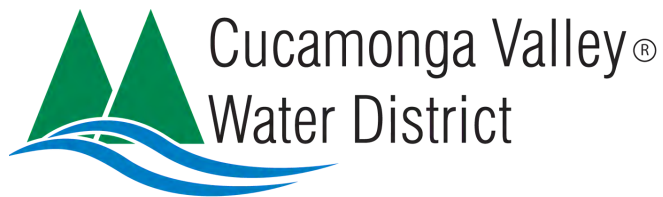




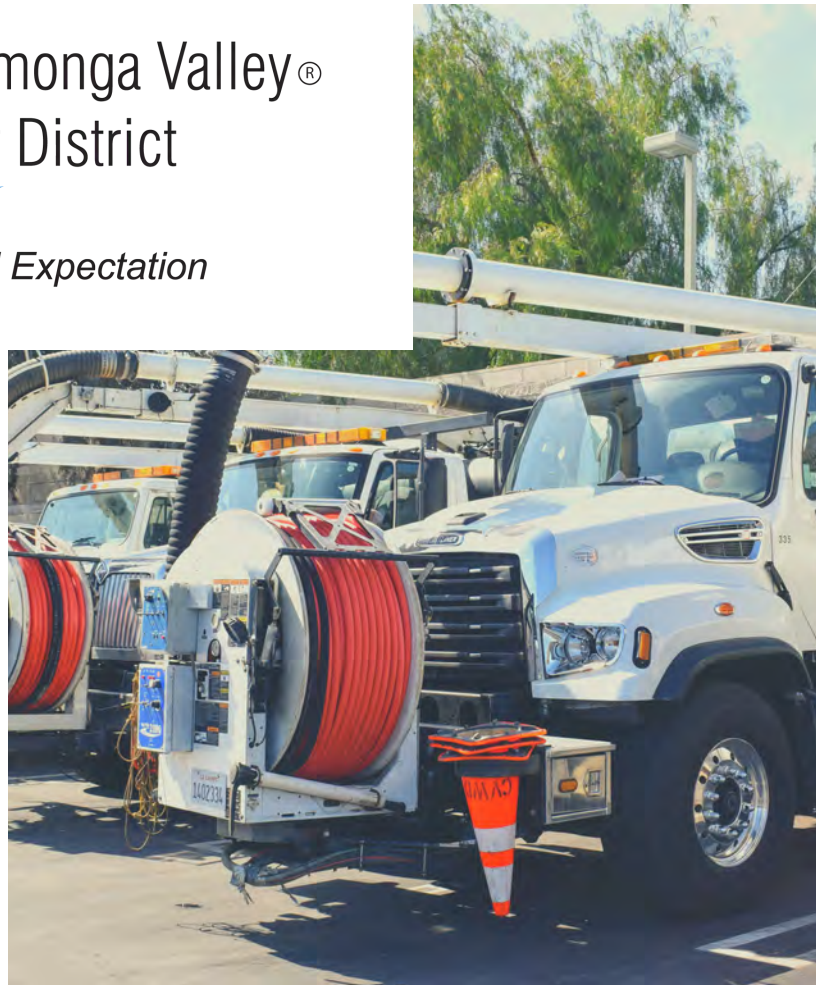
# ANNUAL COMPREHENSIVE FINANCIAL REPORT

FISCAL YEAR ENDING  
JUNE 30, 2021



Cucamonga Valley®  
Water District

*Service Beyond Expectation*



RANCHO CUCAMONGA, CA



# Annual Comprehensive Financial Report

## Fiscal Year Ending

June 30, 2021

## CUCAMONGA VALLEY WATER DISTRICT

10440 Ashford Street  
Rancho Cucamonga, CA 91730

General Manager/CEO  
*John Bosler*

Assistant General Manager  
*Eduardo Espinoza, PE*

Director of Human Resources &  
Risk Management  
*Roberta Perez*

Director of Finance &  
Technology Services  
*Chad Brantley, CPA*

Director of Operations  
*Robert Hills*

Prepared by Finance Department:

Finance Manager  
*Agnes Boros, CPA*

Accounting Supervisor  
*Jennifer Fillinger, CPA*

Senior Accountant  
*Andrea Dutton*

**Cucamonga Valley Water District  
Annual Comprehensive Financial Report  
Fiscal Year Ending June 30, 2021**

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# **Introductory Section**

**John Bosler**  
Secretary/General Manager/CEO

November 8, 2021

Members of the Board of Directors  
Cucamonga Valley Water District

## **Introduction**

State law requires that every general-purpose government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2021.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

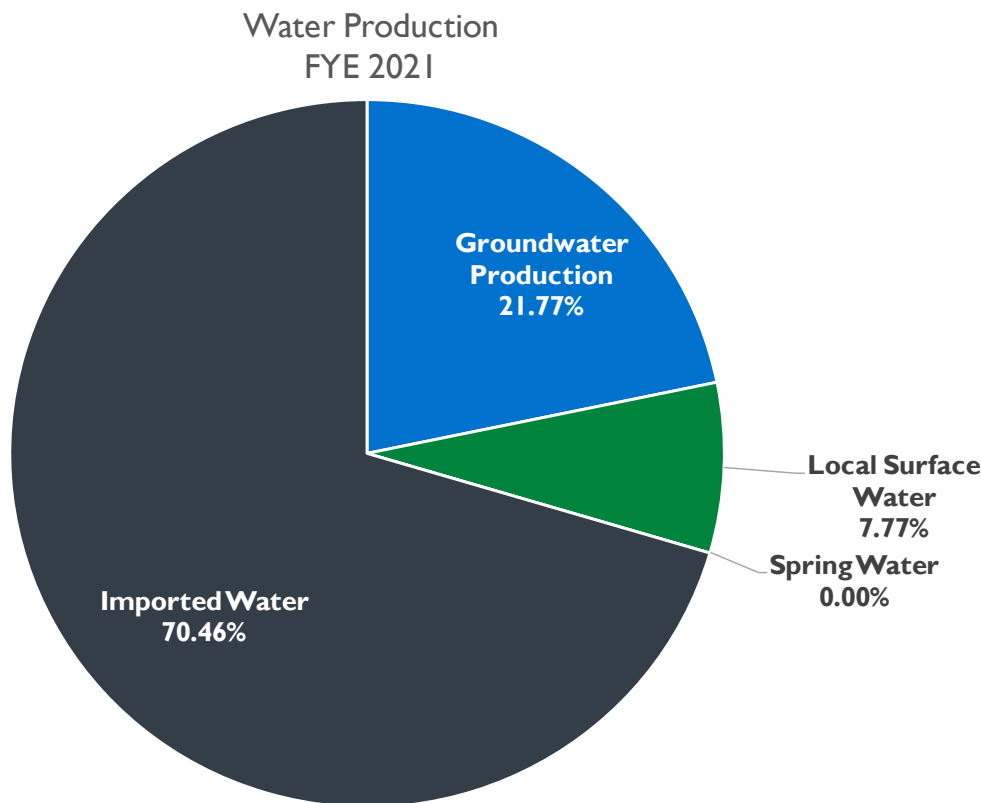
Davis Farr LLP has issued an unmodified (“clean”) opinion on the District’s financial statements for the year ended June 30, 2021. The independent auditor’s report is located at the front of the financial section of this report.

Management’s discussion and analysis (MD&A) immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

## **Profile of the District**

The Cucamonga Valley Water District (the “District” or “CVWD”) is an independent special district that operates under the authority of Division 12 of the California Water Code. The District was incorporated on March 25, 1955, and is governed by a five-member, elected Board of Directors. The District provides water, wastewater, and recycled water services to a population of approximately 175,131 within its 46 square mile service area, which is located in the western area of San Bernardino County, California. The District encompasses the majority of the community of Rancho Cucamonga and portions of the cities of Fontana, Ontario, Upland, and some of the unincorporated areas of San Bernardino County.

Residential customers make up approximately 88% of the District’s customer base and consume approximately 58% of the water produced annually by the District. The District currently has a total of 30 groundwater wells, of which 19 are in service with a maximum production capacity of approximately 35,892 gallons per minute (or an annual production equivalent of 57,894 acre-feet). In addition, the District has surface and subsurface water rights in four local canyon watersheds with an annual production in 2021 of 4,744 acre-feet. Lastly, untreated imported water from the Sacramento-San Joaquin River Delta through the State Water Project makes up the third source of water available to the District. In 2021, the District purchased 31,738 acre-feet of imported water. The following chart illustrates the water production sources.



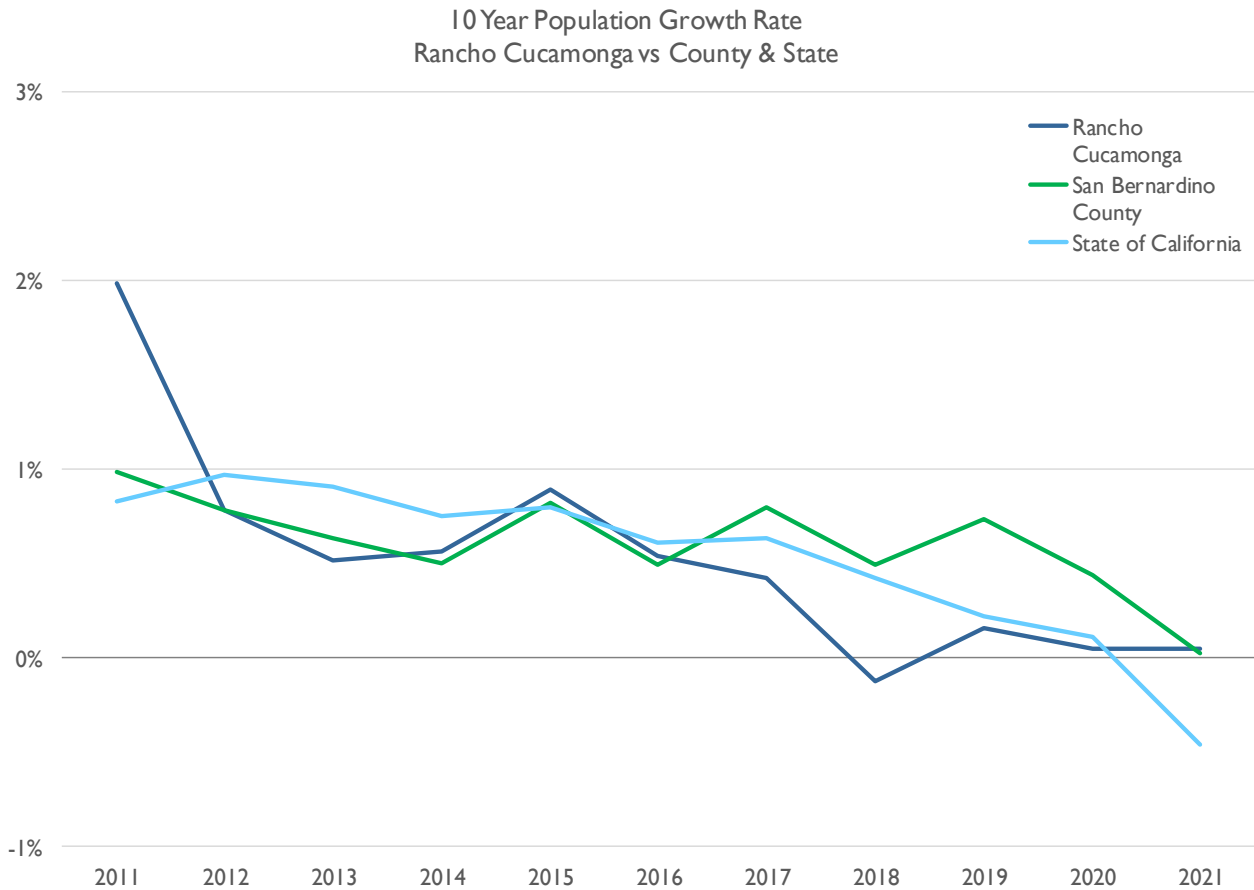
Greater availability of imported water and local surface water during FY2018 through FY2021 has allowed the District to transition away from the high levels of groundwater production that were utilized in FY2016. This flexibility in the sources of water supply is a reflection of the District’s ongoing effort to enhance and maximize these sources. During FY2021 the District participated in the Dry Year Yield Program (DYYP) of the Metropolitan Water District of Southern California (MWD or Metropolitan). The DYYP allows the District to produce groundwater from the Chino Basin storage account that belongs to MWD instead of the storage account of the District. The District purchases this water from MWD and receives a credit to offset the operational costs associated with producing the water using the District’s Chino Basin wells. The District produced approximately 20,500 acre feet in the DYYP during FY2021 which represents 60 percent of the Imported Water purchased that year.

### Fiscal Management

The District Board of Directors biannually adopts an operating and capital budget prior to the new fiscal year. The budget authorizes and provides the basis for reporting and control of financial operations and accountability for the District’s enterprise functions, including the Water Utility Fund, Sewer Utility Fund, and Recycled Water Utility Fund. The budget and reporting treatment applied to each fund is consistent with the accrual basis of accounting and the financial statement basis, except where noted in the budget in the “Basis of Budgeting” section. The District operates within a balanced budget for each fiscal year.

### Local Economy

The District office is located in the City of Rancho Cucamonga in San Bernardino County. The District population is projected to increase to approximately 231,500 in 2035, when the District is expected to be fully built out. The community is located 37 miles east of downtown Los Angeles. The following chart highlights the growth of the City of Rancho Cucamonga, the County of San Bernardino, and the State of California.



The events and actions associated with the Coronavirus Emergency have presented difficulties to many industries, however, those industries which are most predominant in the District’s service area have not been impacted as negatively. Historically, the construction industry has led job growth in the Inland Empire. The recent housing supply shortage that is connected with housing affordability issues has supported the continued demand for jobs in the construction industry. The growth in on-line retailing has encouraged expansion in the logistics industry which has also led to job creation in the land-rich Inland Empire. In addition, the health care and manufacturing industries have demonstrated job growth.

The Inland Empire consists of 52 cities within the counties of Riverside and San Bernardino. As far as the number of customers served by the District the top two cities are Rancho Cucamonga and Fontana. In 2017, the California Department of Finance released population data that indicates that the City of Fontana is second largest in the region followed by the City of Rancho Cucamonga as fourth. The San Bernardino County Assessor’s office reported that the City of Rancho Cucamonga has the highest assessed valuation in the region followed by Fontana as the third highest. Clearly, these two cities served by CVWD are strong contributors to the economic engine of the Inland Empire.

## *Service Beyond Expectation*

According to the State of California Employment Development Department unemployment rates in Rancho Cucamonga fell to a low of 2.5% in 2019. Unemployment rose rapidly in the wake of the pandemic shutdown to as high as 12.7% in May 2020, but has since recovered to a rate of 5.9% in August, 2021. These unemployment rates in Rancho Cucamonga remain lower than other areas in the region as well as the State of California.

