BEAUMONT-CHERRY VALLEY WATER DISTRICT
560 Magnolia Avenue, Beaumont, CA 92223

MINUTES OF THE FINANCE AND AUDIT COMMITTEE MEETING
Thursday, September 3, 2026 at 3:00 p.m.

CALL TO ORDER

Chair Hoffman called the meeting to order at 3:11 p.m.

Attendance

Directors present:	Director David Hoffman and Director Lona Williams
Directors absent:	None
Staff present:	General Manager Dan Jaggers Director of Information Technology & Cybersecurity Robert Rasha Director of Finance and Administration Sylvia Molina Management Analyst II Erica Gonzales Finance Manager William Clayton Administrative Assistant Cenica Smith
Members of the public:	None

PUBLIC COMMENT: None.

ACTION ITEMS

1. **Adjustments to the Agenda**: None.

2. **Review and Acceptance of the Minutes of the Finance and Audit Committee**

   a. August 6, 2026 Regular Meeting

   The Committee accepted the minutes as presented by the following vote:

MOVED: Williams	SECONDED: Hoffman	APPROVED 2-0
AYES:	Williams, Hoffman	
NOES:	None	
ABSTAIN:	None	
ABSENT:	None	

3. **Receive and file the Check Register for the Month of July 2026**

   The Committee received and filed the Check Register as presented by the following vote:

MOVED: Williams	SECONDED: Hoffman	APPROVED 2-0
AYES:	Hoffman, Williams	
NOES:	None	
ABSTAIN:	None	
ABSENT:	None	

4. Financial Reports/Recommendations

a. Review of the July 2026 Budget Variance Reports
b. Review of the July 31, 2026 Cash and Investment Balance Report
c. Review of Check Register for the Month of August 2026
d. Review of August 2026 Invoices Pending Approval

Chair Hoffman reviewed the July 2026 Budget Variance Report and noted that revenues were approximately $16 million, or 61.89 percent of the annual revenue budget, compared with 58.33 percent of the year elapsed. He characterized the District's financial position as favorable, with revenues slightly ahead of budget and expenditures below budget, and commended staff while emphasizing the importance of continued monitoring so adjustments can be made if conditions change. He also noted that Board of Directors expenditures were at 36.54 percent of budget.

Director Williams asked about several encumbered amounts in the Operations budget. Staff explained that general equipment encumbrances may represent purchase orders for equipment repairs and maintenance, and that encroachment permit expenses are project-specific. Chair Hoffman asked about the Operations Services category, which showed approximately 14.82 percent of its budget remaining. Staff explained that the category includes imported water purchases and indicated that water purchases were likely a primary factor in the expenditure level.

Chair Hoffman noted that District investment returns remained favorable, with the Chandler Asset Management portfolio earning approximately 4.35 percent and the other investment accounts earning slightly less than 4 percent.

Director Williams asked about the $2 million transfer from Local Agency Investment Fund (LAIF) to Wells Fargo. Staff explained that the transfer was needed to accommodate several significant expenditures, including the imported water purchase, a CalPERS unfunded accrued liability payment of approximately $380,000, approximately $800,000 for the 11th Street Pipeline Project, and an expenditure of more than $200,000 related to Well 25. Staff further explained that interest earnings partially offset the reduction in the LAIF balance.

Director of Finance and Administration Sylvia Molina introduced a new year-to-date investment summary developed in response to a Board member request. The schedule provides monthly deposits, withdrawals, interest rates, interest earnings, and balances for the District's three investment accounts, allowing the Board to follow investment activity and reconcile the balances throughout the year. Director Williams noted the increase in the Chandler return between May and July. Ms. Molina advised that staff was evaluating options for potentially moving additional funds from LAIF and CalTRUST to Chandler.

In response to Director Williams, Ms. Molina reported that Chandler was in the final year of its current contract and that proposals for investment management services were due that day. Chandler had submitted a proposal, and staff anticipated completing the evaluation process in time to bring a recommendation to the next Finance and Audit Committee meeting.

The Committee also discussed the distinction between book value and market value and the liquidity of the investment accounts. Staff advised that LAIF funds can generally be transferred within one day if requested timely. General Manager Jaggers suggested further refining the new investment summary to include totals for each investment and the overall ending balance so the Board could more readily compare balances and interest earnings across the year.

Staff highlighted and/or responded to Committee inquiries regarding the following items:

- Hydrant maintenance supplies: Chair Hoffman asked about the purchase of two hydrant disassembly wrenches totaling approximately $964. The Committee also reviewed purchases of brass swing check valves; staff indicated that separate invoice quantities appeared to represent portions of a larger order received at different times.
- Heli-Hydrant: Chair Hoffman reported that San Gorgonio Pass Water Agency General Manager Lance Eckhart had recently discussed the Heli-Hydrant being constructed in the area and similar facilities at neighboring agencies, noting their value in improving regional firefighting capability.
- Paving repairs: Director Williams asked about approximately $27,619 in paving expenditures. General Manager Jaggers explained that the invoices represented nine repairs, including six service-line repairs totaling approximately $16,000 and three mainline repairs totaling approximately $11,000. Staff clarified that these were general repair expenses rather than capital project expenditures; work attributable to a capital project would be charged to and identified with the applicable CIP.
- Field activity near Tournament Hills Elementary School: Director Williams asked about District crews she had observed working near the school. . Jaggers indicated that, based on the location and work described, it was likely related to a leak.
- Pest control: Director Williams asked about a pest control expenditure. Staff explained that it represented routine monthly pest control service at the recharge ponds.

