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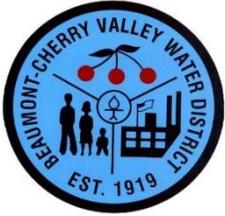
# BEAUMONT-CHERRY VALLEY WATER DISTRICT ANNUAL COMPREHENSIVE FINANCIAL REPORT

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FISCAL YEAR ENDED DECEMBER 31, 2020

BEAUMONT, CALIFORNIA

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# Annual Comprehensive Financial Report

For the Year Ended December 31, 2020

## Beaumont-Cherry Valley Water District Beaumont, California

### Board of Directors as of June 9, 2021

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

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

### Prepared by the Finance and Administrative Services Department

William Clayton  
Acting 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  
Annual Comprehensive Financial Report  
For the Year Ended December 31, 2020

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# Introductory



# Beaumont-Cherry Valley Water District

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<http://www.bcvwd.org>

June 9, 2021

## Board of Directors

David Hoffman  
Division 5

John Covington  
Division 4

Daniel Slawson  
Division 3

Lona Williams  
Division 2

Andy Ramirez  
Division 1

Honorable Board of Directors  
Beaumont-Cherry Valley Water District

It is our pleasure to submit the Annual Comprehensive Financial Report (ACFR) for the Beaumont-Cherry Valley Water District (District) for the year ended December 31, 2020, 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, 2020, 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.

## 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.

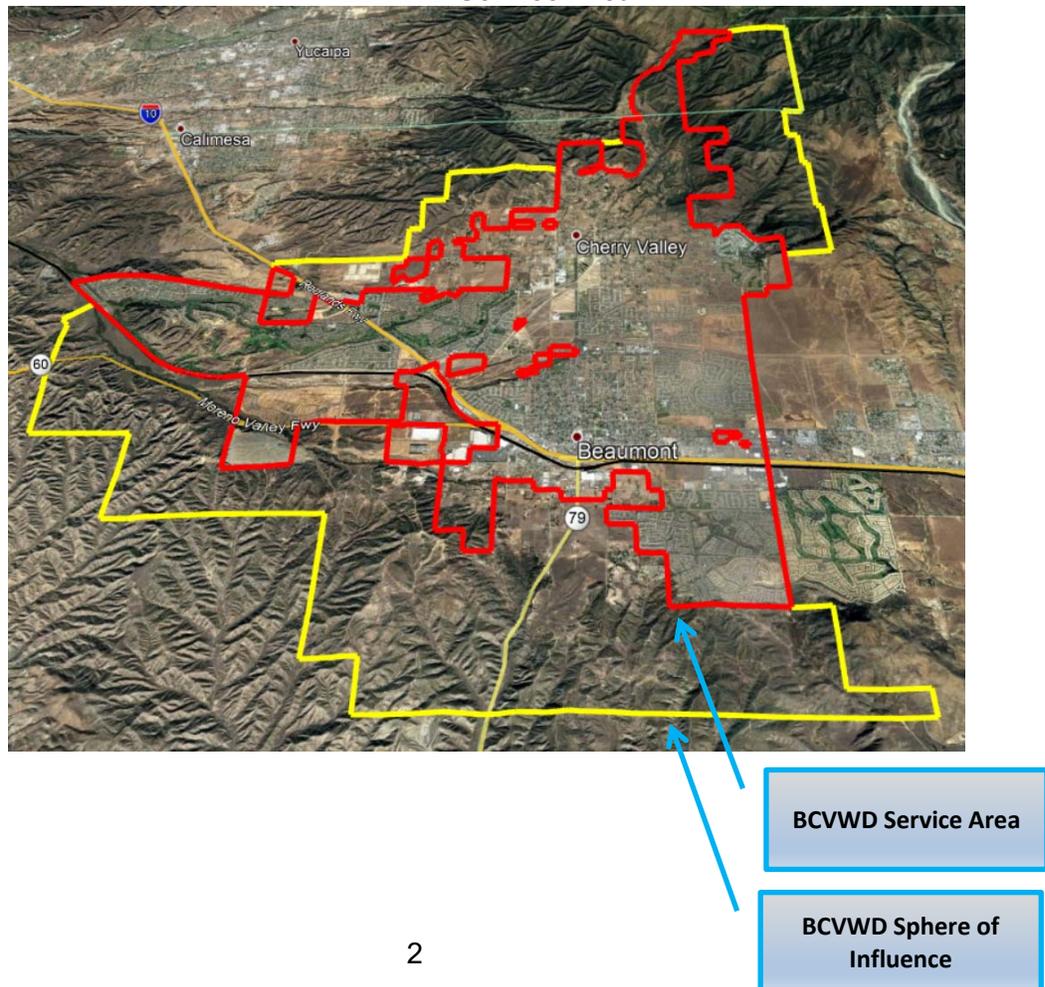
### History

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 2020, the District had a total of 19,690 connections, an increase of 341 connections over 2019, 93.07 percent of which are for single family residences.

The District has a total of 24 wells, 21 of which are active, 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, 2020 of 13,818 acre-feet (AF) was comprised of 10,577 AF of imported water (76.6%), 1,279 AF of groundwater from Edgar Canyon (9.2%), and a 1,962 AF allocation of unused overlying water rights (14.2%) as determined by the Beaumont Basin Watermaster. Groundwater is pumped from Edgar Canyon and the Beaumont Basin. The allocation of unused overlying water rights within the Beaumont Basin is derived from a calculated volume of available water not produced by Overlying Parties and distributed to the Beaumont Basin Appropriators. The District added 427 AF of imported water to its Beaumont Basin Watermaster Storage Account during 2020.

## **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 39 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 60,800 between the City of Beaumont and community of Cherry Valley, according to estimates from the State of California Department of Finance Demographic Research Unit.

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, K Hovnanian's Four Seasons, Beaumont Unified School District, Highland Springs Country Club, and TNT Blanchard General Eng Inc. rounding out the top five users.

According to US Census Bureau projections, median household incomes within the City of Beaumont of \$84,105 are 26 percent higher than for the County of Riverside at \$67,005, and 12 percent higher than the State-wide median household income of \$75,235. The median value of a single family owner-occupied housing unit in the vicinity of the City of Beaumont is \$419,631, up 16.5 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

## **Challenges Impacting the District’s Financial Position**

*Water Supply and Reliability* - 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.

*Investment in Infrastructure* - Aging infrastructure continues to be a significant challenge for the District. The majority of this aging infrastructure requires major investment in both the short- and long-term. The District currently has the reserves to address the immediate replacement and improvement projects, but is taking a proactive look at alternative funding sources such as grants, loans, and revenue bond funding.

*Delta Conveyance Project* - California’s largest supply of clean water is dependent on an aging and inefficient system that cannot adequately store water when it is available. The proposed solution, Delta Conveyance Project, will provide an alternate delivery pathway through the Delta which will reduce risk from earthquakes, climate change impacts, and provide reliable water while protecting the environment. Part of the cost to fix California’s primary water delivery system will be paid for by State Water Project contractors and other public water agencies that rely on the supply. Cost estimates and financing plans are being developed, and this project could have a major impact on the District’s water rates in the future.

*Containing CalPERS Costs* - 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.

## **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 2019 Annual Comprehensive Financial Report (ACFR) as well as highlights of major projects that have been or are planned to be initiated in 2021 to meet the District's goals.

### **Completed:**

- Completed construction of the Well 25 block wall and Noble Creek Recharge Facility Phase I security fencing.
- Finalized 2019 Water Rate and Fee Study and implemented proposed changes to water rates and service charges following a public hearing in February with the new rates taking effect March 1, 2020.
- Provided engineering support including finalization of project design for installation of new Beaumont Avenue Water Services in conjunction with City of Beaumont Street Improvement Project (Beaumont Avenue Pavement Rehabilitation), including pipeline replacements for portions of 9th Street and 11th Street, west of Beaumont Avenue.

### **To Be Initiated:**

- 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, 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 2021 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 2020 and 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 Charge (Facility Fee) Study was initiated in 2016 and is expected to be completed by the end of 2021.
- 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 Annual Comprehensive Financial Report (ACFR) for the fiscal year ended December 31, 2019. This was the third 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 ACFR 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 ACFR 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.