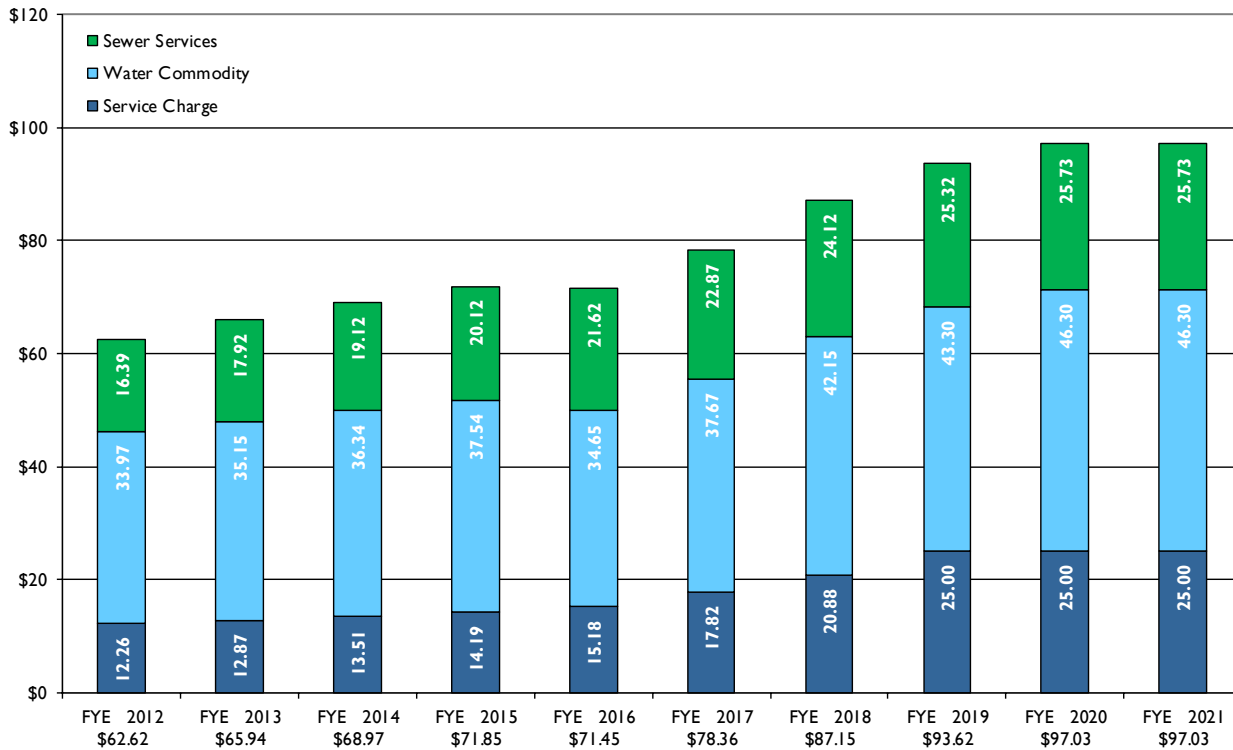
California's water supply continues to be a concern due to past droughts and projected population increases. This concern has increased interest in recycled water for groundwater replenishment purposes. The District has expanded and will continue to expand its conservation efforts and the availability of local sources such as groundwater and 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.

During the past ten fiscal years, the District's customer base has grown slowly at around 0.29% per year. Water consumption volume has been influenced primarily by weather conditions and the associated government actions during this decade. Consumption peaked in 2014 which was a very dry year. However, consumption was reduced by statewide water conservation messaging in 2015 and then reduced further by the statewide conservation mandate that was in place during 2016. The drought was alleviated by extremely high precipitation in 2017 which also resulted in lower than average water consumption levels. Similarly low levels of consumption were seen in 2019, which was also a wet year. Fiscal year 2020 water consumption continued to track weather conditions and did not show any impacts as a result of the emergency response to the Coronavirus Pandemic. In 2021, water consumption was influenced by low levels of precipitation leading to the highest fiscal year total consumption since 2014.

Water sales revenues have been impacted by rate changes as well as by the changes in consumption mentioned above. Non-drought rates were increased by approximately 5% per year from 2011-2014 and approximately 6% per year from 2015-2018. Stage 6 Drought Rates were used during fiscal year 2016 in compliance with the conservation target mandated by the State Water Resources Control Board. The Drought Rates represented a 58% increase over Stage 1 rates, however, the District was able to self-certify its water supply and return to Stage 1 rates in fiscal years 2017 through 2020. Water rates were unchanged in fiscal year 2021.

The Meter Charges portion of water revenues are based on fixed monthly rates in proportion to the size of the water meter. Changes in these revenues are primarily driven by increasing rates. The annual total of meter charges has increased by approximately 8% per year on average since 2011. New construction within the service area also increases the total of meter charge revenue, however the customer growth rate has averaged only 0.3% per year during the past decade.

Average Residential Monthly Bill by Year



### Long-term Financial Planning

The District’s financial plan includes the establishment of reserve funds in accordance with the District’s Reserve and Benchmark Policy. Reserve funds are set to ensure the continued orderly operation of the District’s water, recycled water and sewer systems, the provision of services to customers at established levels, and the continued stability of the District’s rate structure. The District has committed to the following funds and objectives in the Reserve Policy as of June 30, 2021:

1. The District will strive to adopt balanced budgets in all operating funds.
2. Capital Reserves are established to provide funds for capital facility and equipment replacement.
3. Liquidity Reserves are established to safeguard the financial flexibility and stability of the District and to maintain stable customer charges and rates.
4. Restricted Reserves are maintained to comply with restrictions imposed by outside sources such as creditors, grantors, contributors, laws, or regulations.

### Debt Administration

In the process of issuing the 2021 Revenue Bonds, the District earned a rating upgrade of “AA+” from Standard and Poor’s on the 2021 Revenue Bonds as well as the previously issued Revenue Bonds. Moody’s maintained their rating of the Certificates of Participation to “Aa2” and Fitch affirmed the rating of “AA” on the Revenue Bonds. The District’s outstanding debt as of June 30, 2021 consists of six Revenue Bonds, as follows:

Year of Issuance	Use of Proceeds
2014 Revenue Bonds	Provided funds for construction of improvements to water treatment plants and other District facilities. Also used to payoff 2003 C.O.P.
2016 Revenue Bonds	Provided funds to payoff 2006 C.O.P. and a portion of the 2009 C.O.P.
2018A Revenue Bonds	Provided funds for construction of improvements to water treatment plants and other District facilities.
2018B Revenue Bonds	Provided funds to payoff a portion of the 2011 C.O.P.
2021A Revenue Bonds	Provided funds to payoff the 2012 Revenue Bond.
2021B Revenue Bonds	Provided funds to payoff the remaining 2011 C.O.P.

## Relevant Financial Policies

### *Internal Control Structure*

District management is responsible for the establishment and maintenance of the internal control structure that ensures that the assets of the District are protected from loss, theft, or misuse. The internal control structure also ensures that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The District’s internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

### **Major Initiatives**

The activities of the Board and staff at the District are driven by our mission statement, ***To Provide High-Quality, Safe, and Reliable Drinking Water and Wastewater Services, While Practicing Good Stewardship of Natural and Financial Resources.***

In addition to our mission, major District initiatives are guided by our Strategic Vision. The Strategic Vision was developed nearly eleven years ago and is continually re-tooled to ensure it is reflective of our changing environment, opportunities and trends within our industry.

The District’s primary areas of focus include ***Service, Water and People***. ***Service*** relates to the identification of the needs of our customers and stakeholders that meets and exceeds their expectations. ***Water*** is the essential service that our organization provides and our ability to provide it consistently and at a reasonable price is imperative. The District has upgraded the treatment processes at the Lloyd Michael Water Treatment Plant (LMWTP), which will ensure our ability to meet changing regulatory requirements while continuing to provide high quality water to our customers. ***People*** are identified as the customers that we serve and the dedicated staff that provides the services to support our mission. Externally, key areas of focus include communication, education and outreach. Internally, succession planning, training and improving communication with employees is essential to our continued success. It is apparent that programs that develop effective leadership skills and encourage high performance and personal accountability are essential to prepare the next generation of leaders in our organization and industry.

## **Award for Excellence in Financial Reporting**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Cucamonga Valley Water District for its annual comprehensive financial report (ACFR) for the fiscal year ended June 30, 2020. This was the Nineteenth consecutive year that the District has received this prestigious award. In order to be awarded a Certificate of Achievement, the District published an easily readable and efficiently organized ACFR. This report satisfied both generally accepted accounting principles (GAAP) and applicable legal requirements.

GFOA financial reporting guidelines and standards exceed the minimum disclosure requirements of state law, and provide for maximum disclosure to the public. A Certificate of Achievement is valid for a period of one year only. We believe that our current ACFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

## **Acknowledgements**

Preparation of this report was accomplished by the combined efforts of District staff. We appreciate the dedicated efforts and professionalism that these staff members contribute to the service of the District's customers. The contributions made by Agnes Boros, Finance Manager, Jennifer Fillinger, Accounting Supervisor, and Andrea Dutton, Senior Accountant, deserve special recognition. We would also like to thank and recognize the members of the Board of Directors and especially the Finance Committee members for their continued support in planning and implementation of the Cucamonga Valley Water District's fiscal policies.

Respectfully submitted,



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John Bosler  
General Manager/CEO



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Chad Brantley, CPA  
Director of Finance & Technology Services

# ***Cucamonga Valley Water District Board of Directors and Executive Staff***

***As of November 8, 2021***



**Randall James Reed, *President***



**Luis Cetina, *Vice President***



**James V. Curatalo, Jr., *Director***



**Mark Gibboney, *Director***



**Kevin Kenley, *Director***



**John Bosler  
*General Manager/CEO***



**Eduardo Espinoza  
*Assistant General Manager***



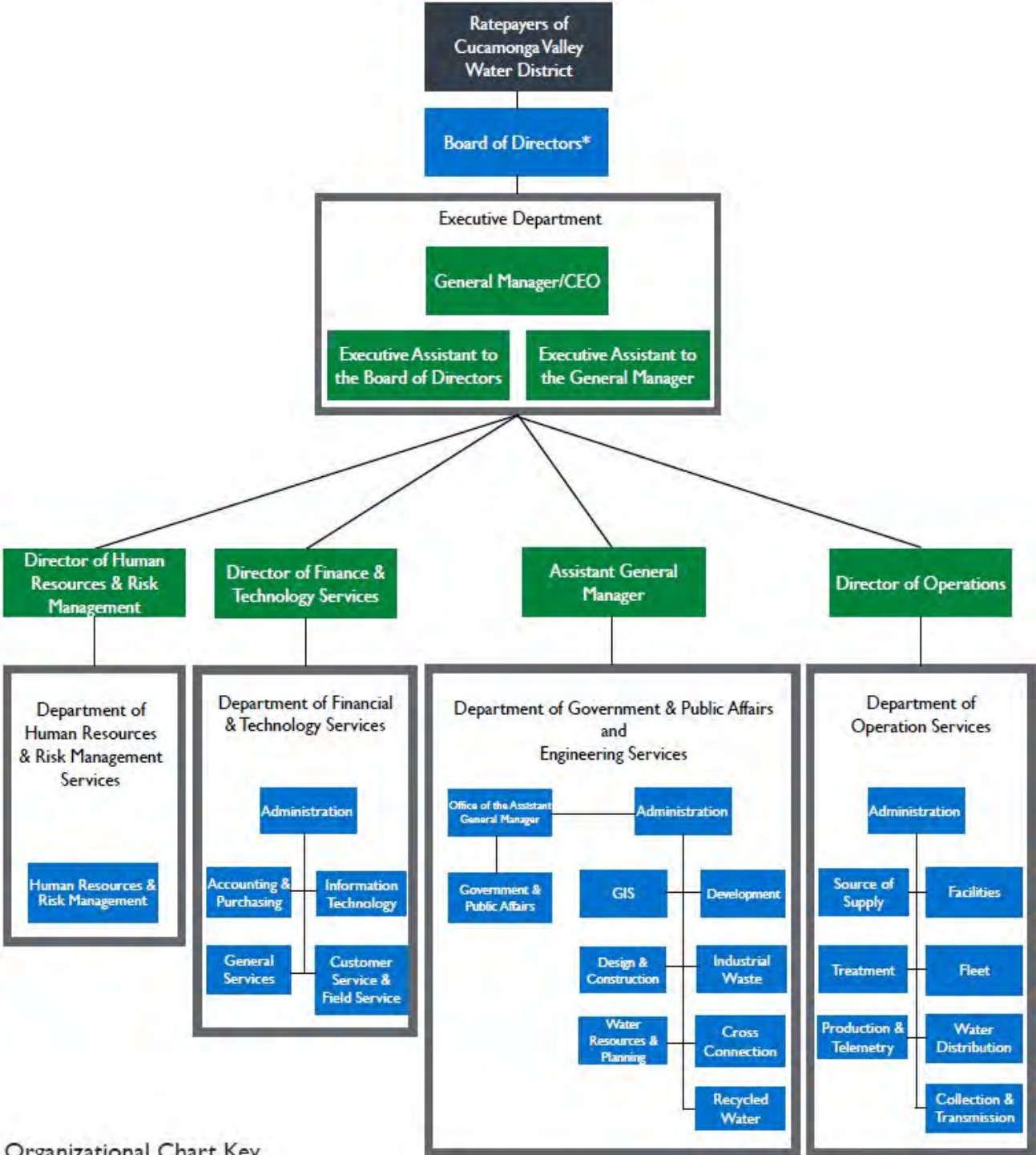
**Roberta Perez  
*Director of Human Resources  
& Risk Management***



**Chad Brantley  
*Director of Finance &  
Technology Services***



**Robert Hills  
*Director of Operations***



Organizational Chart Key

- Ratepayers
- Executive
- Division
- Department

\*Elected Officials

# Our Mission

To provide high quality, safe and reliable water and wastewater services, while practicing good stewardship of natural and financial resources.

## Vision

Description	Key Characteristics
<b>People</b> – Our staff is innovative, self-managed, and takes pride of ownership in their work product and providing exceptional service ensuring highly satisfied customers and stakeholders.	<ul style="list-style-type: none"> <li>• Innovative</li> <li>• Purposeful</li> <li>• Empowered</li> <li>• Well-informed</li> <li>• Invested</li> </ul>
<b>Service</b> – We are a servant-oriented organization and provide “Service Beyond Expectation” to our internal and external customers.	<ul style="list-style-type: none"> <li>• Dependable</li> <li>• Responsive</li> <li>• Pride in Quality and Standards</li> <li>• Concierge Model of Service</li> <li>• Value</li> </ul>
<b>Water</b> – We provide a high quality, sustainable water supply that is safe and reliable, while being delivered at a cost effective price.	<ul style="list-style-type: none"> <li>• Cost-Effective</li> <li>• High Quality</li> <li>• Sustainable</li> <li>• Reliable and diversified</li> <li>• Stewardship</li> </ul>



## Culture & Values

Description	Key Characteristics
<b>Accountability</b> – We take ownership of our actions and look for innovative solutions based ideas to improve our effectiveness and service to customers.	<ul style="list-style-type: none"> <li>• Ownership</li> <li>• Solution based thinking</li> <li>• Innovation</li> <li>• Shared responsibility</li> </ul>
<b>Communication</b> – We encourage an open form of communication that provides employees and customers with information to improve their knowledge about our business operations.	<ul style="list-style-type: none"> <li>• Timely, fluid messaging</li> <li>• Two-way communication</li> <li>• Listening</li> <li>• Focused and personalized</li> <li>• Technology driven</li> </ul>
<b>Customer Service</b> – Our internal and external customer service is provided with a cooperative and collaborative approach, exceeding customer expectations.	<ul style="list-style-type: none"> <li>• Internal/External</li> <li>• Cooperative and collaborative</li> <li>• Responsive team approach</li> <li>• Service Beyond Expectation</li> </ul>



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Cucamonga Valley Water District  
California**