The Committee recommended presenting the financial reports 4a to 4d to the Board of Directors for approval by the following vote:

MOVED: Williams	SECONDED: Hoffman	APPROVED 2-0
AYES:	Hoffman, Williams	
NOES:	None	
ABSTAIN:	None	
ABSENT:	None	

5. Expense and Per Diem Compensation Claims Submitted for Approval

The Committee reviewed the Expense and Per Diem Compensation Claims without comment.

The claims were approved by the following vote:

MOVED: Williams	SECONDED: Hoffman	APPROVED 2-0
AYES:	Hoffman, Williams	
NOES:	None	
ABSTAIN:	None	
ABSENT:	None	

6. Report on Director Event Attendance

The Committee reviewed the Report on Director Event Attendance without comment.

The Director Event Attendance Report was received and filed by the following vote:

MOVED: Williams	SECONDED: Hoffman	APPROVED 2-0
AYES:	Hoffman, Williams	
NOES:	None	
ABSTAIN:	None	
ABSENT:	None	

7. Review of 2025 Single Audit Report on Federal Awards

Finance Manager William Clayton reported that the District was required to undergo a Single Audit for the second consecutive year because it expended approximately $1.4 million in federal American Rescue Plan Act (ARPA) funds during 2025, exceeding the $1 million federal expenditure threshold. He advised that the auditors issued unmodified opinions on the District's financial statements and compliance with its major federal program and identified no material weaknesses. The audit did, however, identify two significant deficiencies related to federal grant reporting.

Mr. Clayton reviewed Finding 2025-001, a repeat finding from 2024 classified as both noncompliance and a significant deficiency. He explained that construction on the ARPA-funded projects had been completed and staff understood that an additional quarterly report would not be required; however, final billing remained outstanding on one project. Staff sought clarification from the County on the report due date and learned that a final report was required. Mr. Clayton acknowledged that the District should have confirmed the reporting requirement earlier. Director Williams discussed the difficulty of identifying requirements that were not specifically communicated to the District and confirmed that, as a subrecipient, the District must proactively determine applicable reporting requirements. Director of Finance and Administration Molina noted that the experience provided guidance for administering future federal grants. Mr. Clayton advised that corrective measures will include a grant-reporting requirements matrix, advance reminders, assigned preparers and reviewers, and documentation of submissions, with uncertainties regarding reporting requirements to be resolved well before applicable deadlines.

Mr. Clayton reviewed Finding 2025-002, a significant deficiency that was not classified as noncompliance. He explained that the District's review process had successfully identified corrections needed to a quarterly report, but the corrected information was not included in the version ultimately submitted. General Manager Jaggers characterized the issue as a copy/version error that had been identified but was not carried through to the submitted report. Mr. Clayton said staff identified version control and final verification as the breakdown and will add documented reconciliation and a corrections log for future grant reporting.

Mr. Clayton stated that management believes the corrective action plan will address both findings. General Manager Jaggers acknowledged the findings and emphasized that staff continues to improve its processes and become more sophisticated in administering grants involving multiple departments.

The Committee recommended to the full Board to receive and file the single audit report for the year ending December 31, 2025, including the auditor's unmodified clean opinion on compliance related to major federal programs and internal controls by the following vote:

MOVED: Williams	SECONDED: Hoffman	APPROVED 2-0
AYES:	Hoffman, Williams	
NOES:	None	
ABSTAIN:	None	
ABSENT:	None	

8. Amendment to the BCVWD Fiscal Year 2026 Operating Budget for 01-40-410-500501 State Water Project Purchases

Ms. Molina explained that the State Project water order included 11,200 acre-feet (af) budgeted for regular replenishment needs and an additional 2,800 af if available. Additional water was available, and she requested authorization to forward to the Board a budget amendment of approximately $1.117 million, funded from the Capital Replacement Reserve, to purchase the additional supply. She noted that the Committee and Board had previously discussed the additional purchase and replenishment of the District's storage account.

Jaggers discussed how future supplemental water purchases might be reflected in the annual budget. The District has traditionally budgeted for the annual replenishment amount and returned to the Board to authorize additional purchases from reserves when water is available. Although the Board's water order may authorize purchase of the full amount, he suggested that continuing to transfer funds into reserves at year-end and back out when supplemental water is purchased may provide a clearer representation of the relationship between current rate-supported replenishment costs and purchases benefiting future water supply.

The Committee authorized staff to submit a request to the Board of Directors for authorization of a mid-year amendment to the Fiscal Year 2026 Operating Budget for State Water Project additional water supply purchases of up to 2,800 acre feet in an amount not to exceed $1,117,200 by the following vote:

MOVED: Williams	SECONDED: Hoffman	APPROVED 2-0
AYES:	Hoffman, Williams	
NOES:	None	
ABSTAIN:	None	
ABSENT:	None	

ANNOUNCEMENTS
Chair Hoffman pointed out the announcements of upcoming meetings.

ADJOURNMENT: 3:57 P.M.

David Hoffman

David Hoffman, Chairman to the Finance and Audit Committee
of the Beaumont-Cherry Valley Water District