**Daniel Jagers**  
**General Manager**



**William Clayton**  
**Acting Director of Finance and**  
**Administrative Services**

# Beaumont-Cherry Valley Water District

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

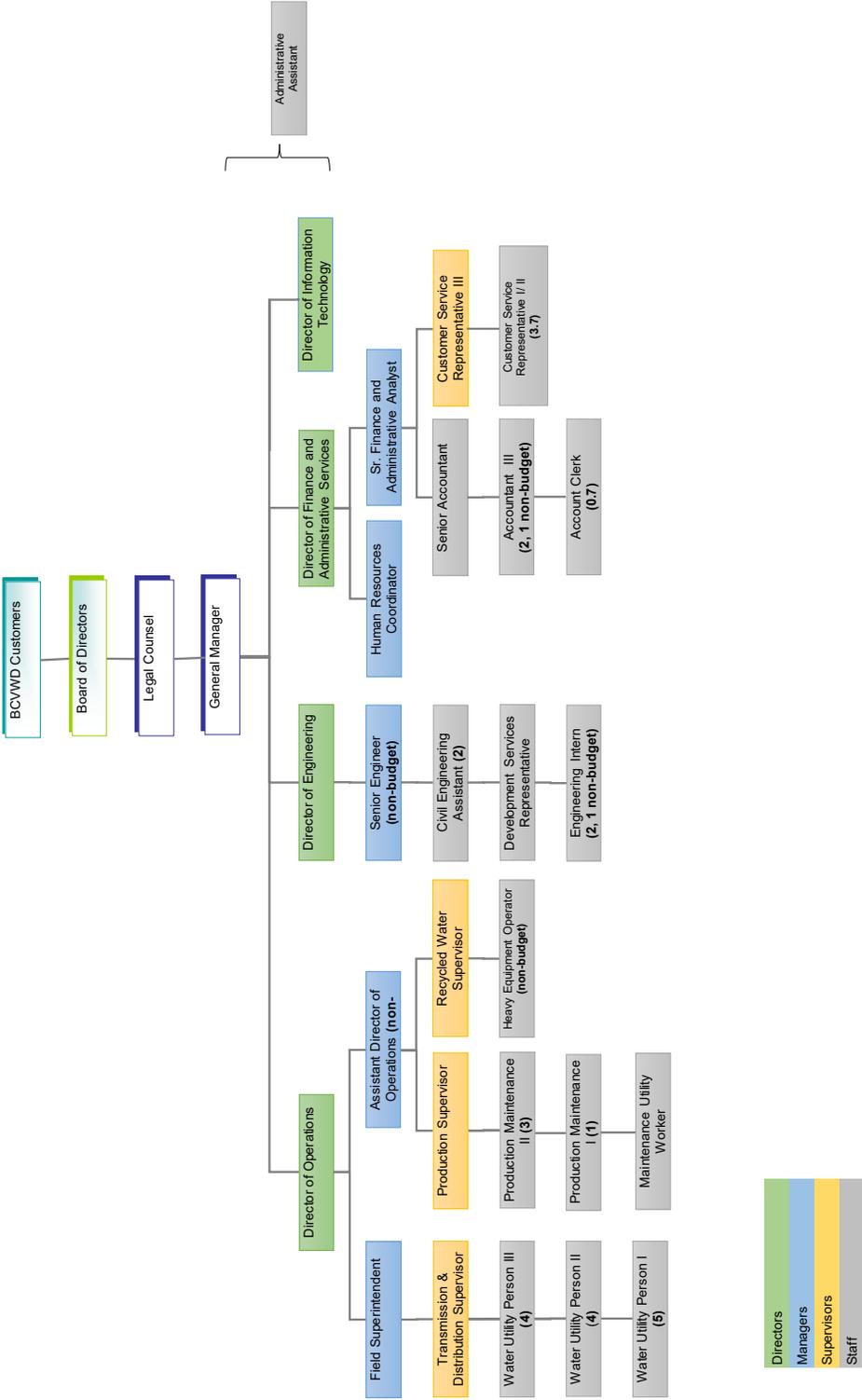


## Board of Directors as of December 31, 2020

Director	Title	Division	Current Term
John Covington	President	4	12/2018 – 12/2022
David Hoffman	Vice-President	5	12/2018 – 12/2022
Lona Williams	Secretary	2	12/2020 – 12/2024
Daniel Slawson	Treasurer	3	12/2018 – 12/2022
Andy Ramirez	Director	1	12/2020 – 12/2024

Daniel K. Jagers, P.E.  
General Manager

# Beaumont-Cherry Valley Water District Organizational Chart



Effective 01/01/2021





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, 2019

*Christopher P. Morill*

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

### **PARTNERS**

Brenda L. Odle, CPA, MST  
Terry P. Shea, CPA  
Scott W. Manno, CPA, CGMA  
Leena Shanbhag, CPA, MST, CGMA  
Bradferd A. Welebir, CPA, MBA, CGMA  
Jenny W. Liu, CPA, MST

### **MANAGERS / STAFF**

Charles De Simoni, CPA  
Gardenya Duran, CPA, CGMA  
Brianna Schultz, CPA  
Jingjie Wu, CPA  
Evelyn Morentin-Barcena, CPA  
Veronica Hernandez, CPA  
Tara R. Thorp, CPA, MSA  
Laura Arvizu, CPA  
Louis Fernandez, CPA  
Xinlu Zoe Zhang, CPA, MSA  
John Maldonado, CPA, MSA  
Thao Le, CPA, MBA  
Julia Rodriguez Fuentes, CPA, MSA

### **MEMBERS**

American Institute of  
Certified Public Accountants

*PCPS The AICPA Alliance  
for CPA Firms*

*Governmental Audit  
Quality Center*

*Employee Benefit Plan  
Audit Quality Center*

California Society of  
Certified Public Accountants



## **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, 2020, 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, 2020, 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 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

#### *Prior Year Comparative Information*

We have previously audited the District's 2019 financial statements, and we expressed an unmodified opinion in our report dated June 10, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, 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 9, 2021 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 9, 2021



# Management's Discussion and Analysis

## Beaumont-Cherry Valley Water District

### Management's Discussion and Analysis

For the Years Ended December 31, 2020 and with Comparative Information for the year ended December 31, 2019

---

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, 2020 and 2019. 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, 2020, 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 \$176,440,062 (net position). Of this amount, \$29,160,218 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 \$4,273,341 from the prior fiscal year. The increase is mainly a result of capacity charges to developers in the amount of \$3,725,998, 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 \$942,888, and together these helped offset a loss from operations of \$496,821.

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.

## Beaumont-Cherry Valley Water District

### Management's Discussion and Analysis

For the Years Ended December 31, 2020 and with Comparative Information for the year ended December 31, 2019

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#### 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, 2020 (2019 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.

## Beaumont-Cherry Valley Water District

### Management's Discussion and Analysis

For the Years Ended December 31, 2020 and with Comparative Information for the year ended December 31, 2019

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#### 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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Assets			
Current assets	\$ 71,396,990	\$ 65,234,010	\$ 62,512,946
Non-current assets	434,054	529,104	595,426
Capital assets	<u>113,615,348</u>	<u>114,636,883</u>	<u>115,174,259</u>
Total assets	<u>185,446,392</u>	<u>180,399,997</u>	<u>178,282,631</u>
Deferred outflows of resources	<u>972,446</u>	<u>729,769</u>	<u>677,933</u>
Liabilities			
Current liabilities	5,131,804	4,813,944	4,865,655
Non-current liabilities	<u>4,767,988</u>	<u>3,979,186</u>	<u>3,511,702</u>
Total liabilities	<u>9,899,792</u>	<u>8,793,130</u>	<u>8,377,357</u>
Deferred inflows of resources	<u>78,984</u>	<u>169,915</u>	<u>217,989</u>
Net position			
Net investment in capital assets	113,615,348	114,636,883	115,174,259
Restricted	33,664,496	30,057,752	26,824,036
Unrestricted	<u>29,160,218</u>	<u>27,472,086</u>	<u>28,366,923</u>
Total net position	<u>\$ 176,440,062</u>	<u>\$ 172,166,721</u>	<u>\$ 170,365,218</u>

#### Assets

**2020 compared to 2019** Total assets were \$185,446,392, reflecting an increase of \$5,046,395 primarily due to the following:

- Restricted cash and investments increased by \$4,006,337 due to capital contributions from developers of \$3,725,998, and an increase in customer account credit balances of \$258,971.

**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.

## Beaumont-Cherry Valley Water District

### Management's Discussion and Analysis

For the Years Ended December 31, 2020 and with Comparative Information for the year ended December 31, 2019

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#### FINANCIAL ANALYSIS OF THE DISTRICT (Continued)

##### *Liabilities*

**2020 compared to 2019** Total liabilities were \$9,899,792, reflecting an increase of \$1,106,662 primarily due to the following:

- Customer account credit balances, mainly resulting from customers paying amounts in excess of current billings due, and which are used against future billings or refunded upon request, increased by \$258,791.
- The District's net pension liability increased by \$265,493, 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 increased by \$510,733, 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 primary reason for the increase was the decrease in the municipal bond rate from 3.5% as of June 30, 2019 to 2.21% as of June 30, 2020. Accounting standards require the use of this discount rate to measure the liability in the absence of a trust or other funding mechanism.

**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 increased 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.

##### *Net Position*

**2020 compared to 2019** Total net position was \$176,440,062 reflecting an increase of \$4,273,341.

- The largest portion of the District's net position, which is its investment in capital assets of \$113,615,348 (64.4%) had a decrease of \$1,021,535 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 \$33,664,496 (19.1%), an increase of \$3,606,744 from the prior year. Restricted net position is subject to external restrictions on its use, such as for future infrastructure construction.

## Beaumont-Cherry Valley Water District

### Management's Discussion and Analysis

For the Years Ended December 31, 2020 and with Comparative Information for the year ended December 31, 2019

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#### FINANCIAL ANALYSIS OF THE DISTRICT (Continued)

##### *Net Position (continued)*

- The remaining unrestricted net position of \$29,160,218 (16.5%), an increase of \$1,688,132, is non-spendable (\$1,197,034) and designated (\$27,963,184), according to Board policy, to meet the ongoing needs of the District. See Note 11 on page 46 for more details on the District's net position.

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

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating revenues	\$ 15,890,567	\$ 13,351,751	\$ 14,160,641
Non-operating revenues	1,044,164	1,711,954	1,167,115
Total revenues	<u>16,934,731</u>	<u>15,063,705</u>	<u>15,327,756</u>
Operating expenses	16,387,388	15,995,299	13,583,971
Total expenses	<u>16,387,388</u>	<u>15,995,299</u>	<u>13,583,971</u>
Income (loss) before contributions	<u>547,343</u>	<u>(931,594)</u>	<u>1,743,785</u>
Capital contributions	<u>3,725,998</u>	<u>2,733,097</u>	<u>7,706,050</u>
Change in net position	4,273,341	1,801,503	9,449,835
Beginning net position	172,166,721	170,365,218	160,915,383
Ending net position	<u>\$ 176,440,062</u>	<u>\$ 172,166,721</u>	<u>\$ 170,365,218</u>

#### Operating Revenues and Expenses

##### **2020 compared to 2019**

Total operating revenues of \$15,890,567 increased by \$2,538,816 primarily due to the following:

- Metered water sales and the corresponding water importation charges and water pumping pass-through charges totaling \$11,104,401 increased by \$2,329,244. This increase was primarily due to the March 1, 2020 increase in the volumetric rates for most class types, which included a 57% increase in the water importation pass through charge. This is the cost of imported water from the State Water Project that is levied by the San Gorgonio Pass Water Agency (SGPWA). Additionally, the District experienced an 11.2% increase in water consumption as water use increased due to higher homeowner occupancy during normal working hours because of Federal and State stay-at-home orders.