For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

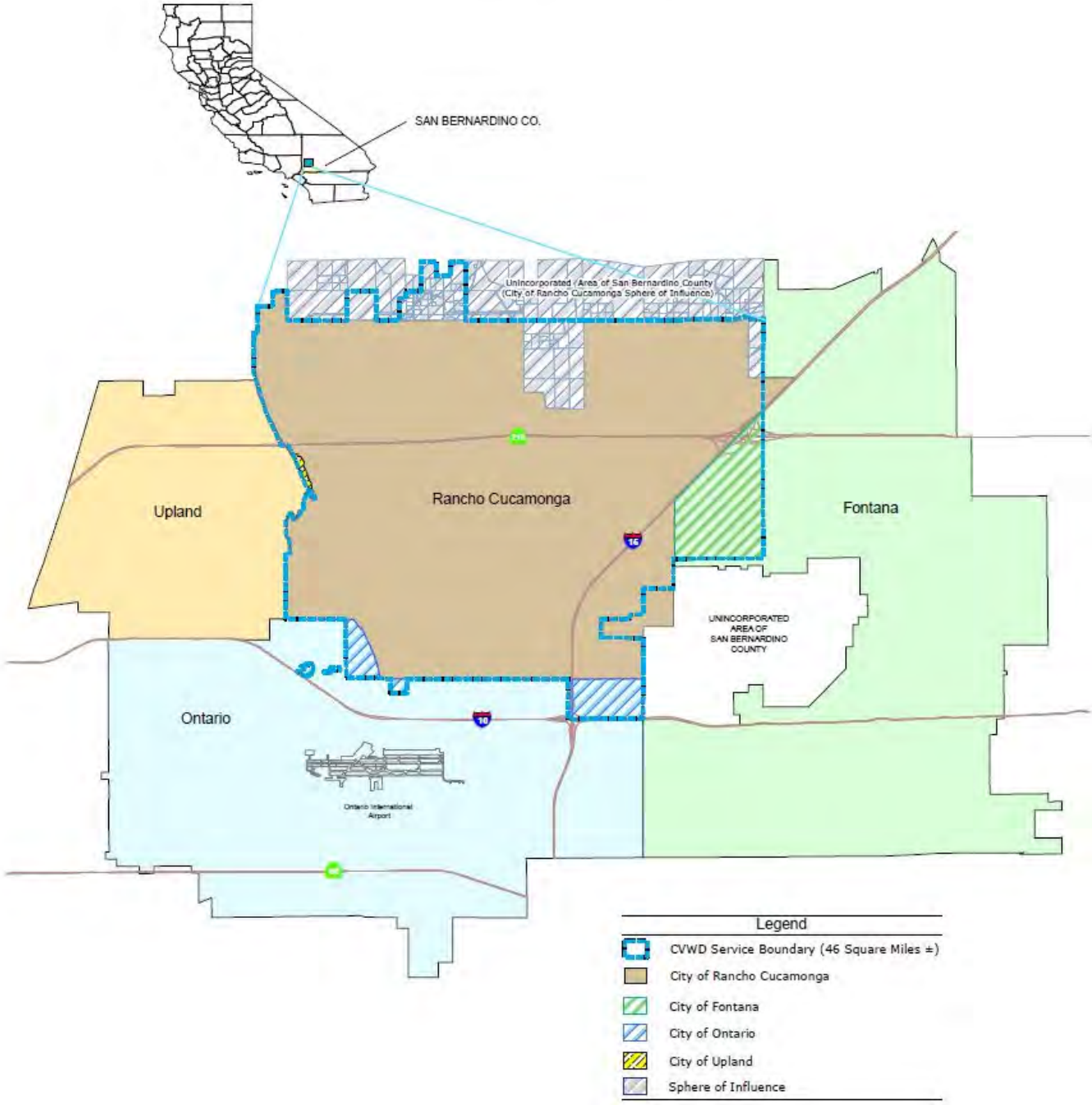
June 30, 2020

*Christopher P. Morrill*

Executive Director/CEO



### Cucamonga Valley Water District District Boundary



## **Financial Section**

## **Independent Auditor's Report**

Board of Directors  
Cucamonga Valley Water District  
Rancho Cucamonga, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the Cucamonga Valley Water District (District), as of and for the year ended June 30, 2021, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and **disclosures in the financial statements. The procedures selected depend on the auditor's** judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor **considers internal control relevant to the entity's preparation and fair presentation of the** financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the **entity's internal control. Accordingly, we express no such opinion.** An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Cucamonga Valley Water District as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### Required Supplementary Information

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

### Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise **District's** basic financial statements. The *introductory section* and the *statistical section* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The *introductory section* and the *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 them.

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 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 solely 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.**



Irvine, California  
November 8, 2021

## CUCAMONGA VALLEY WATER DISTRICT

### Management's Discussion and Analysis

For the Year Ended June 30, 2021

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This section of the District's annual financial report presents our analysis of the District's financial performance during the fiscal year that ended on June 30, 2021. Please read it in conjunction with the basic financial statements, which follow this section.

#### Financial Highlights

- The District's net position increased by \$13,462 thousand or 4.14 percent.
- During the year the District's revenues decreased 0.41 percent to \$107,809 thousand, while expenses decreased 2.93 percent to \$97,533 thousand.
- Capital contributions to the District amounted to \$3,186 thousand.

#### Overview of the Financial Statements

The discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise two components: Financial Statements and Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### Required Financial Statements

The financial statements of the District report information about the District using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities. The Statement of Net Position (page 10) includes all of the District's investments in resources (assets), deferred outflows of resources, the obligations to creditors (liabilities), and deferred inflows of resources. It also provides the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position (page 11). This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through its user fees and other charges, profitability, and credit worthiness. The final required financial statement is the Statement of Cash Flows (pages 12 and 13). The primary purpose of this statement is to provide information about the District's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

#### Financial Analysis of the District

Our analysis of the District begins on page 10 of the financial statements. One of the most important questions to ask about the District's finances is "Whether the District, as a whole, is better off or worse off as a result of the year's activities?" The Statement of Net Position, and the Statement of Revenues, Expenses and Changes in Net Position report information about the District's activities in a way that will help answer this question. Measuring the change in the District's net position - the difference between assets and liabilities - is one way to measure financial health. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, zoning, and new or changed government legislation.

## CUCAMONGA VALLEY WATER DISTRICT

Management's Discussion and Analysis, continued

For the Year Ended June 30, 2021

### Condensed Statement of Net Position

To begin our analysis, a summary of the District's Statements of Net Position are presented in Table A-1.

TABLE A-1  
Condensed Statements of Net Position  
(In thousands of dollars)

	Fiscal Year 2021	Fiscal Year 2020	Dollar Change	Total Percent Change
Current and Noncurrent Assets	\$ 157,992	\$ 146,296	\$ 11,696	7.99%
Capital Assets	409,361	413,454	(4,093)	(0.99)%
Total Assets	567,353	559,750	7,603	1.36%
Deferred Outflows of Resources	12,745	15,400	(2,655)	(17.24)%
Long-term Liabilities	193,527	203,958	(10,431)	(5.11)%
Other Liabilities	45,707	42,827	2,880	6.72%
Total Liabilities	239,234	246,785	(7,551)	(3.06)%
Deferred Inflows of Resources	2,157	3,120	(963)	(30.87)%
Net Investment in Capital Assets	251,414	251,398	16	0.01%
Restricted for Capital Projects	13,793	12,212	1,581	12.95%
Unrestricted	73,500	61,635	11,865	19.25%
Total Net Position	\$ 338,707	\$ 325,245	\$ 13,462	4.14%

Total current and noncurrent assets increased by approximately \$12 million due to the net effect of an increase in cash and cash equivalents of \$15 million and an increase in water in storage of \$7 million while accounts receivable decreased by \$4.5 million. Capital asset depreciation exceeded current asset additions resulting in a \$4 million decrease in capital assets, net of depreciation. Changes in deferred outflows related to pension and OPEB liability activities are due to the net effect of an increase in investment gains and the amortization of prior years' items. The deferred charge on refunding decreased by about \$2 million due to the current refinancing of the 2011 Certificates of Participation and 2012 Revenue Bonds.

Long-term liabilities decreased due primarily to annual principal payments of debt obligations. The increase in other liabilities is the result of a higher accounts payable balance at the end of the current fiscal year. Deferred inflows of resources decreased by about \$1 million due to the amortization of prior years' deferred inflows related to pension and OPEB liability activities.

As can be seen from the table above, net position increased \$13,462 thousand to \$338,707 thousand in fiscal year 2021, up from \$325,245 thousand in fiscal year 2020.

**Statement of Revenues, Expenses and Changes in Net Position**

TABLE A-2  
Condensed Statements of Revenues, Expenses and Changes in Net Position  
(In thousands of dollars)

	Fiscal Year <u>2021</u>	Fiscal Year <u>2020</u>	Dollar Change	Total Percent Change
Operating Revenues:				
Water Sales	\$ 61,464	\$ 57,521	\$ 3,943	6.85%
Meter Charges	23,160	23,299	(139)	(0.60)%
Water Services	716	1,079	(363)	(33.64)%
Sewer Services	21,084	21,533	(449)	(2.09)%
Nonoperating Revenues:				
Investment Income	219	3,574	(3,355)	(93.87)%
Rent and Lease Revenue	513	492	21	4.27%
Other Nonoperating Revenue	<u>653</u>	<u>758</u>	<u>(105)</u>	(13.85)%
Total Revenues	<u>107,809</u>	<u>108,256</u>	<u>(447)</u>	(0.41)%
Operating Expenses:				
Source of Supply	31,142	31,008	134	0.43%
Pumping Operations	2,315	2,859	(544)	(19.03)%
Water Treatment	4,799	4,477	322	7.19%
Transmission and Distribution	3,545	3,614	(69)	(1.91)%
Collection and Transmission	18,269	18,791	(522)	(2.78)%
Customer Accounts	3,648	3,524	124	3.52%
General and Administrative	13,880	14,731	(851)	(5.78)%
Depreciation and Amortization	13,308	14,470	(1,162)	(8.03)%
Nonoperating Expenses:				
Interest Expense	5,455	6,138	(683)	(11.13)%
Amortization of Deferred Bond Costs and Refunding	340	407	(67)	(16.46)%
Loss on Disposal of Assets	300	-	300	100.00%
Other Nonoperating Expenses	<u>532</u>	<u>462</u>	<u>70</u>	15.15%
Total Expenses	<u>97,533</u>	<u>100,481</u>	<u>(2,948)</u>	(2.93)%
Net Income/(Loss) Before				
Capital Contributions	10,276	7,775	2,501	32.17%
Capital Contributions	<u>3,186</u>	<u>1,400</u>	<u>1,786</u>	127.57%
Changes in Net Position	13,462	9,175	4,287	46.72%
Beginning Net Position	<u>325,245</u>	<u>316,070</u>	<u>9,175</u>	2.90%
Ending Net Position	<u>\$ 338,707</u>	<u>\$ 325,245</u>	<u>\$ 13,462</u>	4.14%

## CUCAMONGA VALLEY WATER DISTRICT

Management's Discussion and Analysis, continued

For the Year Ended June 30, 2021

While the Statement of Net Position shows the change in financial position, the Statement of Revenues, Expenses and Changes in Net Position provides answers as to the nature and source of these changes. As can be seen in Table A-2 on page 5, net income before capital contributions of \$10,276 thousand and capital contributions of \$3,186 thousand were the sources of the increase in Net Position of \$13,462 thousand in fiscal year 2021.

A closer examination of the source of changes in net position reveals that the District's revenues decreased by \$447 thousand to \$107,809 thousand in fiscal year 2021 from \$108,256 thousand in fiscal year 2020 due primarily to decreases in nonoperating revenues. In particular, water sales increased \$3,943 thousand due to increased water sales for irrigation/landscape and to other water agencies. Meter charges decreased \$139 thousand due to a slight decrease in customer connections and no change in rates. Non-operating revenue decreased \$3,439 thousand mostly because of unfavorable investment returns. Operating expenses decreased \$2,568 thousand due to the net effect of increased imported water purchases and the decrease in pumping expenses and the additional decrease in sewer treatment expenses, outside service and material costs mostly due to COVID-19 related restrictions and the decrease in depreciation expense. Nonoperating expenses decreased by \$380 thousand, mostly due to the decrease in interest expense on long-term debt.

### Operating Revenues – Water Sales

TABLE A-2a  
Water Sales  
(In thousands of dollars)

	<b>Fiscal Year 2021</b>	<b>Fiscal Year 2020</b>	<b>Dollar Change</b>	<b>Total Percent Change</b>
Customer Type:				
Domestic	\$ 29,358	\$ 25,892	\$ 3,466	13.39%
Irrigation and Landscape	21,844	20,035	1,809	9.03%
Other Water Agencies	7,331	8,518	(1,187)	(13.94)%
Industrial	2,297	2,531	(234)	(9.25)%
Construction	321	179	142	79.33%
Canyon Source Water	313	366	(53)	(14.48)%
Total Water Sales	<u>\$ 61,464</u>	<u>\$ 57,521</u>	<u>\$ 3,943</u>	6.85%

Water sales revenue to Domestic, Irrigation and Landscape, and Industrial customer types for the fiscal year 2021 increased \$5,041 thousand combined due an increase in the volume of water consumed. Sales to other water agencies decreased by \$1,187 due to a cumulative adjustment in the prior year's amount but actual water sales volumes were slightly higher than in last fiscal year. Construction water sales increased \$142 thousand due to an increase in the use of water for building activity in the service area.

## CUCAMONGA VALLEY WATER DISTRICT

Management's Discussion and Analysis, continued

For the Year Ended June 30, 2021

### Capital Asset Administration

At June 30, 2021, the District had invested \$409,361 thousand in a broad range of infrastructure as shown in Table A-3. Negative amounts represent the retirement of fully depreciated assets.

TABLE A-3  
Capital Assets  
(In thousands of dollars)

	Fiscal Year 2021	Fiscal Year 2020	Dollar Change	Total Percent Change
Non-Depreciable Assets:				
Land	\$ 9,300	\$ 9,300	\$ -	0.00%
Water Rights	92,754	92,745	9	0.01%
Construction in Progress	<u>15,623</u>	<u>14,122</u>	<u>1,501</u>	10.63%
Total Non-Depreciable Assets	<u>117,677</u>	<u>116,167</u>	<u>1,510</u>	1.30%
Depreciable Assets:				
Intangibles	557	557	-	0.00%
Source of Supply	25,201	24,954	247	0.99%
Pumping Plant	14,077	13,941	136	0.98%
Transmission and Distribution	224,071	219,011	5,060	2.31%
Treatment plant	115,134	115,075	59	0.05%
General Water	40,714	40,149	565	1.41%
Wastewater Reclamation	5,608	5,608	-	0.00%
Collection and Transmission	73,185	71,641	1,544	2.16%
General Sewer	8,657	8,594	63	0.73%
General Frontier Project	<u>84</u>	<u>84</u>	<u>-</u>	0.00%
Total Depreciable Assets	507,288	499,614	7,674	1.54%
Less: Accumulated Depreciation	<u>(215,604)</u>	<u>(202,327)</u>	<u>(13,277)</u>	(6.56)%
Net Depreciable Assets	<u>291,684</u>	<u>297,287</u>	<u>(5,603)</u>	(1.88)%
Total Capital Assets, Net	<u>\$ 409,361</u>	<u>\$ 413,454</u>	<u>\$ (4,093)</u>	(0.99)%

The following is a summary of some of the major improvements to the system during fiscal year 2021. This year's major capital asset additions include (in thousands of dollars):

Various water distribution mains	\$ 5,385
Various sewer collection and transmission mains	1,544
Buildings and equipment	663
Wells	247
Pumps and pumping equipment	136
Various water treatment facilities	59

## CUCAMONGA VALLEY WATER DISTRICT

Management's Discussion and Analysis, continued

For the Year Ended June 30, 2021

In table A-4, the District's fiscal year 2022 Capital Budget is \$17,222 thousand for capital projects, principally for groundwater treatment, pumps and pumping equipment, new water and sewer mains, and reservoir improvements. The District believes these projects can be financed from available resources provided by projected cash flows and capital reserves. More information about the District's Capital Assets is presented in Note 5 of the Notes to Basic Financial Statements.

TABLE A-4  
Fiscal Year 2022 Capital Budget  
(In thousands of dollars)

Depreciable Assets:	
Source of Supply	\$ 100
Pumping Plant	650
Reservoirs	4,550
Transmission and Distribution	4,095
Treatment Plant	185
General Water	750
Recycled Water Distribution	150
Sewer Collection and Transmission	6,500
General Sewer	<u>242</u>
Total Depreciable Assets	<u>\$ 17,222</u>

### Debt Administration

During the year, the District's long-term debt decreased \$9,587 thousand which can be attributed the normal debt principal repayments, refinancing of the 2011 Certificates of Participation and 2012 Revenue Bonds, and also actuarially determined contributions and additional payments on OPEB and pension obligations. Additional information on long-term debt is presented in Note 6 to Basic Financial Statements. In the process of issuing the 2021 Revenue Bonds, the District earned a rating upgrade of "AA+" from Standard and Poor's on the 2021 Revenue Bonds as well as the previously issued Revenue Bonds. Fitch affirmed the rating of "AA" on the Revenue Bonds. The District is not subject to a legal debt margin.

