedule of Changes in Other Post-Employment Benefits and Related Ratios
Last Ten Years*

Fiscal Year / Measurement Period	2018 / 2017	2019 / 2018
Total OPEB Liability		
Service cost	$ 108,164	$ 104,143
Interest	48,433	54,966
Changes in assumptions	(64,185)	90,015
Benefit payments	(12,565)	(29,345)
Net change in total OPEB liability	79,847	219,779
Total OPEB liability - beginning	1,251,010	1,330,857
Total OPEB liability - ending (a)	1,330,857	1,550,636
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	$ 1,550,636
Plan fiduciary net position as a percentage of the total OPEB liability	0.0%	0.0%
Covered-employee payroll	$ 2,186,445	$ 2,353,519
Net OPEB liability as a percentage of covered employee payroll	60.9%	65.9%

Notes to schedule:

Changes in assumptions: Discount rate changed from 3.87% in 2018 to 3.50% in 2019.

The District does not have assets accumulated in a trust that meet the criteria of GASB 75 to pay related benefits.

*Historical information is required for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available. Fiscal year 2018 was the first year of implementation.

Statistical Section

Beaumont-Cherry Valley Water District

Net Position by Component
Last Ten Years

	2010	2011	2012	2013	2014
Net investment in capital assets	$ 99,800,836	$ 99,194,309	$ 98,791,875	$ 117,924,668	$ 116,054,562
Restricted					
Capital commitments	-	-	-	-	2,138,747
Notes receivable	-	-	-	-	-
Unrestricted	7,090,191	5,283,208	5,827,344	5,499,646	13,498,835
Total net position	$ 106,891,027	$ 104,477,517	$ 104,619,219	$ 123,424,314	$ 131,692,144

	2015	2016	2017	2018	2019
Net investment in capital assets	$ 115,246,313	$ 114,241,568	$ 112,850,063	$ 115,174,259	$ 114,636,883
Restricted					
Capital commitments	9,225,608	10,226,231	20,668,475	26,250,409	29,534,286
Notes receivable	-	-	619,227	573,627	523,466
Unrestricted	14,338,676	25,294,018	26,777,618	28,366,923	27,472,086
Total net position	$ 138,810,597	$ 149,761,817	$ 160,915,383	$ 170,365,218	$ 172,166,721

Source: *Beaumont-Cherry Valley Water District*

Beaumont-Cherry Valley Water District

Changes in Net Position
Last Ten Years

	2010	2011	2012	2013
OPERATING REVENUES				
Metered water sales	$ 4,170,001	$ 4,766,022	$ 5,139,923	$ 5,046,558
Water service charges	1,810,098	2,188,438	2,339,128	2,544,173
Water importation pass-through charges	1,025,996	1,326,091	2,318,837	2,321,236
Water pumping power pass-through charges	1,349,287	1,617,081	1,663,191	1,685,246
Development and installation charges	228,986	127,141	146,889	271,122
Other revenue	381,094	288,708	364,628	369,537
Total operating revenues	8,965,462	10,313,481	11,972,596	12,237,872
OPERATING EXPENSES (1)				
Salaries and employee benefits	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	1,815,459	3,125,537	2,642,003	2,607,642
Administration	187,758	196,422	552,707	270,533
Operations	3,051,149	2,877,985	281,110	297,048
Maintenance and repairs	-	-	577,422	272,990
Depreciation	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	193,713	199,934	11,749	11,246
Total operating expenses	9,651,096	11,497,194	11,716,094	11,595,631
Operating Income (loss)	(685,634)	(1,183,713)	256,502	642,241
NONOPERATING REVENUES (EXPENSES)				
Interest earnings	89,198	127,905	110,426	84,830
Rental income	22,031	20,507	22,969	17,815
Other revenue	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)	152,884	94,202	53,512	15,145
Income (loss) before contributions	(532,750)	(1,089,511)	310,014	657,386
CAPITAL CONTRIBUTIONS				
Donated capital assets	-	-	-	-
Capital contribution to other government	-	-	-	-
Capacity charges	1,853,106	579,869	66,382	1,025,791
Total capital contributions	1,853,106	579,869	66,382	1,025,791
SPECIAL ITEM				
Change in assumptions - OPEB	-	-	-	-
Change in net position	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	(1,253,507)	(1,903,868)	(234,694)	17,121,918
Net position, end of year	$ 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*