## Beaumont-Cherry Valley Water District

### Management's Discussion and Analysis

For the Years Ended December 31, 2020 and with Comparative Information for the year ended December 31, 2019

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#### FINANCIAL ANALYSIS OF THE DISTRICT (Continued)

##### Operating Revenues and Expenses (continued)

- Development and installation charges of \$712,920 decreased by \$138,545, mainly due to a slight downturn in development-driven activities.
- Water service charges of \$3,893,907 increased by \$490,299, primarily due to the March 1, 2020 increase in the bi-monthly service charge, which is used to pay for the costs of service associated with operations, like pipe and system maintenance, capital projects, distribution, meters and service.

Total operating expenses of \$16,387,388 increased by \$392,089 primarily due to the following:

- Salaries and employee benefits expenses of \$4,515,442 increased by \$318,263 as the District implemented the third of a three-year phasing in the wage increases in accordance with a salary and compensation study performed in late 2017.
- Other offsetting operating expense changes included a \$513,026 increase in energy expenses due to an increase in electric pumping rates charged by Southern California Edison, an \$809,249 decrease in purchases of imported water, a \$181,169 increase in maintenance and repairs due to increased well maintenance and repair activities, and a \$157,768 increase in depreciation expense.

##### 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 Geronio 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 \$4,197,179 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.

## Beaumont-Cherry Valley Water District

### Management's Discussion and Analysis

For the Years Ended December 31, 2020 and with Comparative Information for the year ended December 31, 2019

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#### FINANCIAL ANALYSIS OF THE DISTRICT (Continued)

##### Operating Revenues and Expenses (continued)

- The District's year-end calculation of pension expense of \$242,066 under GASB statement number 68 increased by \$149,420. This is required each year and can be volatile as it involves complex actuarial assumptions and calculations.

##### Capital Assets

	<u>Balance December 31, 2020</u>	<u>Balance December 31, 2019</u>	<u>Balance December 31, 2018</u>
Land	\$ 7,721,730	\$ 7,721,730	\$ 7,721,730
Construction in progress	1,911,613	1,505,184	988,172
Transmission and distribution system	65,208,110	65,878,826	66,165,371
Structures and improvements	13,381,149	13,514,867	13,828,960
Reservoirs and tanks	15,263,602	15,748,653	16,234,527
Pumping and telemetry equipment	9,607,904	9,516,397	9,520,651
Vehicles and equipment	521,240	751,226	714,848
Capital assets, net of depreciation	<u>\$ 113,615,348</u>	<u>\$ 114,636,883</u>	<u>\$ 115,174,259</u>

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.

**2020 compared to 2019** The District's investment in capital assets, net of accumulated depreciation, was \$113,615,348, a decrease of \$1,021,535. The decrease resulted mainly from the following significant capital additions, offset by current year depreciation of \$2,865,579:

- Well pumping, casing, and site improvements in the amount of \$393,574.
- Water main and service line replacements totaling \$201,720.
- Installations of new and retrofitted radio read-capable meters amounting to \$644,349.
- New additions to construction in progress of \$406,429.
- Landscaping and structure improvements at District facilities of \$182,318.

**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.

## Beaumont-Cherry Valley Water District

### Management's Discussion and Analysis

For the Years Ended December 31, 2020 and with Comparative Information for the year ended December 31, 2019

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#### FINANCIAL ANALYSIS OF THE DISTRICT (Continued)

##### Capital Assets (Continued)

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, 2020 and 2019 can be found in Note 5 beginning on page 39 of this report.

##### Long-term Debt

At December 31, 2020 and December 31, 2019, the District had no long-term debt.

#### NEXT YEAR'S BUDGET AND RATES

##### Fiscal Year 2021 Budget

The District's Board of Directors and management considered many factors when setting the fiscal year 2021 budget, user fees, and charges.

	<b>Actual Fiscal Year 2020</b>	<b>Budget Fiscal Year 2021</b>	<b>Dollar Change</b>	<b>Total Percent Change</b>
Operating revenues	\$ 15,890,567	\$ 16,088,123	\$ 197,556	1.2%
Non-operating revenues	1,044,164	1,317,338	273,174	26.2%
Total revenues	<u>16,934,731</u>	<u>17,405,461</u>	<u>470,730</u>	<u>27.4%</u>
Operating expenses	<u>16,387,388</u>	<u>18,773,017</u>	<u>2,385,629</u>	<u>14.6%</u>
Total expenses	<u>16,387,388</u>	<u>18,773,017</u>	<u>2,385,629</u>	<u>14.6%</u>
Income (loss) before contributions	<u>547,343</u>	<u>(1,367,556)</u>	<u>(1,914,899)</u>	<u>-349.9%</u>
Capital contributions	3,725,998	7,061,076	3,335,078	89.5%
<b>Change in net position</b>	<u>4,273,341</u>	<u>5,693,520</u>	<u>1,420,179</u>	<u>33.2%</u>
<b>Net position, beginning of period</b>	<u>172,166,721</u>	<u>176,440,062</u>	<u>4,273,341</u>	<u>2.5%</u>
<b>Net position, end of period</b>	<u>\$ 176,440,062</u>	<u>\$ 182,133,582</u>	<u>\$ 5,693,520</u>	<u>3.2%</u>

##### Water Rates and Charges

The 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, with changes effective again on January 1, 2021, 2022, 2023, and 2024.

## **Beaumont-Cherry Valley Water District**

### **Management's Discussion and Analysis**

**For the Years Ended December 31, 2020 and with Comparative Information for the year ended December 31, 2019**

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#### **FINANCIAL ANALYSIS OF THE DISTRICT (Continued)**

##### **Requests for Information**

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

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# Basic Financial Statements

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# Beaumont-Cherry Valley Water District

## Statements of Net Position

December 31, 2020 with Comparative Information as of December 31, 2019

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and investments (Note 2)	\$ 29,059,815	\$ 27,918,643
Restricted cash and investments - funds held for others (Note 2)	4,256,930	3,912,513
Restricted cash and investments - capital commitments (Note 2)	33,196,206	29,534,286
Interest receivable	91,526	191,699
Accounts receivable, net of allowance for uncollectible accounts (Note 3)	3,556,566	2,677,821
Notes receivable (Note 4)	4,677	8,446
Restricted notes receivable (Note 4)	60,694	55,176
Inventories	922,971	720,828
Prepaid items	247,605	214,598
	<u>71,396,990</u>	<u>65,234,010</u>
<b>Total current assets</b>		
<b>Noncurrent assets:</b>		
Notes receivable (Note 4)	26,458	60,814
Restricted notes receivable (Note 4)	407,596	468,290
Capital assets, net of accumulated depreciation (Note 5)	113,615,348	114,636,883
	<u>114,049,402</u>	<u>115,165,987</u>
<b>Total noncurrent assets</b>		
<b>Total assets</b>		
	<u>185,446,392</u>	<u>180,399,997</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
OPEB related (Note 10)	431,384	99,893
Pension related (Note 12)	541,062	629,876
	<u>972,446</u>	<u>729,769</u>
<b>Total deferred outflows of resources</b>		
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accounts payable and other accrued liabilities (Note 6)	631,332	659,393
Customer account credit balances (Note 7)	436,703	177,912
Customer deposits payable	444,663	498,818
Unearned revenues (Note 8)	3,375,565	3,235,784
Current portion of long-term liabilities:		
Compensated absences (Note 9)	243,541	242,037
	<u>5,131,804</u>	<u>4,813,944</u>
<b>Total current liabilities</b>		
<b>Noncurrent liabilities:</b>		
Compensated absences (Note 9)	112,383	99,807
Total OPEB liability (Note 10)	2,061,369	1,550,636
Net pension liability (Note 12)	2,594,236	2,328,743
	<u>4,767,988</u>	<u>3,979,186</u>
<b>Total noncurrent liabilities</b>		
<b>Total liabilities</b>		
	<u>9,899,792</u>	<u>8,793,130</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
OPEB related (Note 10)	47,586	53,119
Pension related (Note 12)	31,398	116,796
	<u>78,984</u>	<u>169,915</u>
<b>Total deferred inflows of resources</b>		
<b>NET POSITION</b>		
Net investment in capital assets (Note 11)	113,615,348	114,636,883
Restricted (Note 11)		
Capital Commitments	33,196,206	29,534,286
Notes Receivable	468,290	523,466
Unrestricted (Note 11)	29,160,218	27,472,086
	<u>176,440,062</u>	<u>172,166,721</u>
<b>Total net position</b>		

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, 2020 with Comparative Information for the year ended December 31, 2019

	<u>2020</u>	<u>2019</u>
<b>OPERATING REVENUES</b>		
Metered water sales	\$ 5,332,496	\$ 4,933,445
Water service charges	3,893,907	3,403,608
Water importation pass-through charges	3,951,457	2,237,051
Water pumping power pass-through charges	1,820,448	1,604,661
Development and installation charges	712,920	851,465
Other revenue	179,339	321,521
<b>Total operating revenues</b>	<u>15,890,567</u>	<u>13,351,751</u>
<b>OPERATING EXPENSES</b>		
Salaries and employee benefits	4,515,442	4,197,179
Pension expense	268,910	242,066
Energy expenses	2,105,011	1,591,985
Water purchases	4,390,995	5,200,241
Administration	551,523	508,291
Operations	421,946	440,041
Maintenance and repairs	926,039	744,870
Depreciation	2,865,579	2,707,811
Insurance	92,035	75,858
Professional fees	236,248	272,752
Other expenses	13,660	14,205
<b>Total operating expenses</b>	<u>16,387,388</u>	<u>15,995,299</u>
<b>Operating income (loss)</b>	<u>(496,821)</u>	<u>(2,643,548)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment earnings	942,888	1,668,981
Rental income	23,089	23,805
Other revenue	78,187	3,328
Gain on sale of capital assets	-	15,840
<b>Total nonoperating revenues (expenses)</b>	<u>1,044,164</u>	<u>1,711,954</u>
<b>Income (loss) before contributions</b>	<u>547,343</u>	<u>(931,594)</u>
<b>CAPITAL CONTRIBUTIONS</b>		
Donated capital assets	-	313,440
Capital contribution to other government	-	(569,812)
Capacity charges	3,725,998	2,989,469
<b>Total capital contributions</b>	<u>3,725,998</u>	<u>2,733,097</u>
<b>Change in net position</b>	4,273,341	1,801,503
<b>Net position, beginning of year</b>	<u>172,166,721</u>	<u>170,365,218</u>
<b>Net position, end of year</b>	<u>\$ 176,440,062</u>	<u>\$ 172,166,721</u>