TABLE A-5  
Long-Term Debt  
(In thousands of dollars)

	Fiscal Year 2021	Fiscal Year 2020	Dollar Change
Net Certificates of Participation	\$ -	\$ 30,444	\$ (30,444)
Net Revenue Bonds	154,247	133,279	20,968
Leases Payable	4,702	5,680	(978)
Loan Payable	312	347	(35)
Compensated Absences	2,523	2,391	132
Net OPEB Obligation	14,018	13,876	142
Net CalPERS Pension Plan Obligation	25,770	25,380	390
Net Excess Benefit Plan Obligation	<u>2,151</u>	<u>1,913</u>	<u>238</u>
Total Long-term debt	<u>\$ 203,723</u>	<u>\$ 213,310</u>	<u>\$ (9,587)</u>

## CUCAMONGA VALLEY WATER DISTRICT

Management's Discussion and Analysis, continued

For the Year Ended June 30, 2021

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### Economic Factors and Next Year's Budget and Rates

The District's Board of Directors and management considered many factors when setting the fiscal year 2021 budget, user fees, and charges. These indicators were taken into consideration when adopting the District's budget for year 2022.

TABLE A-6  
Fiscal Year 2021 Actual vs. Fiscal Year 2022 Budget  
(In thousands of dollars)

	<b>Actual Fiscal Year 2021</b>	<b>Budget Fiscal Year 2022</b>	<b>Dollar Change</b>	<b>Total Percent Change</b>
Operating Revenues	\$ 106,424	\$ 108,186	\$ 1,762	1.7%
Nonoperating Revenues	<u>1,385</u>	<u>1,615</u>	<u>230</u>	16.6%
Total Revenues	<u>107,809</u>	<u>109,801</u>	<u>1,992</u>	1.8%
Depreciation Expense	13,308	14,000	692	5.2%
Other Operating Expenses	77,597	83,512	5,915	7.6%
Nonoperating Expenses	<u>6,628</u>	<u>4,647</u>	<u>(1,981)</u>	(29.9)%
Total Expenses	<u>97,533</u>	<u>102,159</u>	<u>4,626</u>	4.7%
Net Income/(Loss) Before Capital Contributions	10,276	7,642	(2,634)	(25.6)%
Capital Contributions	<u>3,186</u>	<u>6,794</u>	<u>3,608</u>	113.2%
Changes in Net Position	13,462	14,436	974	7.2%
Beginning Net Position	<u>325,245</u>	<u>338,707</u>	<u>13,462</u>	4.1%
Total Net Position	<u>\$ 338,707</u>	<u>\$ 353,143</u>	<u>\$ 14,436</u>	4.3%

### Contacting the District's Director of Finance & Technology Services

This financial report is designed to provide our customers and creditors with a general overview of the District finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Chad Brantley, Director of Finance & Technology Services, at (909) 987-2591.

# CUCAMONGA VALLEY WATER DISTRICT

## Statement of Net Position

As of June 30, 2021

	Water Utility Fund	Sewer Utility Fund	Recycled Water Utility Fund	Frontier Project Foundation	Totals
<b>CURRENT ASSETS:</b>					
Cash and Cash Equivalents (note 2)	\$ 39,799,840	\$ 18,088,426	\$ 444,644	\$ 46,897	\$ 58,379,807
Investments (note 2)	18,237,074	20,735,451	-	-	38,972,525
Net Customer Receivables	12,176,411	1,757,048	184,709	-	14,118,168
Accounts Receivable	996,386	1,333,796	-	-	2,330,182
Accrued Interest	182,195	60,732	-	-	242,927
Prepaid Expense and Deposits	54,431	18,144	-	-	72,575
Inventories	1,183,071	-	-	-	1,183,071
<b>TOTAL CURRENT ASSETS</b>	<b>72,629,408</b>	<b>41,993,597</b>	<b>629,353</b>	<b>46,897</b>	<b>115,299,255</b>
<b>NONCURRENT ASSETS:</b>					
Restricted Cash and Cash Equivalents (note 2 & 3)	117,686	11,578,030	-	-	11,695,716
Water in Storage (note 4)	30,623,569	-	-	-	30,623,569
Net Pension Asset (note 13 & 15)	316,401	50,916	5,712	-	373,029
Capital Assets (note 5):					
Non-Depreciable Capital Assets	115,960,155	1,667,492	49,653	-	117,677,300
Net Depreciable Capital Assets	246,218,762	41,098,015	4,366,585	-	291,683,362
<b>TOTAL NONCURRENT ASSETS</b>	<b>393,236,573</b>	<b>54,394,453</b>	<b>4,421,950</b>	<b>-</b>	<b>452,052,976</b>
<b>TOTAL ASSETS</b>	<b>465,865,981</b>	<b>96,388,050</b>	<b>5,051,303</b>	<b>46,897</b>	<b>567,352,231</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>					
Pension Plans Deferred Outflows	7,084,177	1,548,007	167,547	-	8,799,731
Other Postemployment Benefits Deferred Outflows	2,440,843	561,024	59,535	-	3,061,402
Deferred Charge on Refunding	884,045	-	-	-	884,045
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>10,409,065</b>	<b>2,109,031</b>	<b>227,082</b>	<b>-</b>	<b>12,745,178</b>
<b>CURRENT LIABILITIES:</b>					
Accounts Payable	11,332,392	3,296,501	119,392	1,771	14,750,056
Interest Payable	1,308,601	-	-	-	1,308,601
Accrued Expense Payable	1,749,779	1,902,673	8,758	581	3,661,791
Unearned Revenue	-	-	-	43,601	43,601
Customer Deposits	1,895,059	-	-	-	1,895,059
Intergovernmental Payable (note 7)	-	11,578,030	-	-	11,578,030
Water Held for Inland Empire Utilities Agency (note 8)	2,273,056	-	-	-	2,273,056
Lease Payable (note 6)	1,002,123	-	-	-	1,002,123
Compensated Absences Payable (note 6)	1,079,730	242,939	26,993	-	1,349,662
Revenue Bonds (note 6)	7,810,000	-	-	-	7,810,000
Loans Payable (note 6)	-	-	34,562	-	34,562
<b>TOTAL CURRENT LIABILITIES</b>	<b>28,450,740</b>	<b>17,020,143</b>	<b>189,705</b>	<b>45,953</b>	<b>45,706,541</b>
<b>NONCURRENT LIABILITIES:</b>					
Net Other Postemployment Benefits Liability (notes 6 & 17)	11,204,096	2,592,292	222,099	-	14,018,487
Net Pension Liability (notes 6,13,14,16)	22,566,261	4,944,145	411,478	-	27,921,884
Lease Payable (note 6)	3,699,506	-	-	-	3,699,506
Compensated Absences Payable (note 6)	921,168	216,184	36,067	-	1,173,419
Revenue Bonds (note 6)	146,436,259	-	-	-	146,436,259
Loans Payable (note 6)	-	-	277,421	-	277,421
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>184,827,290</b>	<b>7,752,621</b>	<b>947,065</b>	<b>-</b>	<b>193,526,976</b>
<b>TOTAL LIABILITIES</b>	<b>213,278,030</b>	<b>24,772,764</b>	<b>1,136,770</b>	<b>45,953</b>	<b>239,233,517</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
Pension Plans Deferred Inflows	1,343,510	259,919	26,822	-	1,630,251
Other Postemployment Benefits Deferred Inflows	433,479	88,144	4,811	-	526,434
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>1,776,989</b>	<b>348,063</b>	<b>31,633</b>	<b>-</b>	<b>2,156,685</b>
<b>NET POSITION:</b>					
Net Investment in Capital Assets (note 9)	204,232,760	42,765,507	4,416,238	-	251,414,505
Restricted for Capital Projects	9,904,872	3,465,616	422,607	-	13,793,095
Unrestricted (note 10)	47,082,395	27,145,131	(728,863)	944	73,499,607
<b>TOTAL NET POSITION</b>	<b>\$ 261,220,027</b>	<b>\$ 73,376,254</b>	<b>\$ 4,109,982</b>	<b>\$ 944</b>	<b>\$ 338,707,207</b>

See accompanying notes to the basic financial statements

# CUCAMONGA VALLEY WATER DISTRICT

## Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended June 30, 2021

	Water Utility Fund	Sewer Utility Fund	Recycled Water Utility Fund	Frontier Project Foundation	Totals
<b>OPERATING REVENUES:</b>					
Water Sales	\$ 60,503,194	\$ -	\$ 960,927	\$ -	\$ 61,464,121
Meter Charges	22,998,039	-	161,470	-	23,159,509
Water Services	716,184	-	-	-	716,184
Sewer Services	-	21,084,410	-	-	21,084,410
<b>TOTAL OPERATING REVENUES</b>	<b>84,217,417</b>	<b>21,084,410</b>	<b>1,122,397</b>	<b>-</b>	<b>106,424,224</b>
<b>OPERATING EXPENSES:</b>					
Source of Supply	30,542,879	-	598,849	-	31,141,728
Pumping Operations	2,315,271	-	-	-	2,315,271
Water Treatment	4,799,390	-	-	-	4,799,390
Transmission and Distribution	3,404,223	-	140,817	-	3,545,040
Collection and Transmission	-	18,268,853	-	-	18,268,853
Customer Accounts	3,034,987	530,767	81,962	-	3,647,716
General and Administrative	11,289,969	2,374,512	200,300	14,753	13,879,534
Depreciation and Amortization	11,269,681	1,921,838	116,710	-	13,308,229
<b>TOTAL OPERATING EXPENSES</b>	<b>66,656,400</b>	<b>23,095,970</b>	<b>1,138,638</b>	<b>14,753</b>	<b>90,905,761</b>
<b>NET OPERATING INCOME (LOSS)</b>	<b>17,561,017</b>	<b>(2,011,560)</b>	<b>(16,241)</b>	<b>(14,753)</b>	<b>15,518,463</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>					
Investment Income	160,834	58,320	-	-	219,154
Rent and Lease Revenue	512,890	-	-	-	512,890
Interest Expense	(5,454,869)	-	(257)	-	(5,455,126)
Amortization of Deferred Charge on Refunding	(339,851)	-	-	-	(339,851)
Gain (loss) on Disposal of Assets	(300,500)	137	-	-	(300,363)
Other Nonoperating Revenues	598,819	39,869	-	14,414	653,102
Other Nonoperating Expenses	(447,197)	(85,200)	-	-	(532,397)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(5,269,874)</b>	<b>13,126</b>	<b>(257)</b>	<b>14,414</b>	<b>(5,242,591)</b>
<b>NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	<b>12,291,143</b>	<b>(1,998,434)</b>	<b>(16,498)</b>	<b>(339)</b>	<b>10,275,872</b>
Capital Contributions (note 11)	2,403,841	767,118	15,146	-	3,186,105
<b>CHANGE IN NET POSITION</b>	<b>14,694,984</b>	<b>(1,231,316)</b>	<b>(1,352)</b>	<b>(339)</b>	<b>13,461,977</b>
<b>NET POSITION - BEGINNING</b>	<b>246,525,043</b>	<b>74,607,570</b>	<b>4,111,334</b>	<b>1,283</b>	<b>325,245,230</b>
<b>NET POSITION - ENDING</b>	<b>\$ 261,220,027</b>	<b>\$ 73,376,254</b>	<b>\$ 4,109,982</b>	<b>\$ 944</b>	<b>\$ 338,707,207</b>

See accompanying notes to the basic financial statement

# CUCAMONGA VALLEY WATER DISTRICT

## Statement of Cash Flows

For the Year Ended June 30, 2021

	Water Utility Fund	Sewer Utility Fund	Recycled Water Utility Fund	Frontier Project Foundation	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Receipts from Customers	\$ 87,566,457	\$ 21,908,806	\$ 1,098,863	\$ 28	\$ 110,574,154
Receipts From Others	1,111,709	39,869	-	19,489	1,171,067
Payment to Suppliers	(48,374,595)	(19,265,484)	(789,888)	(22,140)	(68,452,107)
Payment to Employees	(9,634,032)	(2,164,497)	(237,015)	-	(12,035,544)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>30,669,539</u>	<u>518,694</u>	<u>71,960</u>	<u>(2,623)</u>	<u>31,257,570</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Proceeds from debt issuance	60,324,475	-	-	-	60,324,475
Cash paid to Escrow	(59,809,622)	-	-	-	(59,809,622)
Principal Payments - Certificates of Participation & Revenue Bonds	(7,347,857)	-	-	-	(7,347,857)
Principal Payments - Lease Payable	(978,823)	-	-	-	(978,823)
Principal Payments - Loan Payable	-	-	(34,537)	-	(34,537)
Interest	(6,543,304)	-	(257)	-	(6,543,561)
Proceeds From Sale of Equipment	30,459	137	-	-	30,596
Capital Fees Collected for/(paid to) Inland Empire Utilities Agency	-	(1,210,513)	-	-	(1,210,513)
Additions to Utility Plant	(6,258,596)	(2,652,384)	(156)	-	(8,911,136)
Cash Contributions Received in Aid of Construction	1,914,827	621,118	15,146	-	2,551,091
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(18,668,441)</u>	<u>(3,241,642)</u>	<u>(19,804)</u>	<u>-</u>	<u>(21,929,887)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Investment Income	777,285	259,119	-	-	1,036,404
Purchases of Investments	(920,654)	(306,885)	-	-	(1,227,539)
Proceeds from Sales and Maturities of Investments	9,050,250	9,958,217	-	-	19,008,467
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>8,906,881</u>	<u>9,910,451</u>	<u>-</u>	<u>-</u>	<u>18,817,332</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	20,907,979	7,187,503	52,156	(2,623)	28,145,015
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>19,009,547</u>	<u>22,478,953</u>	<u>392,488</u>	<u>49,520</u>	<u>41,930,508</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 39,917,526</u>	<u>\$ 29,666,456</u>	<u>\$ 444,644</u>	<u>\$ 46,897</u>	<u>\$ 70,075,523</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:</b>					
Cash and Cash Equivalents	\$ 39,799,840	\$ 18,088,426	\$ 444,644	\$ 46,897	\$ 58,379,807
Cash and Cash Equivalents - Restricted	117,686	11,578,030	-	-	11,695,716
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<u>\$ 39,917,526</u>	<u>\$ 29,666,456</u>	<u>\$ 444,644</u>	<u>\$ 46,897</u>	<u>\$ 70,075,523</u>

(continued on next page)

See accompanying notes to the basic financial statements

# CUCAMONGA VALLEY WATER DISTRICT

## Statement of Cash Flows, continued

For the Year Ended June 30, 2021

	Water Utility Fund	Sewer Utility Fund	Recycled Water Utility Fund	Frontier Project Foundation	Totals
<b>RECONCILIATION OF OPERATING</b>					
<b>INCOME (LOSS) TO NET CASH PROVIDED (USED) BY</b>					
<b>OPERATING ACTIVITIES:</b>					
Operating Income (Loss)	\$ 17,561,017	\$ (2,011,560)	\$ (16,241)	\$ (14,753)	\$ 15,518,463
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:					
Depreciation and Amortization	11,269,681	1,921,838	116,710	-	13,308,229
Rent and Lease Revenue	512,890	-	-	-	512,890
Other Nonoperating Revenues	598,819	39,869	-	14,414	653,102
Other Nonoperating Expense	(447,197)	(85,200)	-	-	(532,397)
(Increase) Decrease in Net Customer Receivables	(1,596,554)	1,150,430	(23,534)	-	(469,658)
(Increase) Decrease in Accounts Receivable	5,154,137	(318,670)	-	28	4,835,495
(Increase) Decrease in Prepaid Expense and Deposits	212,681	53,739	-	-	266,420
(Increase) Decrease in Inventories	44,178	-	-	-	44,178
(Increase) Decrease in Water in Storage	(6,923,809)	-	-	-	(6,923,809)
(Increase) Decrease in Deferred Outflows	62,289	34,045	(470)	-	95,864
Increase (Decrease) in Accounts Payable	3,700,314	645,091	(7,777)	(2,972)	4,334,656
Increase (Decrease) in Accrued Expense Payable	814,281	(869,641)	2	(4,415)	(59,773)
Increase (Decrease) in Unearned Revenue	-	-	-	5,075	5,075
Increase (Decrease) in Customer Deposit	(208,543)	(7,364)	-	-	(215,907)
Increase (Decrease) in Compensated Absences Payable	98,091	27,758	5,753	-	131,602
Increase (Decrease) in Net Other Postemployment Benefits Liability	117,670	21,329	3,584	-	142,583
Increase (Decrease) in Net Pension Liability	468,378	92,134	13,443	-	573,955
Increase (Decrease) in Deferred Inflows	(768,784)	(175,104)	(19,510)	-	(963,398)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ 30,669,539</u>	<u>\$ 518,694</u>	<u>\$ 71,960</u>	<u>\$ (2,623)</u>	<u>\$ 31,257,570</u>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</b>					
Contributions in Aid of Construction	\$ 489,014	\$ 146,000	\$ -	\$ -	\$ 635,014
Changes in Fair Value of Investments	(507,710)	(169,237)	-	-	(676,947)
<b>NET NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>\$ (18,696)</u>	<u>\$ (23,237)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (41,933)</u>

See accompanying notes to the basic financial statements

# CUCAMONGA VALLEY WATER DISTRICT

Notes to the Basic Financial Statements

June 30, 2021

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## (1) Reporting Entity and Summary of Significant Accounting Policies

### A. Organization and Operations of the Reporting Entity

The reporting entity Cucamonga Valley Water District (“District”) includes the accounts of the District, the Cucamonga Public Facilities Corporation, the Cucamonga Valley Water District Financing Authority and Frontier Project Foundation.