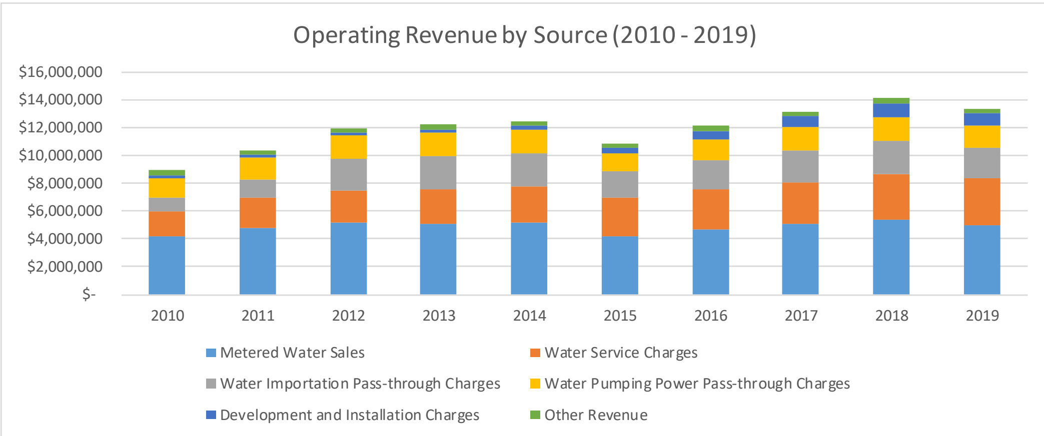
(continued)

2014	2015	2016	2017	2018	2019
$ 5,174,292	$ 4,165,087	$ 4,655,883	$ 5,060,758	$ 5,375,165	$ 4,933,445
2,623,140	2,756,998	2,865,733	3,014,752	3,238,643	3,403,608
2,334,731	1,889,751	2,102,694	2,288,455	2,424,212	2,237,051
1,674,936	1,355,677	1,508,460	1,641,681	1,739,022	1,604,661
315,244	348,830	653,251	818,430	979,629	851,465
313,807	315,952	353,419	353,433	403,970	321,521
12,436,150	10,832,295	12,139,440	13,177,509	14,160,641	13,351,751
2,985,138	3,076,232	2,974,987	3,395,058	3,855,018	4,214,548
-	394,267	(225,040)	(87,514)	92,646	242,066
1,772,112	1,371,858	1,344,733	1,598,665	1,760,641	1,621,377
1,396,410	879,066	2,954,123	4,308,030	3,842,357	5,200,241
173,873	381,598	193,382	284,724	313,973	508,291
468,345	236,757	234,245	292,991	420,403	586,603
469,552	591,554	604,118	515,645	493,357	536,022
2,514,369	2,517,384	2,528,643	2,591,208	2,575,804	2,707,811
80,162	78,285	75,502	73,674	73,530	75,858
310,590	184,169	228,162	250,504	144,908	272,752
10,736	10,503	10,978	12,115	11,334	29,730
10,181,287	9,721,673	10,923,833	13,235,100	13,583,971	15,995,299
2,254,863	1,110,622	1,215,607	(57,591)	576,670	(2,643,548)
55,597	84,254	180,342	350,406	1,121,500	1,668,981
21,007	20,103	20,577	21,715	20,934	23,805
291,671	35,528	1,101	89,591	24,681	3,328
3,310	-	(7,898)	(37,031)	-	15,840
(300)	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
371,285	139,885	194,122	424,681	1,167,115	1,711,954
2,626,148	1,250,507	1,409,729	367,090	1,743,785	(931,594)
-	1,092,505	1,004,624	-	2,423,839	313,440
-	-	-	-	-	(569,812)
2,677,180	6,296,897	8,536,867	11,270,398	5,282,211	2,989,469
2,677,180	7,389,402	9,541,491	11,270,398	7,706,050	2,733,097
2,964,502	-	-	-	-	-
8,267,830	8,639,909	10,951,220	11,637,488	9,449,835	1,801,503
123,424,314	131,692,144	138,810,597	149,761,817	160,915,383	170,365,218
-	(1,521,456)	-	(483,922)	-	-
$ 131,692,144	$ 138,810,597	$ 149,761,817	$ 160,915,383	$ 170,365,218	$ 172,166,721