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, 2020 with Comparative Information for the year ended December 31, 2019

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers	\$ 14,592,401	\$ 12,163,824
Receipts from developers (unrestricted)	665,052	836,785
Other receipts	295,198	337,671
Payments to employees for salaries and benefits	(4,299,327)	(4,040,357)
Payments to suppliers and service providers	(8,923,163)	(8,931,626)
(Refund)/receipt of customer deposits	(54,155)	29,809
	<u>2,276,006</u>	<u>396,106</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition and construction of capital assets	(1,952,732)	(1,856,995)
Capital contributions	3,781,174	3,039,630
Capital contribution to other government	-	(569,812)
Gain on sale of capital assets	-	15,840
	<u>1,828,442</u>	<u>628,663</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest received	861,630	1,510,069
Realized gain/(loss) on investments	181,431	173,790
	<u>1,043,061</u>	<u>1,683,859</u>
Net increase in cash and cash equivalents	5,147,509	2,708,628
<b>Cash and investments, beginning of year</b>	<u>61,365,442</u>	<u>58,656,814</u>
<b>Cash and investments, end of year</b>	<u>\$ 66,512,951</u>	<u>\$ 61,365,442</u>
<b>Reconciliation to the Statement of Net Position:</b>		
Cash and investments	\$ 29,059,815	\$ 27,918,643
Restricted cash and investments - funds held for others	4,256,930	3,912,513
Restricted cash and investments - capital commitments	33,196,206	29,534,286
	<u>\$ 66,512,951</u>	<u>\$ 61,365,442</u>
Total cash and investments	<u>\$ 66,512,951</u>	<u>\$ 61,365,442</u>

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

# Beaumont-Cherry Valley Water District

## Statements of Cash Flows, Continued

For the Year Ended December 31, 2020 with Comparative Information for the year ended December 31, 2019

	<u>2020</u>	<u>2019</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ (496,821)	\$ (2,643,548)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation expense	2,865,579	2,707,811
Construction in progress abandoned	108,688	-
Other income	78,187	3,328
Rental income	23,089	23,805
(Increase) decrease in accounts receivable	(878,745)	(70,194)
(Increase) decrease in notes receivable	38,125	11,728
(Increase) decrease in inventories	(202,143)	66,289
(Increase) decrease in prepaid items	(33,007)	(18,976)
(Increase) decrease in deferred outflows of resources	(242,677)	(51,836)
Increase (decrease) in accounts payable and other accrued liabilities	(28,061)	(124,428)
Increase (decrease) in customer account credit balances	258,791	(3,266)
Increase (decrease) in customer deposits payable	(54,155)	29,809
Increase (decrease) in unearned revenues	139,781	17,308
Increase (decrease) in compensated absences	14,080	27,671
Increase (decrease) in other post-employment benefit obligations	510,733	219,779
Increase (decrease) in net pension liability	265,493	248,900
Increase (decrease) in deferred inflows of resources	(90,931)	(48,074)
Total adjustments	<u>2,772,827</u>	<u>3,039,654</u>
Net cash provided by operating activities	<u>\$ 2,276,006</u>	<u>\$ 396,106</u>
<b>Schedule of non-cash investing and capital and related financing activities</b>		
Capital contributions - donated capital assets	\$ -	\$ 313,440

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

## Beaumont-Cherry Valley Water District

### Notes to the Financial Statements

For the Years Ended December 31, 2020 and with Comparative Information for the year ended December 31, 2019

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#### 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 60,000 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.

## Beaumont-Cherry Valley Water District

### Notes to the Financial Statements

For the Years Ended December 31, 2020 and with Comparative Information for the year ended December 31, 2019

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#### 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
Telemetry 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.

## Beaumont-Cherry Valley Water District

### Notes to the Financial Statements

For the Years Ended December 31, 2020 and with Comparative Information for the year ended December 31, 2019

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#### 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.

# Beaumont-Cherry Valley Water District

## Notes to the Financial Statements

For the Years Ended December 31, 2020 and with Comparative Information for the year ended December 31, 2019

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### 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, 2019
Measurement Date	June 30, 2020
Measurement Period	January 1 to December 31, 2020

#### 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, 2020
Measurement Date	June 30, 2020
Measurement Period	January 1 to December 31, 2020

## Beaumont-Cherry Valley Water District

### Notes to the Financial Statements

For the Years Ended December 31, 2020 and with Comparative Information for the year ended December 31, 2019

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#### 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 2020.

#### NOTE 2 – CASH AND INVESTMENTS

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

Description	2020	2019
Cash and investments	\$ 29,059,815	\$ 27,918,643
Restricted cash and investments - funds held for others	4,256,930	3,912,513
Restricted cash and investments - capital commitments	33,196,206	29,534,286
Total cash and investments	<u>\$ 66,512,951</u>	<u>\$ 61,365,442</u>

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

Description	2020	2019
Cash on hand (petty cash and change drawers)	\$ 1,400	\$ 1,400
Demand deposits (cash in bank)	1,949,683	491,614
Investments	64,561,868	60,872,428
Total cash and investments	<u>\$ 66,512,951</u>	<u>\$ 61,365,442</u>

#### 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.

## Beaumont-Cherry Valley Water District

### Notes to the Financial Statements

For the Years Ended December 31, 2020 and with Comparative Information for the year ended December 31, 2019

#### 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.

## Beaumont-Cherry Valley Water District

### Notes to the Financial Statements

For the Years Ended December 31, 2020 and with Comparative Information for the year ended December 31, 2019

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#### NOTE 2 – CASH AND INVESTMENTS (Continued)

The District's investments as of December 31, 2020 were as follows:

Investment Type	Fair Value	Maturity 12 Months or Less
CalTRUST	\$ 36,871,343	\$ 36,871,343
LAIF	27,690,525	27,690,525
Total investments	\$ 64,561,868	\$ 64,561,868

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
	\$ 60,872,428	\$ 60,872,428

#### 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.

## **Beaumont-Cherry Valley Water District**

### **Notes to the Financial Statements**

**For the Years Ended December 31, 2020 and with Comparative Information for the year ended December 31, 2019**

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#### **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, 2020 and 2019, the District had deposits with financial institutions of \$1,713,041 and \$274,521, 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/](http://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.

## Beaumont-Cherry Valley Water District

### Notes to the Financial Statements

For the Years Ended December 31, 2020 and with Comparative Information for the year ended December 31, 2019

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#### 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 fair 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 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, 2020 is as follows:

	<u>Water Sales and Services</u>	<u>Other</u>	<u>Developer</u>	<u>Total</u>
Receivables	\$ 3,056,686	\$ 115,878	\$ 653,192	\$ 3,825,756
Less: allowance for uncollectible accounts	<u>-</u>	<u>-</u>	<u>(269,190)</u>	<u>(269,190)</u>
Net receivables	<u>\$ 3,056,686</u>	<u>\$ 115,878</u>	<u>\$ 384,002</u>	<u>\$ 3,556,566</u>

## Beaumont-Cherry Valley Water District

### Notes to the Financial Statements

For the Years Ended December 31, 2020 and with Comparative Information for the year ended December 31, 2019

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#### NOTE 3 – ACCOUNTS RECEIVABLE (Continued)

On March 4, 2020, the Governor's Office issued executive order N-42.20. This order prohibits water agencies from discontinuing water service for non-payment (both residential and businesses). The order explicitly states that "nothing in this Order eliminates the obligation of water customers to pay for water service, prevents a water system from charging a customer for such service, or reduces the amount a customer already may owe to a water system." Since the District has the power to lien properties for delinquent payments once N-42.20 is lifted, it feels water sales and services receivables will be fully collected.

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	<u>-</u>	<u>-</u>	<u>(269,190)</u>	<u>(269,190)</u>
Net receivables	<u>\$ 2,366,044</u>	<u>\$ 16,189</u>	<u>\$ 295,588</u>	<u>\$ 2,677,821</u>

#### 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 1/100<sup>th</sup> 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.