The District was incorporated as Cucamonga County Water District in March of 1955, under the provisions of the County Water District Law, Division 12 of the California Water Code. In fiscal year 2003-2004, the name of the District was changed to Cucamonga Valley Water District. The District’s 46 square mile service area lies in western San Bernardino County and includes the City of Rancho Cucamonga, portions of the cities of Fontana, Upland, Ontario and some unincorporated areas.

During 1987-88, the Cucamonga Public Facilities Corporation (“Corporation”) was formed to issue Certificates of Participation (C.O.P.’s). The Corporation transfers C.O.P. proceeds to the District in exchange for notes receivable bearing the same terms as the C.O.P.’s. The District’s five member Board of Directors is appointed as the Cucamonga Public Facilities Corporation’s governing board. In the combined financial statements, interfund transactions between the Corporation and District have been eliminated. Amounts eliminated include \$0 in interfund receivable/payable on the statement of net position, \$1,098,358 in interest expense and \$8,698 in investment loss on the statement of revenues, expenses and changes in net position, and \$6,141,398 in interest expense on the statement of cash flows. Separate financial statements are not available.

During 2012, the Cucamonga Valley Water District Financing Authority (“Financing Authority”) was formed to issue Revenue Bonds. The Financing Authority transfers Revenue Bond proceeds to the District in exchange for notes receivable bearing the same terms as the Revenue Bonds. The District’s five member Board of Directors is appointed as the Financing Authority’s governing board. In the combined financial statements, interfund transactions between the Financing Authority and District have been eliminated. Amounts eliminated include \$154,246,259 in interfund receivable/payable on the statement of net position, \$4,356,511 in interest expense and \$2,606 in investment income on the statement of revenues, expenses and changes in net position, and \$401,906 in interest expense on the statement of cash flows. Separate financial statements are available by the District.

The Frontier Project Foundation (“Foundation”) is a nonprofit public benefit corporation formed for the purposes of (i) creating an interactive indoor and outdoor educational center to demonstrate current and future building design methods and techniques that promote resource conservation, (ii) aiding, promoting and advancing the principles of sustainable design in California living and working environments, (iii) educating residents and business owners of the surrounding communities on how to incorporate sustainable design standards in their residence and businesses, (iv) engaging in other activities in furtherance of the purposes for which the Foundation was formed, and (v) receiving, investing and utilizing funds and property acquired through solicitation of contributions, donations, grants, gifts, bequests and the like for the purposes for which the Foundation was formed. The Foundation is governed by a Board of Directors, which consists of the District’s Board of Directors and up to four additional members appointed by the District’s Board of Directors. Currently, the District’s Board of Directors has chosen not to fill any of the four open positions. Separate financial statements are available by the District.

# CUCAMONGA VALLEY WATER DISTRICT

Notes to the Basic Financial Statements, continued

June 30, 2021

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## (1) Reporting Entity and Summary of Significant Accounting Policies, continued

### A. Organization and Operation of the Reporting Entity, continued

The criteria used in determining the scope of the reporting entity is based on the provisions of the Governmental Accounting Standards Board Statement (GASB). The District is the primary government unit. Component units are those entities which are financially accountable to the primary government, either because the District appoints a voting majority of the component unit's board, or because the component unit will provide a financial benefit or impose a financial burden on the District. The District has accounted for the Corporation, the Financing Authority, and Foundation as "blended" component units. Despite being legally separate, these entities are so intertwined with the District that they are in substance, part of the District's operations. Accordingly, the balances and transactions of the Corporation and the Financing Authority are reported within the Water Utility Fund of the District, while the Foundation is accounted for in its own fund. Separate financial statements are not issued for the Corporation. The separate financial statements of the Financing Authority or the Foundation may be obtained from the District's office.

### B. Basis of Accounting and Measurement Focus

The District reports its activities as a set of proprietary funds. This means that the District utilizes the economic resources measurement focus which emphasizes limitations on the use of net position. This is similar to a private-sector business. Revenues and expenses are recognized on the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flow takes place.

Operating revenues, such as charges for services (water sales, sewer services and water services) result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as property taxes and investment income, result from nonexchange transactions or ancillary activities in which the District gives (receives) value without directly receiving (giving) equal value in exchange.

When both restricted and unrestricted resources are available for use, the District uses restricted resources and then unrestricted resources.

The funds of the District are described below:

**Water Utility Fund** – This fund is used to account for the operations of the District's water system and related revenues.

**Sewer Utility Fund** – This fund is used to account for the operations of the District's wastewater system and related revenues.

**Recycled Water Utility Fund** – This fund is used to account for the operations of the District's recycled water system and related revenues.

**Frontier Project Foundation** – This fund is used to account for the activities related to the Frontier Project Foundation.

### C. Operating and Nonoperating Revenues and Expenses

The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the distribution and transmission of potable and recycled water to users, and the operation and maintenance of the sewer network within the District. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

## CUCAMONGA VALLEY WATER DISTRICT

Notes to the Basic Financial Statements, continued

June 30, 2021

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### (1) Reporting Entity and Summary of Significant Accounting Policies, continued

#### D. Assets, Liabilities and Net Position

##### 1. Use of Estimates

The preparation of the basic financial statements in conformity with Generally Accepted Accounting Principles (GAAP) in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

##### 2. Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near to their maturity that they present insignificant risk of changes in value because of changes in interest rates, and have an original maturity date of three months or less.

##### 3. Investments and Investment Policy

Investments are stated at their fair value which represents the quoted or stated fair value. Investments that not traded on a market, such as investments in external pools, are valued based on the stated fair value as represented by the external pool.

##### 4. Customer Receivables

The District extends credit to customers in the normal course of operations. When management deems customer accounts uncollectible, the District uses the allowance method for the reservation and write-off of those accounts.

##### 5. Inventory

Materials and supplies inventory consists primarily of water meters, pipe and pipefittings for construction and repair to the District's water transmission and distribution system. Inventory is valued at cost using a weighted average method. Inventory items are charged to expense at the time that individual items are withdrawn from inventory or consumed.

##### 6. Prepaid Expense and Deposit

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in the basic financial statements.

##### 7. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost (or estimated historical cost) and updated for additions and retirements during the year. Donated assets are recorded at their acquisition value as of the date received. The District maintains a capitalization threshold of \$5,000. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

# CUCAMONGA VALLEY WATER DISTRICT

Notes to the Basic Financial Statements, continued

June 30, 2021

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## (1) Reporting Entity and Summary of Significant Accounting Policies, continued

### D. Assets, Liabilities and Net Position, continued

#### 7. Capital Assets, continued

- Intangible Plant – 40 years
- Source of Supply Plant – 50 years
- Pumping Plant – 10 to 40 years
- Treatment Plant – 10 to 40 years
- Collection, Transmission and Distribution Plant – 10 to 50 years
- General Plant – 5 to 40 years

#### 8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The District has three items that qualify for reporting in this category on the Statement of Net Position. Pension plan deferred outflows and Other Postemployment Benefits (OPEB) deferred outflows, are the difference between expected and actual experience, the net difference between projected and actual earnings on plan investments and the employer contributions for the current fiscal year. The other item is a deferred charge on refunding which results from the difference in the net carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. These amounts are deferred and recognized as inflow of resources in the period that the amounts become available. The District has two items that qualifies for reporting in this category on the Statement of Net Position. Pension plan deferred inflows and OPEB deferred inflows result from the change in assumptions, the difference between expected and actual experience and the difference between projected and actual earnings on the assets invested in the plan.

#### 9. Compensated Absences

The District's policy is to permit employees to accumulate a maximum of 200 hours of vacation and an unlimited amount of sick leave. Accumulated vacation time is accrued for the District's obligation to the employees for the amount owed up to the maximum of 200 hours. Sick leave is accrued at 50% of the earned balance in keeping with the District's policy of 50% pay out upon retirement or death of the employee. Upon retirement, the remaining 50% sick leave balance is reported to CalPERS for application to the employee's service credit.

#### 10. Long-Term Debt

Long-term debt and other financial obligations are reported as liabilities in the appropriate funds. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

# CUCAMONGA VALLEY WATER DISTRICT

Notes to the Basic Financial Statements, continued

June 30, 2021

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## (1) Reporting Entity and Summary of Significant Accounting Policies, continued

### D. Assets, Liabilities and Net Position, continued

#### 11. Net Pension Liability

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

GASB requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date (VD)	June 30, 2019
Measurement Date (MD)	June 30, 2020
Measurement Period (MP)	June 30, 2019 to June 30, 2020

#### 12. Other Postemployment Benefits (OPEB)

For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's plan, the assets of which are held by the California Employers' Retiree Benefit Trust (CERBT), and additions to/deductions from the OPEB Plan's fiduciary net position have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

GAAP require that reported results must pertain to liability and fiduciary net position information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date (VD)	June 30, 2019
Measurement Date (MD)	June 30, 2020
Measurement Period (MP)	June 30, 2019 to June 30, 2020

#### 13. Restricted Assets and Amounts Payable from Restricted Assets

Amounts shown as restricted assets have been restricted by bond indentures or are to be used for specified purposes based on contract provisions, such as bonded debt service. Certain liabilities which are currently payable have been classified as current liabilities payable from restricted assets since assets have been restricted for their payment.

#### 14. Net Position

The financial statements utilize a net position presentation. Net position is categorized as follows:

- **Net Investment in Capital Assets** – This component of net position consists of capital assets, net of accumulated depreciation and reduced by any debt outstanding against the acquisition, construction or improvement of those assets.

# CUCAMONGA VALLEY WATER DISTRICT

Notes to the Basic Financial Statements, continued

June 30, 2021

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## (1) Reporting Entity and Summary of Significant Accounting Policies, continued

### D. Assets, Liabilities and Net Position, continued

#### 14. Net Position, continued

- **Restricted Net Position** – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** – This component of net position consists of net position that does not meet the definition of *restricted* or *net investment in capital assets*

#### 15. Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the District financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

#### 16. Water Sales

Water sales are billed on a monthly cyclical basis. Estimated unbilled water revenue through June 30 has been accrued at year-end.

#### 17. Capital Contributions

Contributions in aid of construction represent cash and utility plant additions contributed to the District by property owners or developers desiring services that require capital expenditures or capacity commitment. In accordance with the GASB, the capital contributions are recorded on the Statement of Revenues, Expenses and Changes in Net Position.

The following special charges levied by the District against newly-connecting customers are being accounted for as contributions in aid of construction:

Water Development Fees: Range from \$9,116 to \$729,246 based on meter size.

Sewer Development Fees: Range from \$1,239 to \$99,140 based on meter size.

## (2) Cash and Investments

Cash and investments are reported in the accompanying statement of net position as follows:

Unrestricted:		
Cash and cash equivalents	\$	58,379,807
Investments		38,972,525
Restricted:		
Cash and cash equivalents with fiscal agent		<u>11,695,716</u>
Total cash and investments	\$	<u><u>109,048,048</u></u>

## CUCAMONGA VALLEY WATER DISTRICT

Notes to the Basic Financial Statements, continued

June 30, 2021

### (2) Cash and Investments, continued

Cash and investments at June 30, 2021 consisted of the following:

Cash on hand	\$	3,002
Deposits with financial institutions		4,433,188
Investments		104,611,858
	\$	<u>109,048,048</u>

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

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio*</u>	<u>Maximum Investment in One Issuer</u>
United States (U.S.) Treasury Obligations	5 years	100%	None
U.S. Agency Securities	5 years	100%	None
Banker's Acceptances	180 days	25%	30%
Negotiable Certificates of Deposits	5 years	30%	None
Time Certificates of Deposits	1 year	30%	None
Commercial Paper	270 days	25%	10%
Medium-Term Corporate Notes	5 years	30%	None
Local Agency Investment Fund (LAIF)	N/A	100%	\$65,000,000
Repurchase Agreements	90 days	10%	None
Money Market Funds	N/A	20%	None
State and Local Agencies Notes or Bonds	5 years	30%	None
Supranational	5 years	30%	None

\* - Excluding amounts held by bond trustee that are not subject to California Government Code restrictions.

#### **Investments Authorized by Debt Agreements**

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. Investments authorized for funds held by bond trustee include, U.S. Treasury Obligations, U.S. Government Sponsored Enterprise Securities, the California Local Agency Investment Fund, Guaranteed Investment Contracts, Commercial Paper, Local Agency Bonds, Banker's Acceptance and Money Market Mutual Funds. There were no limitations on the maximum amount that can be invested in one issuer, maximum percentage allowed or the maximum maturity of an investment, except for the maturity of Banker's Acceptance which are limited to one year.

## CUCAMONGA VALLEY WATER DISTRICT

Notes to the Basic Financial Statements, continued

June 30, 2021

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### (2) Cash and Investments, continued

#### ***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. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

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% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

The District had deposits with a bank balance of \$49,221 as of June 30, 2021. Of the bank balance, up to \$250,000 is federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name. The District's Director of Finance & Technology Services may waive the collateral requirement for deposits that are fully insured up to \$250,000 by the FDIC.

#### ***Investment in State Investment Pool***

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. LAIF has invested a portion of the pool funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as to change in interest rates.

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. LAIF is not rated by a nationally recognized statistical rating organization, but, as stated previously, it is regulated by the California Government Code, and is therefore exempt from rating requirements.

#### ***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 will be to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio matures or comes close to maturity evenly over time as necessary to provide requirements for cash flow and liquidity needed for operations.