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
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
2019	4,933,445	3,403,608	2,237,051	1,604,661	851,465	321,521	13,351,751

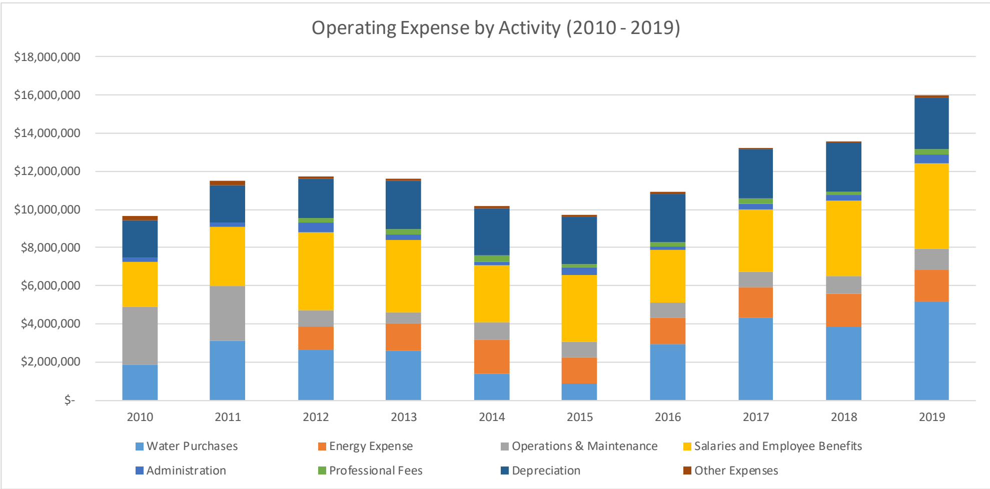


Source: *Beaumont-Cherry Valley Water District*

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	Totals
2010	$ 2,404,984	$ 1,815,459	$ -	$ 3,051,149	$ 187,758	$ -	$ 1,998,033	$ 193,713	$ 9,651,096
2011	3,094,522	3,125,537	-	2,877,985	196,422	-	2,002,794	199,934	11,497,194
2012	4,040,757	2,642,003	1,231,156	858,532	552,707	211,580	2,072,402	106,957	11,716,094
2013	3,780,225	2,607,642	1,435,343	570,038	270,533	295,528	2,528,691	107,631	11,595,631
2014	2,985,138	1,396,410	1,772,112	937,897	173,873	310,590	2,514,369	90,898	10,181,287
2015	3,470,499	879,066	1,371,858	828,311	381,598	184,169	2,517,384	88,788	9,721,673
2016	2,749,947	2,954,123	1,344,733	838,363	193,382	228,162	2,528,643	86,480	10,923,833
2017	3,307,544	4,308,030	1,598,665	808,636	284,724	250,504	2,591,208	85,789	13,235,100
2018	3,947,664	3,842,357	1,760,641	913,760	313,973	144,908	2,575,804	84,864	13,583,971
2019	4,456,614	5,200,241	1,621,377	1,122,625	508,291	272,752	2,707,811	105,588	15,995,299



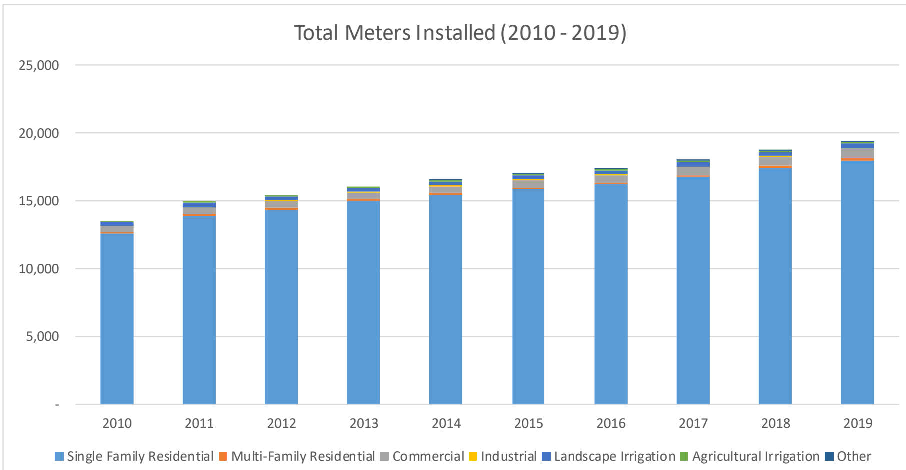
Notes:
(1) Amounts may appear to be inconsistent and incomparable as classifications of operating expenses changed in 2012
(2) Some amounts from the Changes in Net Position schedule are grouped together for comparability