**Beaumont-Cherry Valley Water District**

**Notes to the Financial Statements**

**For the Years Ended December 31, 2020 and with Comparative Information for the year ended December 31, 2019**

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**NOTE 4 – NOTES RECEIVABLE (Continued)**

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, 2020 is as follows:

	<u>Notes Receivable</u>	<u>Restricted Notes Receivable</u>	
	<u>Bonita Vista</u>	<u>Fairway Canyon</u>	<u>Total</u>
Current	\$ 4,677	\$ 60,694	\$ 65,371
Non-current	26,458	407,596	434,054
Total notes receivable	<u>\$ 31,135</u>	<u>\$ 468,290</u>	<u>\$ 499,425</u>

The detail of the notes, including applicable allowances for uncollectible amounts as of December 31, 2019 is as follows:

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

# Beaumont-Cherry Valley Water District

## Notes to the Financial Statements

For the Years Ended December 31, 2020 and with Comparative Information for the year ended December 31, 2019

### NOTE 5 – CAPITAL ASSETS

The following table summarizes capital asset activity during the year ended December 31, 2020:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Capital assets, not being depreciated					
Land	\$ 7,721,730	\$ -	\$ -	\$ -	\$ 7,721,730
Construction in progress	1,505,184	1,888,300	(108,688)	(1,373,183)	1,911,613
<b>Total capital assets, not being depreciated</b>	<b>9,226,914</b>	<b>1,888,300</b>	<b>(108,688)</b>	<b>(1,373,183)</b>	<b>9,633,343</b>
Capital assets, being depreciated:					
Transmission and distribution system	83,658,136	-	-	846,068	84,504,204
Structures and improvements	17,941,928	56,176	-	126,143	18,124,247
Reservoirs and tanks	22,546,667	-	-	-	22,546,667
Pumping and telemetry equipment	13,397,727	-	-	393,574	13,791,301
Vehicles and equipment	2,458,794	8,256	-	7,398	2,474,448
<b>Total capital assets, being depreciated</b>	<b>140,003,252</b>	<b>64,432</b>	<b>-</b>	<b>1,373,183</b>	<b>141,440,867</b>
Less accumulated depreciation for:					
Transmission and distribution system	(17,779,310)	(1,516,784)	-	-	(19,296,094)
Structures and improvements	(4,427,061)	(316,037)	-	-	(4,743,098)
Reservoirs and tanks	(6,798,014)	(485,051)	-	-	(7,283,065)
Pumping and telemetry equipment	(3,881,330)	(302,067)	-	-	(4,183,397)
Vehicles and equipment	(1,707,568)	(245,640)	-	-	(1,953,208)
<b>Total accumulated depreciation</b>	<b>(34,593,283)</b>	<b>(2,865,579)</b>	<b>-</b>	<b>-</b>	<b>(37,458,862)</b>
<b>Total capital assets, being depreciated, net</b>	<b>105,409,969</b>	<b>(2,801,147)</b>	<b>-</b>	<b>1,373,183</b>	<b>103,982,005</b>
<b>Capital assets, net of depreciation</b>	<b>\$ 114,636,883</b>	<b>\$ (912,847)</b>	<b>\$ (108,688)</b>	<b>\$ -</b>	<b>\$ 113,615,348</b>

## Beaumont-Cherry Valley Water District

### Notes to the Financial Statements

For the Years Ended December 31, 2020 and with Comparative Information for the year ended December 31, 2019

#### NOTE 5 – CAPITAL ASSETS (Continued)

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
<b>Total capital assets, not being depreciated</b>	<b>8,709,902</b>	<b>1,842,861</b>	<b>-</b>	<b>(1,325,849)</b>	<b>9,226,914</b>
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
<b>Total capital assets, being depreciated</b>	<b>138,534,498</b>	<b>327,574</b>	<b>(184,669)</b>	<b>1,325,849</b>	<b>140,003,252</b>
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)
<b>Total accumulated depreciation</b>	<b>(32,070,141)</b>	<b>(2,707,811)</b>	<b>184,669</b>	<b>-</b>	<b>(34,593,283)</b>
<b>Total capital assets, being depreciated, net</b>	<b>106,464,357</b>	<b>(2,380,237)</b>	<b>-</b>	<b>1,325,849</b>	<b>105,409,969</b>
<b>Capital assets, net of depreciation</b>	<b>\$ 115,174,259</b>	<b>\$ (537,376)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 114,636,883</b>

#### NOTE 6 – ACCOUNTS PAYABLE AND OTHER ACCRUED LIABILITIES

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

Description	2020	2019
Accounts payable	\$ 476,953	\$ 536,197
Salaries and employee benefits	120,941	92,521
Other	33,438	30,675
<b>Total accounts payable and other accrued liabilities</b>	<b>\$ 631,332</b>	<b>\$ 659,393</b>

#### 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, 2020 and 2019, the balance was \$436,703 and \$177,912, respectively.

## Beaumont-Cherry Valley Water District

### Notes to the Financial Statements

For the Years Ended December 31, 2020 and with Comparative Information for the year ended December 31, 2019

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#### 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, 2020 and 2019, the balance was \$3,375,565 and \$3,235,784, 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, 2020 was as follows:

Beginning Balance	Additions	Deletions	Ending Balance	Current Portion	Non-current Portion
<u>\$ 341,844</u>	<u>\$ 316,280</u>	<u>\$ (302,200)</u>	<u>\$ 355,924</u>	<u>\$ 243,541</u>	<u>\$ 112,383</u>

The activity for the year ended December 31, 2019 was as follows:

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

#### 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.

## Beaumont-Cherry Valley Water District

### Notes to the Financial Statements

For the Years Ended December 31, 2020 and with Comparative Information for the year ended December 31, 2019

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

##### **B. Employees Covered**

As of the June 30, 2020 measurement date, the following numbers of participants were covered by the benefit terms under the Plan:

Active employees	36
Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to, but not yet receiving benefits	-
Total	<u>41</u>

##### **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. Total OPEB Liability**

The District's total OPEB liability was measured as of June 30, 2020 and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation dated June 30, 2020, based on the following actuarial methods and assumptions:

<u>Actuarial Assumptions</u>	<u>June 30, 2020 Measurement Date</u>
Actuarial Valuation Date	June 30, 2020
Contribution Policy	No pre-funding
Discount Rate	2.21% at June 30, 2020 3.50% at June 30, 2019
General Inflation	2.75% annually
Mortality, Retirement, Disability, Termination	Based on CalPERS 1997-2015 Experience Study
Salary increases	3.00%
Medical Trend	Non-Medicare – 7.0% for 2022, decreasing to an ultimate rate of 4.0% in 2076 and later Non-Kaiser Medicare – 6.1% for 2022, decreasing to an ultimate rate of 4% in 2076 Kaiser Medicare – 5.0% for 2022, decreasing to an ultimate rate of 4.0% in 2076 and later
Mortality Improvement	Mortality projected fully generational with Scale MP-2020

**Beaumont-Cherry Valley Water District**

**Notes to the Financial Statements**

**For the Years Ended December 31, 2020 and with Comparative Information for the year ended December 31, 2019**

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

***D. Total OPEB Liability (Continued)***

***Change in Assumptions***

The discount rate changed from 3.50 percent in 2019 to 2.21 percent in 2020.

***E. Discount Rate***

A discount rate of 2.21 percent was used in the valuation for measurement date June 30, 2020.

***F. Changes in the OPEB Liability***

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

	<u>Total OPEB Liability</u>
Balance at December 31, 2019 (6/30/19 measurement date)	<u>\$ 1,550,636</u>
Changes recognized for the measurement period:	
Service cost	116,929
Interest	57,750
Differences between expected and actual experience	22,597
Changes in assumptions	348,579
Contributions – employer	-
Net investment income	-
Benefit payments	(35,122)
Administrative expense	-
Net changes	<u>510,733</u>
Balance at December 31, 2020 (6/30/20 measurement date)	<u><u>\$ 2,061,369</u></u>

***Sensitivity of the Total OPEB Liability to Changes in the Discount Rate***

The following represents the total 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, 2020:

**December 31, 2020 (measurement date June 30, 2020)**

	<u>1% Decrease (1.21%)</u>	<u>Current Discount Rate (2.21%)</u>	<u>1% Increase (3.21%)</u>
Total OPEB Liability	\$ 2,458,210	\$ 2,061,369	\$ 1,750,906

**Beaumont-Cherry Valley Water District**

**Notes to the Financial Statements**

**For the Years Ended December 31, 2020 and with Comparative Information for the year ended December 31, 2019**

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

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

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

	<b>1% Decrease (2.50%)</b>	<b>Current Discount Rate (3.50%)</b>	<b>1% Increase (4.50%)</b>
Total OPEB Liability	\$ 1,837,720	\$ 1,550,636	\$ 1,323,832

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

The following represents the total 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, 2020:

**December 31, 2020 (measurement date June 30, 2020)**

	<b>1% Decrease</b>	<b>Current Healthcare Cost Trend Rates</b>	<b>1% Increase</b>
Total OPEB Liability	\$ 1,846,281	\$ 2,061,369	\$ 2,420,280

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

	<b>1% Decrease</b>	<b>Current Healthcare Cost Trend Rates</b>	<b>1% Increase</b>
Total OPEB Liability	\$ 1,389,126	\$ 1,550,636	\$ 1,819,476

***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, 2020 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.

**Beaumont-Cherry Valley Water District**

**Notes to the Financial Statements**

**For the Years Ended December 31, 2020 and with Comparative Information for the year ended December 31, 2019**

**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, 2020, the District recognized OPEB expense of \$209,630. As of fiscal year ended December 31, 2020 and December 31, 2019, the District reported deferred outflows and inflows related to OPEB from the following sources:

**December 31, 2020 (measurement date June 30, 2020)**

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 20,615	\$ -
Changes in assumptions	392,497	(47,586)
Contributions to OPEB plan subsequent to the measurement date	18,272	-
<b>Total</b>	<b>\$ 431,384</b>	<b>\$ (47,586)</b>

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

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

The \$18,272 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2020 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:

<b>Fiscal Year Ended December 31</b>	<b>Deferred Outflows/(Inflows) of Resources</b>
2021	\$ 34,786
2022	34,786
2023	34,786
2024	34,786
2025	34,786
Thereafter	191,596

**Beaumont-Cherry Valley Water District**

**Notes to the Financial Statements**

**For the Years Ended December 31, 2020 and with Comparative Information for the year ended December 31, 2019**

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**NOTE 11 – NET POSITION**

	December 31, 2020	December 31, 2019
	<u>                    </u>	<u>                    </u>
Net Position:		
Net investment in capital assets	\$ 113,615,348	\$ 114,636,883
Restricted	33,664,496	30,057,752
Unrestricted	<u>29,160,218</u>	<u>27,472,086</u>
Total net position	<u>\$ 176,440,062</u>	<u>\$ 172,166,721</u>