## CUCAMONGA VALLEY WATER DISTRICT

Notes to the Basic Financial Statements, continued

June 30, 2021

### (2) Cash and Investments, continued

#### Interest Rate Risk, continued

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. 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.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations and their fair value measurement levels are provided by the following table that shows the distribution of the District's investments by maturity date:

Investment Type	Remaining Maturity (in Months)			Total	Level		
	12 Months or Less	13 - 24 Months	25 - 60 Months		1	2	3
<b>Investments:</b>							
U.S. Agency Securities:							
Federal National Mortgage Association	\$ 1,000,400	\$ -	\$ 1,807,043	\$ 2,807,443	\$ -	\$ 2,807,443	\$ -
Federal Home Loan Mortgage Corporation	826,229	-	1,160,291	1,986,520	-	1,986,520	-
U.S. Treasuries	12,153,134	-	11,390,570	23,543,704	23,543,704	-	-
Medium-term Corporate Notes	2,619,602	2,696,068	5,319,188	10,634,858	-	10,634,858	-
Total Securities Classified	16,599,365	2,696,068	19,677,092	38,972,525	\$ 23,543,704	\$ 15,428,821	\$ -
Local Agency Investment Fund (LAIF)	64,175,227	-	-	64,175,227	-	-	-
Money Market Funds	1,419,908	-	-	1,419,908	-	-	-
Cash with fiscal agent:							
Local Agency Investment Fund (LAIF)	48	-	-	48	-	-	-
Money Market Funds	44,150	-	-	44,150	-	-	-
	<u>\$ 82,238,698</u>	<u>\$ 2,696,068</u>	<u>\$ 19,677,092</u>	<u>\$ 104,611,858</u>			

Securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Municipal bonds, corporate notes and CD's, and supranational obligations classified in Level 2 of the fair value hierarchy are valued using a matrix pricing model. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

#### 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. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

## CUCAMONGA VALLEY WATER DISTRICT

Notes to the Basic Financial Statements, continued

June 30, 2021

### (2) Cash and Investments, continued

#### Credit Risk, continued

Investment Type	Minimum Legal Rating	Rating	June 30, 2021
U.S. Agency Securities:			
Federal National Mortgage Association	AA+	AA+	\$ 2,807,443
Federal Home Loan Mortgage Corporation	AA+	AA+	1,986,520
U.S. Treasuries	AA+	AA+	23,543,704
Medium-term Corporate Notes	A	AA+	1,016,490
		AA	518,890
		AA-	536,895
		A+	2,694,798
		A	1,621,217
		A-	3,185,600
		BBB+	1,060,968
Local Agency Investment Fund (LAIF)	N/A	N/A	64,175,227
Money Market Funds	A	AAA	1,419,908
Cash with Fiscal Agent:			
Local Agency Investment Fund (LAIF)	N/A	N/A	48
Money Market Funds	A	AAA	44,150
			<u>\$ 104,611,858</u>

#### 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. The District does not have any investments in any one issuer (other than for U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District's investments.

### (3) Restricted Assets

Restricted assets were provided by, and are to be used for, the following:

Funding Source	Use	Amount
Sewer Facility Fees	Construction of Sewer Treatment Facility (Note 7)	\$ 11,578,030
Debt Proceeds	Construction of specific assets outlined in issues	<u>117,686</u>
		<u>\$ 11,695,716</u>

### (4) Water in Storage

The District is entitled to water in the Chino Basin. To accommodate future growth, the District has purchased additional water from other purveyors within the Basin, which is stored in the Basin. The water is intended for use in future years. As of June 30, 2021, the District's unsold water purchases amounted to \$30,623,569.

# CUCAMONGA VALLEY WATER DISTRICT

Notes to the Basic Financial Statements, continued

June 30, 2021

## (5) Capital Assets

Changes in capital assets for the year were as follows:

	Balance June 30, 2020	Additions/ Transfers	Retirements/ Transfers	Balance June 30, 2021
<b>Non-Depreciable Assets:</b>				
Water:				
Land	\$ 9,299,816	\$ -	\$ -	\$ 9,299,816
Water Rights	92,745,207	9,000	-	92,754,207
Construction in Progress	13,594,897	4,710,743	(4,399,508)	13,906,132
Sewer:				
Construction in Progress	476,042	2,224,031	(1,032,581)	1,667,492
Recycled Water:				
Construction in Progress	49,497	156	-	49,653
<b>Total Non-Depreciable Assets</b>	<b>116,165,459</b>	<b>6,943,930</b>	<b>(5,432,089)</b>	<b>117,677,300</b>
<b>Depreciable Assets:</b>				
Water:				
Intangibles	247,708	-	-	247,708
Source of Supply	24,954,156	246,541	-	25,200,697
Pumping Plant	13,940,975	136,492	-	14,077,467
Transmission and Distribution	219,011,154	5,385,429	(326,961)	224,069,622
Treatment Plant	115,075,380	58,929	-	115,134,309
General Water	40,148,715	599,984	(35,129)	40,713,570
Sewer:				
Intangibles	127,819	-	-	127,819
Collection and Transmission	71,640,971	1,544,104	-	73,185,075
General Sewer	8,594,220	62,830	-	8,657,050
Recycled Water:				
Intangibles	181,682	-	-	181,682
Wastewater Reclamation	5,608,270	-	-	5,608,270
Frontier Project Foundation:				
Office Equipment	84,364	-	-	84,364
<b>Total Depreciable Assets</b>	<b>499,615,414</b>	<b>8,034,309</b>	<b>(362,090)</b>	<b>507,287,633</b>
<b>Less: Accumulated Depreciation</b>				
Water:				
Intangibles	(177,534)	(6,181)	-	(183,715)
Source of Supply	(8,966,704)	(500,636)	-	(9,467,340)
Pumping Plant	(5,223,198)	(906,096)	-	(6,129,294)
Transmission and Distribution	(87,112,629)	(4,981,739)	26,113	(92,068,255)
Treatment Plant	(45,509,914)	(3,195,158)	-	(48,705,072)
General Water	(14,996,082)	(1,679,871)	5,018	(16,670,935)
Sewer:				
Intangibles	(80,707)	(3,193)	-	(83,900)
Collection and Transmission	(34,880,858)	(1,447,440)	-	(36,328,298)
General Sewer	(3,988,526)	(471,205)	-	(4,459,731)
Recycled Water:				
Intangibles	(67,239)	(4,542)	-	(71,781)
Wastewater Reclamation	(1,239,418)	(112,168)	-	(1,351,586)
Frontier Project Foundation:				
Office Equipment	(84,364)	-	-	(84,364)
<b>Total Accumulated Depreciation</b>	<b>(202,327,173)</b>	<b>(13,308,229)</b>	<b>31,131</b>	<b>(215,604,271)</b>
<b>Total Net Depreciable Assets</b>	<b>297,288,241</b>	<b>(5,273,920)</b>	<b>(330,959)</b>	<b>291,683,362</b>
<b>Total Net Capital Assets</b>	<b>\$ 413,453,700</b>	<b>\$ 1,670,010</b>	<b>\$ (5,763,048)</b>	<b>\$ 409,360,662</b>

**CUCAMONGA VALLEY WATER DISTRICT***Notes to the Basic Financial Statements, continued*

June 30, 2021

**(6) Long-term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2021, are as follows:

	<u>Balance</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2021</u>	<u>Current</u> <u>Portion</u>
Certificates of Participation	\$ 28,422,857	\$ -	\$(28,422,857)	\$ -	\$ -
Deferred Bond Premium	2,021,632	-	(2,021,632)	-	-
Net Certificates of Participation	30,444,489	-	(30,444,489)	-	-
Revenue Bonds	127,850,000	54,870,000	(36,300,000)	146,420,000	7,810,000
Deferred Bond Premium	5,428,931	5,454,475	(3,057,147)	7,826,259	-
Net Revenue Bonds	133,278,931	60,324,475	(39,357,147)	154,246,259	7,810,000
Leases Payable	5,680,452	-	(978,823)	4,701,629	1,002,123
Loan Payable	346,520	-	(34,537)	311,983	34,562
Compensated Absences	2,391,479	1,481,264	(1,349,662)	2,523,081	1,349,662
	<u>\$ 172,141,871</u>	<u>\$ 61,805,739</u>	<u>\$(72,164,658)</u>	<u>\$ 161,782,952</u>	<u>\$ 10,196,347</u>

Revenue Bond principal balances for the year ended June 30, 2021 are as follows:

2014 Revenue Bonds	\$ 8,110,000
2016 Revenue Bonds	18,170,000
2018A Revenue Bonds	9,710,000
2018B Revenue Bonds	55,560,000
2021A Revenue Bonds	33,785,000
2021B Revenue Bonds	21,085,000
	<u>\$ 146,420,000</u>

Leases Payable principal balances for the year ended June 30, 2021 are as follows:

2010 Fixed Network Meter Replacement	\$ 788,893
2016 Fixed Network Meter Replacement	3,912,736
	<u>\$ 4,701,629</u>

## CUCAMONGA VALLEY WATER DISTRICT

Notes to the Basic Financial Statements, continued

June 30, 2021

### (6) Long-term Liabilities, continued

#### 2014 Revenue Bonds

In July 2014, the Cucamonga Valley Water District Financing Authority issued Revenue Bonds in the amount of \$12,150,000. The proceeds were used to fund the acquisition and construction of certain capital improvements and equipment, to refund the outstanding 2003 Certificates of Participation, and to pay for the costs of issuance.

The 2014 Revenue Bonds are scheduled to mature annually on September 1, 2021 to September 1, 2029 in amounts ranging from \$605,000 to \$1,575,000. Interest is payable semiannually on March 1 and September 1 of each year with interest rates ranging from 2.5% to 5%.

Debt service requirements on the 2014 Certificates of Participation are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 770,000	\$ 345,337	\$ 1,115,337
2023	810,000	305,837	1,115,837
2024	1,575,000	246,213	1,821,213
2025	740,000	188,337	928,337
2026	780,000	150,338	930,338
2027-2030	3,435,000	264,695	3,699,695
	<u>\$ 8,110,000</u>	<u>\$ 1,500,757</u>	<u>\$ 9,610,757</u>

#### 2016 Revenue Bonds

In February 2016, the Cucamonga Valley Water District Financing Authority issued Revenue Bonds in the amount of \$19,940,000. The proceeds were used to pay off the outstanding Cucamonga Valley Water District 2006 Certificates of Participation, a portion of the 2009 Certificates of Participation, and to pay costs incurred in connection with the issuance of the bonds. The 2016 Revenue Bonds are scheduled to mature annually on September 1, 2017 to September 1, 2036 in amounts ranging from \$395,000 to \$9,250,000. Interest is payable semiannually on March 1 and September 1 of each year with interest rates ranging from 3% to 5%.

Debt service requirements on the 2016 Certificates of Participation are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 2,390,000	\$ 625,263	\$ 3,015,263
2023	2,515,000	502,637	3,017,637
2024	-	439,763	439,763
2025	-	439,762	439,762
2026	-	439,763	439,763
2027-2031	-	2,198,812	2,198,812
2032-2036	4,015,000	1,910,063	5,925,063
2037	9,250,000	144,531	9,394,531
	<u>\$ 18,170,000</u>	<u>\$ 6,700,594</u>	<u>\$ 24,870,594</u>

## CUCAMONGA VALLEY WATER DISTRICT

Notes to the Basic Financial Statements, continued

June 30, 2021

### (6) Long-term Liabilities, continued

#### 2018A Revenue Bonds

In May 2018, the Cucamonga Valley Water District Financing Authority issued Revenue Bonds in the amount of \$9,710,000. The proceeds were used to fund the acquisition and construction of certain capital improvements and equipment. The 2018A Revenue Bonds are scheduled to mature annually on September 1, 2032 to September 1, 2035 in amounts ranging from \$2,290,000 to \$2,590,000. Interest is payable semiannually on March 1 and September 1 of each year with interest rates ranging from 3% to 5%.

Debt service requirements on the Water Revenue Bonds, Series 2018A are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ -	\$ 401,175	\$ 401,175
2023	-	401,175	401,175
2024	-	401,175	401,175
2025	-	401,175	401,175
2026	-	401,175	401,175
2027-2031	-	2,005,875	2,005,875
2032-2036	9,710,000	1,313,625	11,023,625
	<u>\$ 9,710,000</u>	<u>\$ 5,325,375</u>	<u>\$ 15,035,375</u>

#### 2018B Revenue Bonds (Federally Taxable)

In May 2018, the Cucamonga Valley Water District Financing Authority issued Federally Taxable Revenue Bonds in the amount of \$63,745,000. The proceeds were used to pay off a portion of the outstanding Cucamonga Valley Water District 2011 Certificates of Participation, and to pay costs incurred in connection with the issuance of the bonds. The 2018B Revenue Bonds are scheduled to mature annually on September 1, 2018 to September 1, 2031 in amounts ranging from \$2,500,000 to \$6,555,000. Interest is payable semiannually on March 1 and September 1 of each year with interest rates ranging from 2% to 4%.

Debt service requirements on the Water Revenue Bonds, Series 2018B are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 2,640,000	\$ 1,927,782	\$ 4,567,782
2023	2,705,000	1,847,967	4,552,967
2024	4,465,000	1,735,921	6,200,921
2025	5,315,000	1,577,185	6,892,185
2026	5,505,000	1,395,902	6,900,902
2027-2031	30,535,000	3,813,204	34,348,204
2032	4,395,000	85,703	4,480,703
	<u>\$ 55,560,000</u>	<u>\$ 12,383,664</u>	<u>\$ 67,943,664</u>

## CUCAMONGA VALLEY WATER DISTRICT

Notes to the Basic Financial Statements, continued

June 30, 2021

### (6) Long-term Liabilities, continued

#### 2021A Revenue Bonds (Federally Taxable)

In April 2021, the Cucamonga Valley Water District Financing Authority issued Federally Taxable Revenue Bonds in the amount of \$33,785,000. The proceeds were used to pay off the remaining portion of the outstanding Cucamonga Valley Water District Financing Authority Water Revenue Bonds, Series 2012, and to pay costs incurred in connection with the issuance of the bonds. The 2021A Revenue Bonds are scheduled to mature annually on September 1, 2021 to September 1, 2042 in amounts ranging from \$1,295,000 to \$1,970,000. Interest is payable semiannually on March 1 and September 1 of each year with interest rates ranging from 0.17% to 2.67%. The advanced refunding resulted in an economic gain (difference between the present values on the old and new debt service payments) of \$4,498,051 and a reduction of cash flow payments of approximately \$5,919,826.

Debt service requirements on the Water Revenue Bonds, Series 2021A are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 1,390,000	\$ 611,942	\$ 2,001,942
2023	1,295,000	708,226	2,003,226
2024	1,300,000	704,397	2,004,397
2025	1,305,000	697,620	2,002,620
2026	1,320,000	686,714	2,006,714
2027-2031	6,875,000	3,137,978	10,012,978
2032-2036	7,655,000	2,366,163	10,021,163
2037-2041	8,760,000	1,257,030	10,017,030
2042-2043	3,885,000	117,766	4,002,766
	<u>\$ 33,785,000</u>	<u>\$ 10,287,836</u>	<u>\$ 44,072,836</u>

#### 2021B Revenue Bonds (Tax-Exempt)

In June 2021, the Cucamonga Valley Water District Financing Authority issued Federally Tax-Exempt Revenue Bonds in the amount of \$21,085,000. The proceeds were used to refund all of the outstanding Cucamonga Valley Water District Water Revenue Bonds, 2011 Series A, and to pay costs incurred in connection with the issuance of the bonds. The 2021B Revenue Bonds are scheduled to mature annually on September 1, 2021 to September 1, 2035 in amounts ranging from \$380,000 to \$1,935,000. Interest is payable semiannually on March 1 and September 1 of each year with interest rates ranging from 4% to 5%. The advanced refunding resulted in an economic gain (difference between the present values on the old and new debt service payments) of \$7,452,616 and a reduction of cash flow payments of approximately \$8,160,177.