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	Totals
2010	12,578	114	453	23	286	82	-	13,536
2011	13,921	122	494	26	288	84	-	14,935
2012	14,388	130	507	26	297	86	-	15,434
2013	14,981	140	536	31	311	89	-	16,088
2014	15,436	140	540	31	314	90	1	16,552
2015	15,860	140	546	31	321	90	2	16,990
2016	16,222	141	560	31	326	89	1	17,370
2017	16,768	141	631	31	337	88	1	17,997
2018	17,430	159	692	33	354	88	1	18,757
2019	18,004	159	700	33	364	87	2	19,349



Source: *Beaumont-Cherry Valley Water District*

Beaumont-Cherry Valley Water District

Principal Customers
Current and Seven Years Ago (1)

Customer	2019 Annual Consumption (hcf)	2019 Percentage of Total Consumption	2010 Annual Consumption (hcf)	2010 Percentage of Total Consumption	Change in Consumption	Percentage of Change
City of Beaumont	261,504	5.33%	323,495	6.73%	(61,991)	-19.16%
Beaumont Unified School District	172,906	3.53%	157,291	3.27%	15,615	9.93%
K Hovnanian's Four Seasons	168,244	3.43%	75,843	1.58%	92,401	121.83%
Highland Springs Country Club	68,570	1.40%	51,032	1.06%	17,538	34.37%
Perricone Juices	60,791	1.24%	26,483	0.55%	34,308	129.55%
Solera Oak Valley Greens	49,122	1.00%	64,616	1.34%	(15,494)	-23.98%
Fairway Canyon Community Association	47,094	0.96%	54,593	1.14%	(7,499)	-13.74%
Highland Springs Owners Association	23,702	0.48%	28,546	0.59%	(4,844)	-16.97%
Oak Valley II Community Association	23,467	0.48%	-	0.00%	23,467	100.00%
Country Highlands MHC	23,432	0.48%	30,631	0.64%	(7,199)	-23.50%
	898,832	18.33%	812,530	16.91%	86,302	
Total Water Consumed	4,903,165	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
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
2019	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"
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
2019	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
2010	$ -	$ -	$4,530,000	$ -	$ -	$4,530,000	$ 122	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%
2019	-	-	-	-	-	-	-	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
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	-	-	-	-
2019	18,037,334	(13,287,488)	4,749,846	-	-	-	-

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
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	49,630	63,900	39,300	4.1%
2019	51,475	63,900	39,300	3.6%

Sources:
Population Source: State of California Department of Finance;
County Source: Riverside County Economic Development Agency

Beaumont-Cherry Valley Water District

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

Employer	2019 (3) 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 School 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) County of Riverside Economic Development Agency last updated 2018

Source: *Riverside County Economic Development Agency*

Beaumont-Cherry Valley Water District

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Department										
Engineering	2	2	2	2	2	2	3	5	5	6
Finance & Administrative Services	11	13	7	8	6	10	10	12	13	13
IT	0	0	1	1	1	1	1	1	1	1
Human Resources	0	0	0	0	0	0	0	0	0	1
Operations										
Source of Supply	4	4	3	3	3	3	3	4	4	4
Transmission and Distribution	13	12	11	12	12	11	11	10	13	13
Customer Service and Meter Reading	3	3	3	3	3	3	3	3	3	3
Total	33	34	27	29	27	30	31	35	39	41

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

Beaumont-Cherry Valley Water District

Operating Indicators by Function
Last Ten Years

Function/Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
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	303
Fire hydrants	1,248	1,310	1,375	1,443	1,515	1,590	1,669	1,752	1,840	2,131
Number of reservoirs (non-potable)	-	1	1	1	1	1	1	1	1	1
Reservoir Capacity (MG)	-	2	2	2	2	2	2	2	2	2
Storage Tanks	13	13	13	13	13	13	13	13	13	20
Storage Capacity (MG)	23	23	23	23	23	23	23	23	23	23
Number of wells	22	21	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*