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, 2020	December 31, 2019
	<u>                    </u>	<u>                    </u>
Unrestricted Net Position:		
Nonspendable assets:		
Inventories	\$ 922,971	\$ 720,828
Prepaid items	247,605	214,598
Non-current portion of notes receivable	<u>26,458</u>	<u>60,814</u>
Total nonspendable items	<u>1,197,034</u>	<u>996,240</u>
Board of Directors' Designations:		
Capital replacement reserve	21,593,977	20,742,568
Operating reserve	3,980,754	3,583,299
Emergency reserve	<u>2,388,453</u>	<u>2,149,979</u>
Total designations	<u>27,963,184</u>	<u>26,475,846</u>
Total unrestricted net position	<u>\$ 29,160,218</u>	<u>\$ 27,472,086</u>

# Beaumont-Cherry Valley Water District

## Notes to the Financial Statements

For the Years Ended December 31, 2020 and with Comparative Information for the year ended December 31, 2019

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### 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 or PERF C) administered by the California Public Employees' Retirement System (CalPERS.) The Plan consists of a miscellaneous pool and a safety pool (also referred to as "risk pools"), which are comprised of individual employer miscellaneous and safety valuation rate plans, respectively. 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 generally accepted accounting principles. 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](http://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, 2020 are summarized as follows:

	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
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	16.045%	8.239%

## Beaumont-Cherry Valley Water District

### Notes to the Financial Statements

For the Years Ended December 31, 2020 and with Comparative Information for the year ended December 31, 2019

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#### NOTE 12 – DEFINED BENEFIT PENSION PLAN (Continued)

##### ***A. General Information about the Pension Plan (Continued)***

All other actuarial assumptions used in the June 30, 2019 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](http://www.calpers.ca.gov).

##### **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, 2020 were \$316,818.

##### ***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 is measured as of June 30, 2020, using an annual actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

**Beaumont-Cherry Valley Water District**

**Notes to the Financial Statements**

**For the Years Ended December 31, 2020 and with Comparative Information for the year ended December 31, 2019**

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**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, 2019	June 30, 2018
Measurement Date	June 30, 2020	June 30, 2019
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%	2.50%
Salary Increases	Varies by entry age and service	3.3% - 14.2%
Mortality Rate Table <sup>(1)</sup>	Derived using CalPERS' membership data for all Funds	Derived using CalPERS' membership data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.50% until purchasing power protection allowance floor on purchasing power applies, 2.50% thereafter	Contract COLA up to 2.0% until purchasing power protection allowance floor on purchasing power applies, 2.5% thereafter

(1) The mortality table used was developed based on CalPERS' specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement rates include 15 years of mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 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](http://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.

## Beaumont-Cherry Valley Water District

### Notes to the Financial Statements

For the Years Ended December 31, 2020 and with Comparative Information for the year ended December 31, 2019

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#### 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:

<u>Asset Class<sup>1</sup></u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10<sup>2</sup></u>	<u>Real Return Years 11+<sup>3</sup></u>
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	<u>100%</u>		

<sup>1</sup> In the Systems financial statements, fixed income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

<sup>2</sup> An expected inflation of 2.5% used for this period

<sup>3</sup> An expected inflation of 3.0% used for this period

##### ***Change of Assumptions***

In 2020, for the 2019 actuarial valuation, a new amortization policy came into effect shortening the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount. A five-year ramp-up and ramps-down on UAL bases attributable to assumption changes and non-investment gain and losses is no longer utilized and a five-year ramp-down on investment gains/losses is also not utilized.

In 2019, there were no changes to the discount rate.

# Beaumont-Cherry Valley Water District

## Notes to the Financial Statements

For the Years Ended December 31, 2020 and with Comparative Information for the year ended December 31, 2019

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### 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](http://www.calpers.ca.gov).

#### *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.

	<u>Increase (Decrease) Net Pension Liability</u>
Balance at: 6/30/2019 (Valuation Date)	\$ 2,328,743
Balance at: 6/30/2020 (Measurement Date)	\$ 2,594,236
Net Changes during 2019-20	\$ 265,493

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](http://www.calpers.ca.gov). The District's proportionate share of the net pension liability for the Plan as of the June 30, 2019 and 2020 measurement dates was as follows:

<u>December 31, 2020</u>	
Proportionate Share - December 31, 2019 (measurement date June 30, 2019)	0.022726%
Proportionate Share - December 31, 2020 (measurement date June 30, 2020)	0.023843%
Change - Increase (Decrease)	0.001117%

**Beaumont-Cherry Valley Water District**

**Notes to the Financial Statements**

**For the Years Ended December 31, 2020 and with Comparative Information for the year ended December 31, 2019**

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**NOTE 12 – DEFINED BENEFIT PENSION PLAN (Continued)**

***C. Proportionate Share of Net Pension Liability (Continued)***

<b>December 31, 2019</b>	
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%

***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, 2020**

	<b>Discount Rate - 1% (6.15%)</b>	<b>Current Discount Rate (7.15%)</b>	<b>Discount Rate + 1% (8.15%)</b>
Plan's Net Pension Liability \$	4,281,446	\$ 2,594,236	\$ 1,200,147

**December 31, 2019**

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

***Subsequent Events***

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

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

As of the start of the measurement period (July 1, 2019), the District's net pension liability was \$2,328,743. For the measurement period ending June 30, 2020 (the measurement date), the District incurred a pension expense/(income) of \$428,348.

**Beaumont-Cherry Valley Water District**

**Notes to the Financial Statements**

**For the Years Ended December 31, 2020 and with Comparative Information for the year ended December 31, 2019**

**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, 2020 and 2019, the District has deferred outflows and deferred inflows of resources related to pensions as follows:

**December 31, 2020**

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 133,689	\$ -
Changes of Assumptions	-	(18,503)
Difference Between Projected and Actual Earnings on Pension Plan Investments	77,066	-
Change in Employer's Proportion	160,412	-
Difference in Actual vs Projected Contributions	10,457	(12,895)
Pension Contributions Subsequent to Measurement Date	159,438	-
<b>Total</b>	<b>\$ 541,062</b>	<b>\$ (31,398)</b>

**December 31, 2019**

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
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	-
<b>Total</b>	<b>\$ 629,876</b>	<b>\$ (116,796)</b>

## Beaumont-Cherry Valley Water District

### Notes to the Financial Statements

For the Years Ended December 31, 2020 and with Comparative Information for the year ended December 31, 2019

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#### NOTE 12 – DEFINED BENEFIT PENSION PLAN (Continued)

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

The amounts above are net of outflows and inflows recognized in the 2019-20 measurement period expense. Contributions subsequent to the measurement date of \$159,438 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:

<b>Fiscal Year Ended December 31:</b>	<b>Deferred Outflows/(Inflows) of Resources</b>
2021	\$ 105,072
2022	127,139
2023	81,052
2024	36,963
2025	-

##### *E. Payable to the Pension Plan*

At December 31, 2020, the District reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year the ended.

#### 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, 2020 and 2019, the District contributed \$42,354 and \$25,171, 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.

## Beaumont-Cherry Valley Water District

### Notes to the Financial Statements

For the Years Ended December 31, 2020 and with Comparative Information for the year ended December 31, 2019

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#### 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, 2020, the District participated in the liability, property, and workers' compensation programs of the ACWA/JPIA as follows:

- General and auto liability, public officials, employees, and authorized volunteers against third-party losses arising out of liability imposed by law or assumed by contract. 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, 2020. 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 – COVID-19 CONSIDERATIONS

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 causing business disruptions through mandated and voluntary closings of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. However, the related financial impact on the District and the 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 <sup>1</sup>	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%
6/30/2020	0.023843%	2,594,236	2,589,031	100.20%	79.54%

<sup>1</sup> 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 – Pension 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%
12/31/2020	316,818	(316,818)	-	2,537,048	12.49%

\* 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: For the 2019 actuarial valuation (2020 measurement period), a new amortization policy came into effect shortening the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computer as a level dollar amount. A five-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gain and losses is no longer utilized and a five-year ramp-down on investment gains/losses is also not utilized. There were no changes in assumptions in 2019. 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 2019. In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes in the discount rate. 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	2019	2020
	2018	2019	2020
<b>Total OPEB Liability</b>			
Service cost	\$ 108,164	\$ 104,143	\$ 116,929
Interest	48,433	54,966	57,750
Differences between expected and actual experience	-	-	22,597
Changes in assumptions	(64,185)	90,015	348,579
Benefit payments	(12,565)	(29,345)	(35,122)
Net change in total OPEB liability	79,847	219,779	510,733
Total OPEB liability - beginning	1,251,010	1,330,857	1,550,636
<b>Total OPEB liability - ending</b>	<b>\$ 1,330,857</b>	<b>\$ 1,550,636</b>	<b>\$ 2,061,369</b>
Plan fiduciary net position as a percentage of the total OPEB liability	0.0%	0.0%	0.0%
Covered-employee payroll	\$ 2,186,445	\$ 2,353,519	\$ 2,473,694
Total OPEB liability as a percentage of covered employee payroll	60.9%	65.9%	83.3%

**Notes to schedule:**

Changes in assumptions: Discount rate changed from 3.50% in 2019 to 2.21% in 2020. 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. Benefits are not based on a measure of pay, therefore covered-employee payroll is used.