Debt service requirements on the Water Revenue Bonds, Series 2021B are as follows:

**CUCAMONGA VALLEY WATER DISTRICT***Notes to the Basic Financial Statements, continued*

June 30, 2021

**(6) Long-term Liabilities, continued**

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 620,000	\$ 735,979	\$ 1,355,979
2023	380,000	968,950	1,348,950
2024	1,055,000	933,075	1,988,075
2025	1,385,000	872,075	2,257,075
2026	1,445,000	801,325	2,246,325
2027-2031	8,410,000	2,815,000	11,225,000
2032-2036	7,790,000	783,300	8,573,300
	<u>\$ 21,085,000</u>	<u>\$ 7,909,704</u>	<u>\$ 28,994,704</u>

**2010 Fixed Network Meter Replacement Capital Lease Payable**

The District entered into an agreement dated October 1, 2010 with Chase Equipment Finance to finance the purchase of certain equipment related to the District's fixed network retrofit and meter exchange program in the amount of \$2,200,000. The lease purchase agreement requires quarterly payments of \$47,659 at an interest rate of 3.59%.

Debt service requirements on the 2010 fixed network meter replacement capital lease payable are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 164,512	\$ 26,123	\$ 190,635
2023	170,498	20,137	190,635
2024	176,702	13,933	190,635
2025	183,131	7,504	190,635
2026	94,050	1,268	95,318
	<u>\$ 788,893</u>	<u>\$ 68,965</u>	<u>\$ 857,858</u>

**2016 Fixed Network Meter Replacement Capital Lease Payable**

The District entered into an agreement dated November 13, 2015 with Chase Equipment Finance to finance the purchase of certain equipment related to the District's fixed network retrofit and meter exchange program in the amount of \$8,216,000. As of June 30, 2021, equipment in the amount of \$7,224,441 had been purchased. The lease purchase agreement requires quarterly payments of \$228,483 at an interest rate of 2.12%.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 837,611	\$ 76,320	\$ 913,931
2023	855,510	58,421	913,931
2024	873,792	40,140	913,932
2025	892,464	21,468	913,932
2026	453,359	3,607	456,966
	<u>\$ 3,912,736</u>	<u>\$ 199,956</u>	<u>\$ 4,112,692</u>

## CUCAMONGA VALLEY WATER DISTRICT

Notes to the Basic Financial Statements, continued

June 30, 2021

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### (6) Long-term Liabilities, continued

#### **Church Street Lateral Loan Payable**

The District entered into an agreement dated November 24, 2009 with Inland Empire Utilities Agency (IEUA) for the construction of a recycled water pipeline. A portion of the pipeline was for the purpose of IEUA's Regional Recycled Water system and a portion was for the purpose of the District's recycled water connections. The entire project is to be funded by a State of California Revolving Fund (SRF) loan, obtained by IEUA, which offers low interest rates for the purpose of constructing infrastructure. The District paid for the construction costs and was subsequently reimbursed by IEUA in the amount of \$2,441,548. IEUA obtained two grants for the project. The amounts of the grants were \$344,760 and \$615,822. The grants were received from the California State Water Resources Control Board and the United States Bureau of Reclamation respectively.

The District's portion of the grants was \$461,939. The District's portion of the pipeline amounted to \$690,648, which is payable by the District in annual installments of \$34,532 including interest at .074%.

Debt service requirements on the Church Street Lateral loan payable are as follows:

<u>Year</u>	<u>Principal</u>
2022	\$ 34,562
2023	34,588
2024	34,614
2025	34,639
2026	34,665
2027-2030	<u>138,915</u>
	<u>\$ 311,983</u>

### (7) Intergovernmental Payable

The District, along with other agencies in the area, has an agreement with the Inland Empire Utilities Agency (IEUA) to share in construction costs of regional sewer treatment facilities. Construction costs are paid by tax increments each year by IEUA. If these tax increments do not cover the construction costs, the various agencies involved will be billed their allocated percentage. The District collects sewer facilities fees that by this agreement must be paid to IEUA when billed. The District is allowed to earn interest on any sewer facilities fees collected until remitted to IEUA. The District's liability for collected but unremitted sewer facilities fees at June 30, 2021 is \$11,578,030.

### (8) Water Held for Inland Empire Utilities Agency

The District entered into an agreement dated March 1, 2016 with IEUA in which IEUA will pay for the purchase and delivery of Metropolitan Water District imported water to the District. The District in return will account for an equivalent volume of Chino Basin groundwater to IEUA within the District's existing Excess Carryover Storage Account. The District's liability for this water held for IEUA at June 30, 2021 is \$2,273,056.

## CUCAMONGA VALLEY WATER DISTRICT

Notes to the Basic Financial Statements, continued

June 30, 2021

### (9) Net Investment in Capital Assets

Investment in capital assets, net of related debt, at June 30, 2021, consisted of the following:

Non-Depreciable Capital Assets	\$	117,677,300
Net Depreciable Capital Assets		291,683,362
Lease Payable - Current Portion		(1,002,123)
Revenue Bonds - Current Portion		(7,810,000)
Lease Payable - Noncurrent Portion		(3,699,506)
Revenue Bonds - Noncurrent Portion		(146,318,573)
Deferred Charge - Refunding of Certificates of Participation		884,045
	\$	<u>251,414,505</u>

### (10) Designation of Unrestricted Net Position

The District has adopted a Reserve Policy to establish designations of unrestricted net position. The designations established at June 30, 2021 are as follows:

Reserve Types	Fund		
	Water	Sewer	Recycled Water
Capital			
Facility & Equipment Replacement	\$ 12,200,000	\$ 19,903,797	\$ -
Emergency	3,622,000 <sup>(1)</sup>	838,000 <sup>(1)</sup>	-
Administrative	846,000	135,000	-
Liquidity			
Local Water Resource Development	2,000,000	N/A	N/A
Operating	13,469,905 <sup>(2)</sup>	5,809,211 <sup>(2)</sup>	-
Rate Stabilization	10,310,722 <sup>(3)</sup>	N/A	N/A
Water Banking	2,500,000 <sup>(4)</sup>	N/A	N/A
Customer Assistance Program Carry Over	132,870 <sup>(5)</sup>	N/A	N/A
Compensated Absences	2,000,898 <sup>(6)</sup>	459,123	-
Undesignated	-	-	(728,863)
Total Unrestricted Net Position	<u>\$ 47,082,395</u>	<u>\$ 27,145,131</u>	<u>\$ (728,863)</u>

Note (1) Emergency Reserve: The funding target is a minimum of 1% and a maximum of 2% of the capital assets in the fund.

Note (2) Operating Reserve: The funding target is a minimum of 20% and a maximum of 50% of the budgeted total operating expenses in the fund.

Note (3) Rate Stabilization Reserve: The funding target is a minimum of \$2,200,000 and a maximum of 25% of the Water Fund operating income.

Note (4) Water Banking Reserve: The funding target is a minimum of \$2,500,000 and a maximum equal to the cost of purchasing 5,000 acre feet of Metropolitan Water District Tier 2 imported water.

Note (5) Customer Assistance Program Carry Over: Funding set aside for the Customer Assistance Program when expenses are below budget.

Note (6) Compensated Absences: The funding target is a minimum of 50% of the calculated annual liability for each fund and the maximum is 100% of the same liability.

## CUCAMONGA VALLEY WATER DISTRICT

Notes to the Basic Financial Statements, continued

June 30, 2021

### (11) Capital Contributions

Capital contributions for the fiscal year ending June 30, 2021 were as follows:

Developer fees	\$	2,551,091
Developer donated assets		<u>635,014</u>
Total Contributed Capital	\$	<u><u>3,186,105</u></u>

### (12) Deferred Compensation Savings Plan

For the benefit of its employees, the District participates in three 457 Deferred Compensation Programs (Programs). The purpose of these Programs is to provide deferred compensation for public employees that elect to participate in the Program. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes.

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District's general creditors. Fair value of all plan assets held in trust by the District's three deferred compensation plans at June 30, 2021 amounted to \$8,476,531. Since the District has little administrative involvement and does not perform the investing function for this plan, the assets and related liabilities are not shown on the statement of net position.

### (13) Defined Benefit Pension Plans

The District has one pension plan with CalPERS and two with PARS. The information below includes the aggregate total pension related items for all plans.

	<u>CalPERS</u> <u>(Note 14)</u>	<u>PARS</u> <u>(Note 15)</u>	<u>Excess Benefit</u> <u>(Note 16)</u>	<u>Total</u>
Net Pension Liability	\$ 25,770,439	\$ -	\$ 2,151,445	\$ 27,921,884
Net Pension Asset	-	373,029	-	373,029
Pension Plans Deferred Outflows	6,989,650	695,546	1,114,535	8,799,731
Pension Plans Deferred Inflows	549,125	313,602	767,524	1,630,251
Pension Expense	4,662,088	79,851	110,654	4,852,593

### (14) CalPERS Pension Plan

#### Plan Description

All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

**CUCAMONGA VALLEY WATER DISTRICT**

*Notes to the Basic Financial Statements, continued*

June 30, 2021

**(14) CalPERS Pension Plan, continued**

***Benefits Provided***

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Employees are eligible for benefits under the plan in one of three tiers.

The Plans’ provisions and benefits in effect at June 30, 2021, are summarized as follows:

	<b>Tier 1</b>	<b>Tier 2</b>	<b>Tier 3</b>
Hire date	Before 1/1/2011	On or after 1/1/2011 but before 1/1/2013	On or after 1/1/2013
Benefit formula	2.5% at 55	2% at 60	2% at 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	Minimum age 50	Minimum age 50	Minimum age 52
Required employer contribution rates	9.50%	9.50%	9.50%
Required employee contribution rates	8%	7%	6.50%
Employee contribution covered by the employer	1%	0%	0%

**Employees Covered Table:**

Inactive employees or beneficiaries current receiving benefits	106
Inactive employees entitled to but not yet receiving benefits	40
Active employees	<u>122</u>
<b>Total</b>	<b>268</b>

***Contribution Description***

Section 20814(c) of the California Public Employees’ Retirement Law (PERL) requires that the employer contribution rates for all public employers are 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. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance 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.

***Actuarial Methods and Assumptions Used to Determine Total Pension Liability***

The June 30, 2019 valuation was rolled forward to determine the June 30, 2020 total pension liability, based on the following actuarial methods and assumptions:

## CUCAMONGA VALLEY WATER DISTRICT

Notes to the Basic Financial Statements, continued

June 30, 2021

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### (14) CalPERS Pension Plan, continued

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB 68
Actuarial Assumptions	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table <sup>1</sup>	Derived using CalPERS' membership data for all funds
Post Retirement Benefit Increase	The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.50% thereafter

<sup>1</sup>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 mortality rates include 15 years of projected 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.

#### **Discount Rate**

The discount rate used to measure the total pension liability 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.

#### **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. 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 of 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 followed:

**CUCAMONGA VALLEY WATER DISTRICT**

Notes to the Basic Financial Statements, continued

June 30, 2021

**(14) CalPERS Pension Plan, continued**

<b>Asset Class<sup>(1)</sup></b>	<b>Assumed Asset Allocation</b>	<b>Real Return Years 1 - 10<sup>(2)</sup></b>	<b>Real Return Years 11+<sup>(3)</sup></b>
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0	1.00	2.62
Inflation Assets	0.0	0.77	1.81
Private Equity	8.0	6.30	7.23
Real Assets	13.0	3.75	4.93
Liquidity	1.0	0.00	(0.92)

(1) In the System's CAFR, 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.

(2) An expected inflation of 2.00% used for this period

(3) An expected inflation of 2.92% used for this period

**Pension Plan Fiduciary Net Position**

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

**Changes in the Net Pension Liability**

The following table shows the changes in net pension liability recognized over the measurement period.

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Assets)
	(a)	(b)	(c)=(a)-(b)
Balance at: 6/30/2019	\$ 94,675,690	\$ 69,295,686	\$ 25,380,004
Changes Recognized for the Measurement Period:			
Service Cost	1,765,434	-	1,765,434
Interest on the Total Pension Liability	6,682,850	-	6,682,850
Difference between Expected and Actual Experience	(266,167)	-	(266,167)
Contributions - Employer	-	3,575,721	(3,575,721)
Contributions - Employees	-	844,963	(844,963)
Net Investment Income	-	3,468,688	(3,468,688)
Benefit Payments, including Refunds of Employee Contributions	(3,651,602)	(3,651,602)	-
Administrative Expense	-	(97,690)	97,690
Net Changes During 2019-20	4,530,515	4,140,080	390,435
Balance at: 6/30/2020	<u>\$ 99,206,205</u>	<u>\$ 73,435,766</u>	<u>\$ 25,770,439</u>

**CUCAMONGA VALLEY WATER DISTRICT**

*Notes to the Basic Financial Statements, continued*

June 30, 2021

**(14) CalPERS Pension Plan, continued**

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate***

The following presents 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:

	Discount Rate -1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
Plan's Net Pension Liability/(Assets)	\$40,686,728	\$25,770,439	\$13,604,091

***Recognition of Gains and Losses***

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss:

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

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired). The EARSL for the measurement period ending June 30, 2019 measurement period is 5.1 years, which was obtained by dividing the total service years of 1,472 (the sum of remaining service lifetimes of the active employees) by 290 (the total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

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

For the year ended June 30, 2021, the District incurred a pension expense of \$ 4,662,088 for the Plan. As of June 30, 2021, the District reported deferred outflows and inflows of resources related to pensions as follows:

## CUCAMONGA VALLEY WATER DISTRICT

Notes to the Basic Financial Statements, continued

June 30, 2021

### (14) CalPERS Pension Plan, continued

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in Assumptions	\$ 872,171	\$ (336,191)
Difference between Expected and Actual Experience	1,556,327	(212,934)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	666,631	-
Contributions subsequent to the Measurement Date	3,894,521	-
<b>Total</b>	<b>\$ 6,989,650</b>	<b>\$ (549,125)</b>

\$3,894,521 will be recognized as reduction to the net pension liability in the following measurement period, the remaining amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Measurement Period ended June 30:	Deferred Outflows/(Inflows) of Resources
2021	\$ 1,007,528
2022	525,262
2023	724,909
2024	288,305
2025	-
Thereafter	-

#### **Subsequent Events**

In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.50 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 7.50 percent discount rate.

### (15) PARS Retirement Enhancement Plan

#### **Plan Description**

Effective July 1, 2003, the District established the PARS Retirement Enhancement Plan (the "Plan"), a Single Employer defined benefit retirement plan, to provide a supplemental retirement benefit to the employee's pension benefit from CALPERS. The Plan is currently funded through PARS, a multiple agency trust. Benefit provisions and all other requirements are established by state statute and the District. Copies of the PARS audited GAAP basis annual financial report may be obtained by writing to PO Box 12919, Newport Beach, CA 92658-2919.

**CUCAMONGA VALLEY WATER DISTRICT**

*Notes to the Basic Financial Statements, continued*

June 30, 2021

**(15) PARS Retirement Enhancement Plan, continued**

***Benefits Provided***

An employee is eligible to receive the Plan's benefit at retirement if employed by the District at July 1, 2003, is at least age 50 and has at least 20 years of service or 5 years of service on or after July 1, 2003. Employees hired on or after January 1, 2011 are not eligible for the Plan.

The monthly retirement benefit is equal to the difference between 1) and 2) below:

- 1) Benefit Service x Final Pay x PARS Age Factor
- 2) Benefit Service x Final Pay x CalPERS Age Factor

The CalPERS Age Factor is defined as the 2.5% at 55 Local Miscellaneous Member benefit age factor used by CalPERS determined at your age of retirement. The PARS Age Factor is determined at your age of retirement under CalPERS. Both factors by CalPERS retirement age are presented in the following table:

Employees Covered Table:

Inactive employees or beneficiaries current receiving benefits	44
Inactive employees entitled to but not yet receiving benefits	17
Active employees	70
<b>Total</b>	<b>131</b>

Retirement Age	CalPERS Age Factor	PARS Age Factor	REP
50	2.000%	2.000%	0.000%
51	2.100%	2.140%	0.040%
52	2.200%	2.280%	0.080%
53	2.300%	2.420%	0.120%
54	2.400%	2.560%	0.160%
55+	2.500%	2.700%	0.200%

Benefits are payable as a life annuity for the lifetime of the eligible employee subject to a 2% annual cost-of-living increase. Two Optional Forms of payments are also available.