\*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

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## Beaumont-Cherry Valley Water District

### Net Position by Component Last Ten Years

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Net investment in capital assets	\$ 99,194,309	\$ 98,791,875	\$ 117,924,668	\$ 116,054,562	\$ 115,246,313
Restricted for capital commitments	-	-	-	2,138,747	9,225,608
Unrestricted	<u>5,283,208</u>	<u>5,827,344</u>	<u>5,499,646</u>	<u>13,498,835</u>	<u>14,338,676</u>
Total net position	<u>\$ 104,477,517</u>	<u>\$ 104,619,219</u>	<u>\$ 123,424,314</u>	<u>\$ 131,692,144</u>	<u>\$ 138,810,597</u>

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Net investment in capital assets	\$ 114,241,568	\$ 112,850,063	\$ 115,174,259	\$ 114,636,883	\$ 113,615,348
Restricted for capital commitments	10,226,231	21,287,702	26,824,036	30,057,752	33,664,496
Unrestricted	<u>25,294,018</u>	<u>26,777,618</u>	<u>28,191,312</u>	<u>27,472,086</u>	<u>29,160,218</u>
Total net position	<u>\$ 149,761,817</u>	<u>\$ 160,915,383</u>	<u>\$ 170,189,607</u>	<u>\$ 172,166,721</u>	<u>\$ 176,440,062</u>

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

# Beaumont-Cherry Valley Water District

## Changes in Net Position Last Ten Years

	2011	2012	2013	2014
<b>OPERATING REVENUES</b>				
Metered water sales	\$ 4,766,022	\$ 5,139,923	\$ 5,046,558	\$ 5,174,292
Water service charges	2,188,438	2,339,128	2,544,173	2,623,140
Water importation pass-through charges	1,326,091	2,318,837	2,321,236	2,334,731
Water pumping power pass-through charges	1,617,081	1,663,191	1,685,246	1,674,936
Development and installation charges	127,141	146,889	271,122	315,244
Other revenue	288,708	364,628	369,537	313,807
<b>Total operating revenues</b>	<b>10,313,481</b>	<b>11,972,596</b>	<b>12,237,872</b>	<b>12,436,150</b>
<b>OPERATING EXPENSES <sup>(1)</sup></b>				
Salaries and employee benefits	3,094,522	4,040,757	3,780,225	2,985,138
Pension expense (credit)	-	-	-	-
Energy expenses	-	1,231,156	1,435,343	1,772,112
Water purchases	3,125,537	2,642,003	2,607,642	1,396,410
Administration	196,422	552,707	270,533	173,873
Operations	2,877,985	281,110	297,048	468,345
Maintenance and repairs	-	577,422	272,990	469,552
Depreciation	2,002,794	2,072,402	2,528,691	2,514,369
Insurance	-	95,208	96,385	80,162
Professional fees	-	211,580	295,528	310,590
Other expenses	199,934	11,749	11,246	10,736
<b>Total operating expenses</b>	<b>11,497,194</b>	<b>11,716,094</b>	<b>11,595,631</b>	<b>10,181,287</b>
<b>Operating Income (loss)</b>	<b>(1,183,713)</b>	<b>256,502</b>	<b>642,241</b>	<b>2,254,863</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest earnings	127,905	110,426	84,830	55,597
Rental income	20,507	22,969	17,815	21,007
Other revenue	101,383	43,092	3,889	291,671
Gain/loss on disposal of capital assets	-	-	(41,421)	3,310
Interest expense	(137,271)	(122,975)	(49,968)	(300)
Amortization of deferred charges	(18,322)	-	-	-
<b>Total nonoperating revenues (expenses)</b>	<b>94,202</b>	<b>53,512</b>	<b>15,145</b>	<b>371,285</b>
<b>Income (loss) before contributions</b>	<b>(1,089,511)</b>	<b>310,014</b>	<b>657,386</b>	<b>2,626,148</b>
<b>CAPITAL CONTRIBUTIONS</b>				
Donated capital assets	-	-	-	-
Capital contribution to other government	-	-	-	-
Capacity charges	579,869	66,382	1,025,791	2,677,180
<b>Total capital contributions</b>	<b>579,869</b>	<b>66,382</b>	<b>1,025,791</b>	<b>2,677,180</b>
<b>SPECIAL ITEM</b>				
Change in assumptions - OPEB	-	-	-	2,964,502
<b>Change in net position</b>	<b>(509,642)</b>	<b>376,396</b>	<b>1,683,177</b>	<b>8,267,830</b>
<b>Net position, beginning of year</b>	<b>106,891,027</b>	<b>104,477,517</b>	<b>104,619,219</b>	<b>123,424,314</b>
<b>Prior period adjustment</b>	<b>(1,903,868)</b>	<b>(234,694)</b>	<b>17,121,918</b>	<b>-</b>
<b>Net position, end of year</b>	<b>\$ 104,477,517</b>	<b>\$ 104,619,219</b>	<b>\$ 123,424,314</b>	<b>\$ 131,692,144</b>

**Note:**

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

Source: Beaumont-Cherry Valley Water District

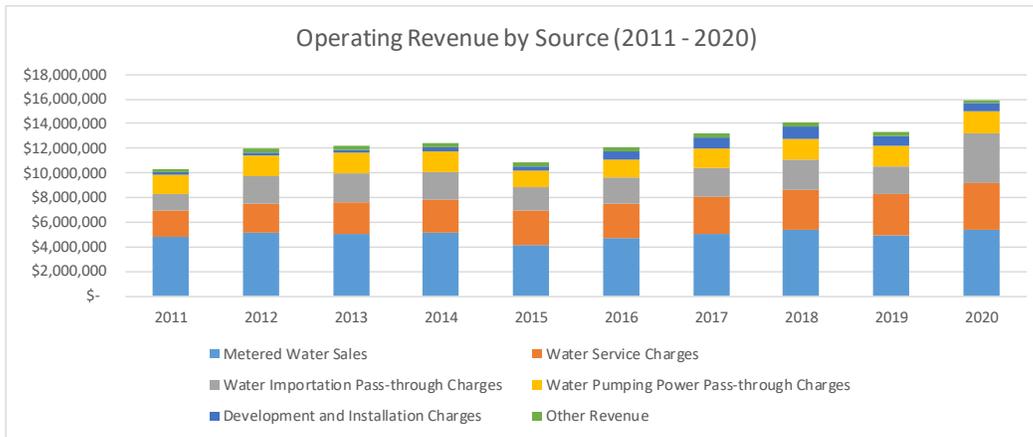
(continued)

2015	2016	2017	2018	2019	2020
\$ 4,165,087	\$ 4,655,883	\$ 5,060,758	\$ 5,375,165	\$ 4,933,445	\$ 5,332,496
2,756,998	2,865,733	3,014,752	3,238,643	3,403,608	3,893,907
1,889,751	2,102,694	2,288,455	2,424,212	2,237,051	3,951,457
1,355,677	1,508,460	1,641,681	1,739,022	1,604,661	1,820,448
348,830	653,251	818,430	979,629	851,465	712,920
315,952	353,419	353,433	403,970	321,521	179,339
10,832,295	12,139,440	13,177,509	14,160,641	13,351,751	15,890,567
3,076,232	2,974,987	3,395,058	3,855,018	4,197,179	4,515,442
394,267	(225,040)	(87,514)	92,646	242,066	268,910
1,371,858	1,344,733	1,598,665	1,760,641	1,591,985	2,105,011
879,066	2,954,123	4,308,030	3,842,357	5,200,241	4,390,995
381,598	193,382	284,724	313,973	508,291	551,523
236,757	234,245	292,991	420,403	440,041	421,946
591,554	604,118	515,645	493,357	744,870	926,039
2,517,384	2,528,643	2,591,208	2,575,804	2,707,811	2,865,579
78,285	75,502	73,674	73,530	75,858	92,035
184,169	228,162	250,504	144,908	272,752	236,248
10,503	10,978	12,115	11,334	14,205	13,660
9,721,673	10,923,833	13,235,100	13,583,971	15,995,299	16,387,388
1,110,622	1,215,607	(57,591)	576,670	(2,643,548)	(496,821)
84,254	180,342	350,406	1,121,500	1,668,981	942,888
20,103	20,577	21,715	20,934	23,805	23,089
35,528	1,101	89,591	24,681	3,328	78,187
-	(7,898)	(37,031)	-	15,840	-
-	-	-	-	-	-
-	-	-	-	-	-
139,885	194,122	424,681	1,167,115	1,711,954	1,044,164
1,250,507	1,409,729	367,090	1,743,785	(931,594)	547,343
1,092,505	1,004,624	-	2,423,839	313,440	-
-	-	-	-	(569,812)	-
6,296,897	8,536,867	11,270,398	5,282,211	2,989,469	3,725,998
7,389,402	9,541,491	11,270,398	7,706,050	2,733,097	3,725,998
-	-	-	-	-	-
8,639,909	10,951,220	11,637,488	9,449,835	1,801,503	4,273,341
131,692,144	138,810,597	149,761,817	160,915,383	170,365,218	172,166,721
(1,521,456)	-	(483,922)	-	-	-
\$ 138,810,597	\$ 149,761,817	\$ 160,915,383	\$ 170,365,218	\$ 172,166,721	\$ 176,440,062

# 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
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
2020	5,332,496	3,893,907	3,951,457	1,820,448	712,920	179,339	15,890,567

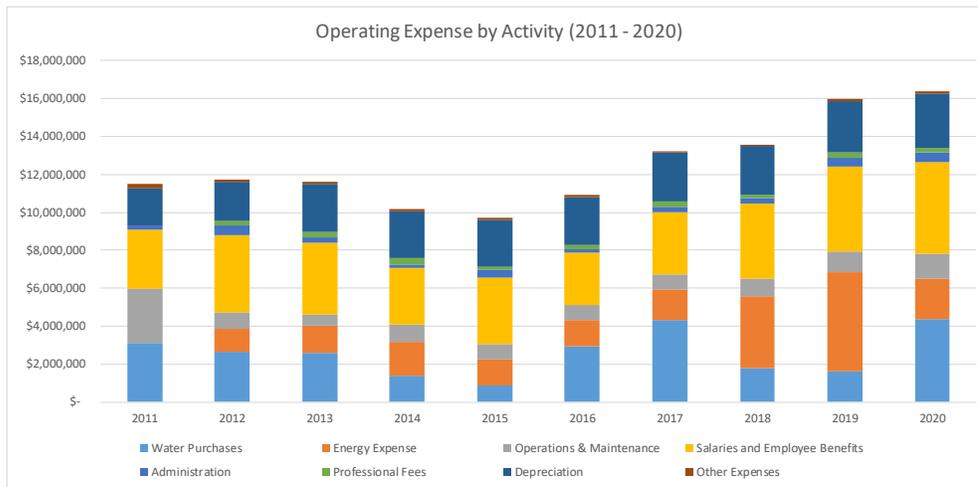


Source: Beaumont-Cherry Valley Water District

# Beaumont-Cherry Valley Water District

## Operating Expense by Activity<sup>(1)(2)</sup> Last Ten Years

Fiscal Year	Salaries and Employee Benefits	Water Purchases	Energy Expense	Operations & Maintenance	Administration	Professional Fees	Depreciation	Other Expenses	Totals
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	1,760,641	3,842,357	913,760	313,973	144,908	2,575,804	84,864	13,583,971
2019	4,456,614	1,621,377	5,200,241	1,122,625	508,291	272,752	2,707,811	105,588	15,995,299
2020	4,784,352	4,390,995	2,105,011	1,347,985	551,523	236,248	2,865,579	105,695	16,387,388



**Notes:**

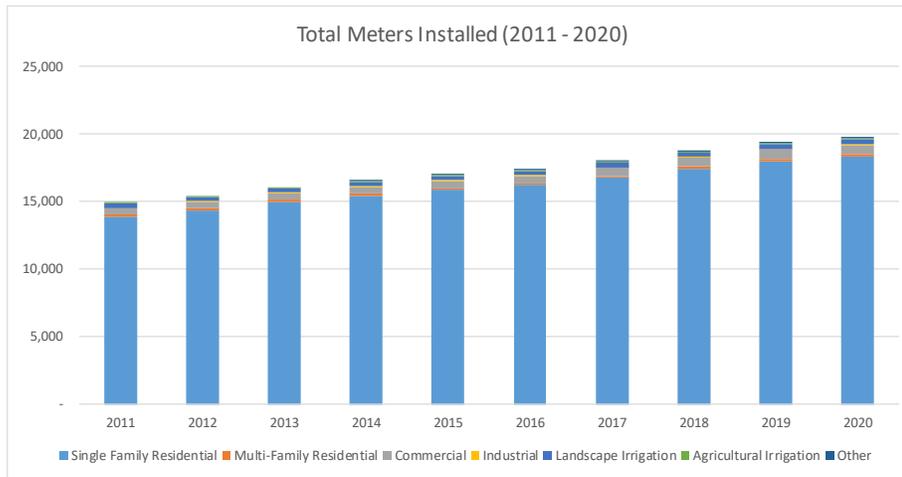
- (1) Amounts may appear to be inconsistent and incomparable as classifications of operating expenses changed in 2012
- (2) Some amounts from the Changes in Net Position schedule are grouped together for comparability

**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
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
2020	18,326	162	714	33	367	87	1	19,690



Source: Beaumont-Cherry Valley Water District

## Beaumont-Cherry Valley Water District

### Principal Customers Current and Nine Years Ago <sup>(1)</sup>

Customer	2011		2020		Change in Consumption	Percentage of Change
	Annual Consumption (hcf)	Percentage of Total Consumption	Annual Consumption (hcf)	Percentage of Total Consumption		
City of Beaumont	352,064	7.32%	263,030	4.83%	(89,034)	-33.85%
K Hovnanians Four Seasons	120,379	2.50%	171,611	3.15%	51,232	29.85%
Beaumont Unified School District	176,180	3.66%	159,716	2.94%	(16,464)	-10.31%
Highland Sprgs Cntry Club	64,237	1.34%	68,550	1.26%	4,313	6.29%
TNT Blanchard General Eng Inc	-	0.00%	63,473	1.17%	63,473	100.00%
Solera Oak Valley Greens	66,702	1.39%	54,690	1.01%	(12,012)	-21.96%
Perricone Juices	29,246	0.61%	52,581	0.97%	23,335	44.38%
Fairway Cyn Comm Assoc	45,657	0.95%	42,765	0.79%	(2,892)	-6.76%
Highland Springs Owners Assoc	18,376	0.38%	41,819	0.77%	23,443	56.06%
Country Highlands MHC	27,548	0.57%	24,508	0.45%	(3,040)	-12.40%
	<u>900,389</u>	<u>18.72%</u>	<u>942,743</u>	<u>17.32%</u>	<u>42,354</u>	
Total Water Consumed	<u>4,809,040</u>	<u>100.00%</u>	<u>5,441,631</u>	<u>100.00%</u>		

**Notes:**

**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			Multi-Family Residential		Commercial	Fire Service	Landscape	Agricultural Irrigation	Construction	Non-Potable
	Tier 1	Tier 2	Tier 3	Tier 1	Tier 2						
2011	0.91	1.00	n/a	0.91	0.93	0.94	0.94	1.09	0.96	1.09	n/a
2012	0.96	1.05	n/a	0.96	0.98	0.99	0.99	1.15	1.01	1.15	n/a
2013	0.96	1.05	n/a	0.96	0.98	0.99	0.99	1.15	1.01	1.15	n/a
2014	0.96	1.05	n/a	0.96	0.98	0.99	0.99	1.15	1.01	1.15	n/a
2015	0.96	1.05	n/a	0.96	0.98	0.99	0.99	1.15	1.01	1.15	n/a
2016	0.96	1.05	n/a	0.96	0.98	0.99	0.99	1.15	1.01	1.15	n/a
2017	0.96	1.05	n/a	0.96	0.98	0.99	0.99	1.15	1.01	1.15	n/a
2018	0.96	1.05	n/a	0.96	0.98	0.99	0.99	1.15	1.01	1.15	n/a
2019	0.96	1.05	n/a	0.96	0.98	0.99	0.99	1.15	1.01	1.15	n/a
2020	0.66	0.81	1.36	1.01	n/a	0.95	1.17	1.06	1.06	1.17	0.72

Domestic Service Charge (bi-monthly)											
Fiscal Year	5/8"	3/4"	1"	1.5"	2"	3"	4"	6"	8"	10"	12"
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
2020	\$ 22.58	31.13	48.24	91.01	142.33	304.84	544.34	1,117.43	2,400.46	3,597.95	4,538.84

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
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%
2020	-	-	-	-	-	-	-	0%

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

## Beaumont-Cherry Valley Water District

### Debt Coverage Last Ten Years

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Fiscal Year	Net Revenues	Operating Expenses	Net Available Revenues	Principal	Interest	Total	Debt Coverage Ratio
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	0.00
2015	17,269,077	(7,204,289)	10,064,788	-	-	-	0.00
2016	20,878,327	(8,395,190)	12,483,137	-	-	-	0.00
2017	24,909,619	(10,643,892)	14,265,727	-	-	-	0.00
2018	20,434,356	(11,008,167)	9,426,189	-	-	-	0.00
2019	18,037,334	(13,287,488)	4,749,846	-	-	-	0.00
2020	20,660,729	(13,521,809)	7,138,920	-	-	-	0.00

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

## Beaumont-Cherry Valley Water District

### Demographic and Economic Statistics Last Ten Years

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Calendar Year	Population	County of Riverside		
		Median Household Income	Per Capita Personal Income	Unemployment Rate
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	60,807	25,700	4.3%
2018	49,630	63,948	27,142	4.1%
2019	51,475	67,005	28,596	3.6%
2020	52,686	67,005	28,596	8.6%

**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 <sup>(1)</sup>  
Current Year <sup>(3)</sup>**

Employer	2019 <sup>(3)</sup>	
	Number of Employees	Percent of Total Employment <sup>(2)</sup>
County of Riverside	21,672	25.56%
Amazon	10,500	12.39%
University of California, Riverside	9,770	11.52%
March Air Reserve Base	9,600	11.32%
Stater Bros	8,304	9.79%
Kaiser Permanente Riverside Medical Center	5,700	6.72%
Pechanga Resort & Casino	5,078	5.99%
Walmart	4,931	5.82%
Corona-Norco Unified School District	4,903	5.78%
Ross Dress For Less	4,321	5.10%
<b>Total</b>	<b>84,779</b>	<b>100.00%</b>

**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 2019

**Source:** *Riverside County Economic Development Agency*

## Beaumont-Cherry Valley Water District

### Full-time and Part-time District Employees by Department Last Ten Years<sup>(1)</sup>

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Department										
Engineering	2	2	2	2	2	3	5	5	6	5
Finance & Administrative Services	13	7	8	6	10	10	12	13	13	12
IT	0	1	1	1	1	1	1	1	1	1
Human Resources	0	0	0	0	0	0	0	0	1	1
Operations										
Source of Supply	4	3	3	3	3	3	4	4	4	5
Transmission and Distribution	12	11	12	12	11	11	10	13	13	12
Customer Service and Meter Reading	3	3	3	3	3	3	3	3	3	3
Total	<u>34</u>	<u>27</u>	<u>29</u>	<u>27</u>	<u>30</u>	<u>31</u>	<u>35</u>	<u>39</u>	<u>41</u>	<u>39</u>

**Notes:**

(1) As of 12/31 of each year

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

# Beaumont-Cherry Valley Water District

## Operating Indicators by Function Last Ten Years

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<u>Function/Program</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
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	303	303
Fire hydrants	1,310	1,375	1,443	1,515	1,590	1,669	1,752	1,840	2,131	2,333
Number of reservoirs (non-potable)	1	1	1	1	1	1	1	1	1	1
Reservoir capacity (MG)	2	2	2	2	2	2	2	2	2	2
Storage Tanks	13	13	13	13	13	13	13	13	13	13
Storage Capacity (MG)	23.25	23.25	23.25	23.25	23.25	23.25	23.25	23.25	23.25	23.25
Number of wells	21	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