***Contribution Description***

The District currently funds the Plan through the PARS trust. The contribution for the 2020-2021 fiscal year is \$180,000. The annual contribution represents a means to expense the Plan's liabilities in an orderly manner. The net pension obligation at the end of the fiscal year will reflect any contributions made during the measurement period by the District.

## CUCAMONGA VALLEY WATER DISTRICT

Notes to the Basic Financial Statements, continued

June 30, 2021

### (15) PARS Retirement Enhancement Plan, continued

#### **Actuarial Methods and Assumptions Used to Determine Total Pension Liability**

The June 30, 2019 valuation was rolled forward to determine the June 30, 2020 total pension liability, based on the following actuarial methods and assumptions:

Actuarial Cost Method	The Entry Age Normal level percent of pay cost method
Actuarial Assumptions	
Discount Rate	6.25%
Inflation	2.50%
Salary Increases	Based on assumptions for Public Agency Miscellaneous members published in the December 2017 CalPERS Experience Study. Rates are based on a wage growth rate of 2.75% per year plus merit and promotion increases.
Investment Rate of Return	6.25%
Mortality Rate Table	Based on assumptions for Public Agency Miscellaneous members published in the December 2017 Experience Study. These tables include 15 years of static mortality improvement using 90% of scale MP-2016. - Healthy: Non-Industrial rates - Disabled: Non-Industrial rates
Post Retirement Benefit Increase	Assumed to increase 2% per year

#### **Change of Assumptions**

Since the previous valuation the discount rate decreased from 6.75% to 6.25% and unexpected new retirees benefiting under this plan, partially offset by refinements to IRS §415 limit calculations.

#### **Discount Rate**

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

<b>Asset Class</b>	<b>Strategic Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic Equity	33.00%	4.76% - 5.25%
International Equity	17.00%	5.41% - 6.38%
Fixed Income	48.00%	2.01% - 3.53%
Real Estate and Alternatives	0.00%	4.53%
Cash and Equivalents	2.00%	0.74%

#### **Pension Plan Fiduciary Net Position**

The plan fiduciary net position disclosed in the GASB 68 accounting valuation report may differ from the plan assets reported in the funding actuarial valuation report due to several reasons. The actuarial liability for the Plan includes benefits for the current retirees as well as for the current active employees expected to retire in the future. This plan was closed to employees hired after January 11, 2011, therefore, the valuation does not consider employees not yet hired as of the valuation date.

**CUCAMONGA VALLEY WATER DISTRICT**

Notes to the Basic Financial Statements, continued

June 30, 2021

**(15) PARS Retirement Enhancement Plan, continued**

**Changes in the Net Pension Asset**

The following table shows the changes in net pension asset recognized over the measurement period.

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Assets)
	(a)	(b)	(c)=(a)-(b)
Balance at: 6/30/2019	\$ 6,192,660	\$ 6,510,371	\$ (317,711)
Changes Recognized for the Measurement Period:			
Service Cost	107,042	-	107,042
Interest on the Total Pension Liability	387,118	-	387,118
Difference between Expected and Actual Experience	-	-	-
Changes of Assumptions	-	-	-
Contribution from the Employer	-	180,000	(180,000)
Net Investment Income	-	400,069	(400,069)
Benefit Payments including Refunds of Employee Contributions	(211,632)	(211,632)	-
Administrative Expense	-	(30,591)	30,591
Net Changes During 2019-20	<u>282,528</u>	<u>337,846</u>	<u>(55,318)</u>
Balance at: 6/30/2020	<u>\$ 6,475,188</u>	<u>\$ 6,848,217</u>	<u>\$ (373,029)</u>

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 6.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.25%) or 1 percentage-point higher (7.25%) than the current rate:

	Discount Rate -1% (5.25%)	Current Discount Rate (6.25%)	Discount Rate +1% (7.25%)
Plan's Net Pension Liability/(Assets)	\$607,695	(\$373,029)	(\$1,173,343)

**Recognition of Gains and Losses**

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss:

Difference between projected and actual earnings	5 year straight-line amortization
All other amounts	Straight-line amortization over a closed period equal to the average of the expected remaining service lives of all members (i.e., active employees and terminated/retired members) that are provided with pensions through the pension plan.

## CUCAMONGA VALLEY WATER DISTRICT

Notes to the Basic Financial Statements, continued

June 30, 2021

### (15) PARS Retirement Enhancement Plan, continued

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

For the year ending June 30, 2021 the District incurred a pension expense of \$79,851 for the Plan. As of June 30, 2021, the District has deferred outflows and inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in Assumptions	\$ 507,408	\$ (236,077)
Difference between Expected and Actual Liability	-	(77,525)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	8,138	-
Contributions subsequent to the Measurement Date	180,000	-
<b>Total</b>	<b>\$ 695,546</b>	<b>\$ (313,602)</b>

\$180,000 will be recognized as reduction to the Net Pension Liability in the following measurement period, the remaining amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Measurement Period ended June 30:	Deferred Outflows/(Inflows) of Resources
2021	\$ (97,429)
2022	105,542
2023	146,529
2024	47,302
2025	-
Thereafter	-

#### **Subsequent Events**

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

### (16) Excess Benefit Plan

#### **Plan Description**

Effective January 1, 2011, the District established the Excess Benefit Plan (the "Plan") to provide a benefit to participants in the PARS Retirement Enhancement Plan (REP) whose benefit is limited due to the dollar limitation under Section 415 of the Internal Revenue Code. The plan is a Single Employer plan. Benefit provisions and all other requirements are established by state statute and the District. Copies of the PARS audited GAAP basis annual financial report may be obtained by writing to PO Box 12919, Newport Beach, CA 92658-2919.

## CUCAMONGA VALLEY WATER DISTRICT

Notes to the Basic Financial Statements, continued

June 30, 2021

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### (16) Excess Benefit Plan, continued

#### **Benefits Provided**

Eligibility for the Plan requires participation in the REP. In general, the Plan will pay a benefit equal to the full REP benefit if the benefit payable under CalPERS is greater than the applicable dollar limitation at retirement. In addition, the Plan will pay a benefit equal to a portion of the REP benefit, if the combined REP and CalPERS benefit is greater than the applicable dollar limit at retirement. Employees hired on or after January 1, 2011 are not eligible for the Plan.

Employees Covered Table:

Inactive employees or beneficiaries current receiving benefits	3
Active employees	70
Total	<u>73</u>

#### **Contribution Description**

The District does not contribute beyond the current year member benefit payments. The Plan is unfunded and benefits under the Plan are paid through the general fund of the District or through an Excess Benefit Plan Trust (the "Trust") that has been set up by the District through PARS. The Trust is a grantor trust held by the District subject to the claims of the District's creditors.

#### **Actuarial Methods and Assumptions Used to Determine Total Pension Liability**

The June 30, 2019 valuation was rolled forward to determine the June 30, 2020 total pension liability, based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 73
Actuarial Assumptions	
Discount Rate	2.45%
Inflation	2.50%
Salary Increases	2.75% per annum, in aggregate
Investment Rate of Return	N/A
Mortality Rate Table	Based on assumptions for Public Agency Miscellaneous members published in the December 2017 Experience Study. These tables include 15 years of static mortality improvement using 90% of scale MP-2016. - Healthy: Non-Industrial rates - Disabled: Non-Industrial rates
Post Retirement Benefit Increase	Assumed to increase 2% per year

#### **Change of Assumptions**

Since the previous valuation the discount rate decreased from 3.13% to 2.45% and unexpected new retirees benefiting under this plan, partially offset by refinements to IRS §415 limit calculations.

**CUCAMONGA VALLEY WATER DISTRICT**

Notes to the Basic Financial Statements, continued

June 30, 2021

**(16) Excess Benefit Plan, continued**

**Changes in the Net Pension Liability**

The following table shows the changes in net pension liability recognized over the measurement period.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Assets) (c)=(a)-(b)
Balance at: 6/30/2019	\$ 1,912,607	\$ -	\$ 1,912,607
Changes Recognized for the Measurement Period:			
Service Cost	22,372	-	22,372
Interest on the Total Pension Liability	59,591	-	59,591
Difference between Expected and Actual Experience	-	-	-
Changes of Assumptions	219,076	-	219,076
Changes of Benefit Terms	-	-	-
Contribution from the Employer	-	62,201	(62,201)
Contributions from Employees	-	-	-
Net Investment Income	-	-	-
Benefit Payments including Refunds of Employee Contributions	(62,201)	(62,201)	-
Administrative Expense	-	-	-
Net Changes During 2019-20	238,838	-	238,838
Balance at: 6/30/2020	\$ 2,151,445	\$ -	\$ 2,151,445

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 2.45 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 (1.45 percent) or 1 percentage-point higher (3.45 percent) than the current rate:

	Discount Rate -1% (1.45%)	Current Discount Rate (2.45%)	Discount Rate +1% (3.45%)
Plan's Net Pension Liability/(Assets)	\$2,543,867	\$2,151,445	\$1,840,377

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

For the year ending June 30, 2021 the District incurred a pension expense of \$110,653.94 for the Plan. As of June 30, 2021, the District has deferred outflows and inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in Assumptions	\$ 302,501	\$ (767,524)
Difference between Expected and Actual Experience	743,176	-
Contributions subsequent to the Measurement Date	68,858	-
<b>Total</b>	<b>\$ 1,114,535</b>	<b>\$ (767,524)</b>

\$68,858 will be recognized as reduction to the Net Pension Liability in the following measurement period, the remaining amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

**CUCAMONGA VALLEY WATER DISTRICT**

Notes to the Basic Financial Statements, continued

June 30, 2021

**(16) Excess Benefit Plan, continued**

Measurement Period ended June 30:	Deferred Outflows/(Inflows) of Resources
2021	\$ 28,691
2022	28,691
2023	28,691
2024	28,691
2025	37,772
Thereafter	125,617

**Subsequent Events**

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

**(17) Other Postemployment Benefits (OPEB)**

**Plan Description**

The District administers a single-employer defined benefit healthcare plan which provides medical insurance benefits to eligible retirees and their eligible dependents in accordance with District ordinances.

**Benefits Provided**

Employees are eligible for retiree health care benefits according to the following matrix:

	Minimum Age at Retirement	Years of Service with District	Coverage Provided
Tier 1 - Hired Before 11/1/2006 and Executives	50	10	Employee Only
Tier 2 - Hired Between 11/1/2006 & 1/1/2011	50	25	Employee Only
Tier 3 - Hired Before 11/1/2011 and Executives	60	15	Employee and Dependents
Tier 4 - Hired Between 11/1/2006 & 1/1/2011 and Executives	50	20	Employee and Dependents Health
Tier 5 - Hired After 1/1/2011	-	5	Reimbursement Account

Employees hired on or after January 1, 2011 are enrolled in a defined contribution health savings plan after five years of employment.

Active employees	54
Active employees waiving coverage	17
Inactive employees or beneficiaries current receiving benefits	49
<b>Total</b>	<b>120</b>

## CUCAMONGA VALLEY WATER DISTRICT

Notes to the Basic Financial Statements, continued

June 30, 2021

### (17) Other Postemployment Benefits, continued

#### Contribution Description

Retirees must pay the portion of the coverage, if any, not covered by their benefits. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the District's Board of Directors. District assets designated for OPEB are invested in California Employers' Retiree Benefits Trust (CERBT) Strategy 1, which is a qualified irrevocable trust under IRC Section 115 and administered by CalPERS. Annual contributions by the District are equal to at least 75 percent of the Annual Required Contribution (ARC). Benefit payments equal to the annual direct plus implicit subsidy are paid from the trust. For fiscal year 2021, the District contributed \$2,201,838 to the plan, including \$698,171 for current premiums and an additional \$1,503,667 to prefund. Plan members receiving benefits contributed \$102,538.

#### Actuarial Methods and Assumptions Used to Determine Total OPEB Liability

The June 30, 2019 valuation was rolled forward to determine the June 30, 2020 total pension liability, based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions	
Discount Rate	6.50%
Inflation	2.50%
Salary Increases	2.75%
Investment Rate of Return	6.50%, assuming actuarially determined contributions funded into CERBT Investment Strategy 1
Mortality Rate	Based on assumptions for Public Agency Miscellaneous members published in the December 2017 Experience Study. These tables include 15 years of static mortality improvement using 90% of scale MP-2016. - Healthy: Non-Industrial rates - Disabled: Non-Industrial rates
Healthcare Trend Rate	Annual increases in per capita claims costs and plan premiums are as follows:

Fiscal Year Ending	Medical Coverage	
	Not Medicare Eligible	Medicare Eligible
2020	6.4%	5.1%
2021	6.2%	5.1%
2022	5.9%	5.1%
2023	5.5%	5.2%
2024-2051	5.2%	5.2%
2052-2075	Transition to ultimate rate	Transition to ultimate rate
2076+	4.0%	4.0%

- Medicare Part B premiums are assumed to increase 5.0% annually through fiscal year ending 2055 and 4.0% annually thereafter.

- Dental and vision premiums are assumed to increase 3.75% and 2.75% annually, respectively.

#### Change of Assumptions

Since the previous valuation, the discount rate was decreased from 7.28 percent to 6.50 percent and healthcare trends rates were reset to reflect updated cost increase expectations, including the repeal of the Affordable Care Act's Excise Tax on high-cost health insurance plans.

## CUCAMONGA VALLEY WATER DISTRICT

Notes to the Basic Financial Statements, continued

June 30, 2021

### (17) Other Postemployment Benefits, continued

#### Discount Rate

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Strategy 1	
	Strategic Allocation	Long-Term Expected Real Rate of Return
Global Equity	59.00%	5.00%
Fixed Income	25.00%	5.00%
Treasury Inflation-Protected Securities	5.00%	3.00%
REITs	8.00%	5.00%
Commodities	3.00%	3.00%

The discount rate used to measure the total OPEB liability was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

#### OPEB Plan Fiduciary Net Position

The CERBT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained from the California Public Employees' Retirement System, CERBT, P.O. Box 942703, Sacramento, CA 94429-2703.

#### Changes in the OPEB Liability

The changes in the net OPEB liability are as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Assets) (c)=(a)-(b)
Balance at: 6/30/2019	\$ 22,417,005	\$ 8,541,101	\$ 13,875,904
Changes Recognized for the Measurement Period:			
Service Cost	456,216	-	456,216
Interest	1,457,921	-	1,457,921
Difference between Expected and Actual Experience	945	-	945
Changes of Assumptions	-	-	-
Contribution from the Employer	-	1,457,643	(1,457,643)
Net Investment Income	-	319,294	(319,294)
Benefit Payments	(887,328)	(887,328)	-
Administrative Expense	-	(4,438)	4,438
Net Changes	1,027,754	885,171	142,583
Balance at: 6/30/2019	\$ 23,444,759	\$ 9,426,272	\$ 14,018,487

**CUCAMONGA VALLEY WATER DISTRICT**

Notes to the Basic Financial Statements, continued

June 30, 2021

**(17) Other Postemployment Benefits, continued**

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

The following presents the net OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2020:

	Discount Rate - 1% (5.5%)	Current Discount Rate (6.5%)	Discount Rate +1% (7.5%)
Net OPEB Liability	\$ 17,177,635	\$ 14,018,487	\$ 11,388,188

***Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trends Rates***

The following presents the net OPEB liability of the District if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2020:

	Trend Rates - 1% (5.40%)	Current Trend Rates (6.40%)	Trend Rates +1% (7.40%)
Net OPEB Liability	\$ 10,950,529	\$ 14,018,487	\$ 17,795,597

***Recognition of Gains and Losses***

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 recognition period differs depending on the source of the gain or loss:

Difference between projected and actual earnings	5 year straight-line amortization
Effects of Assumption Changes and Experience Gains and Losses	Straight-line amortization over a closed period equal to the average of the expected remaining service lives of all members (i.e., active employees and terminated/retired members) that are provided with OPEB through the plan.

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

For the fiscal year ended June 30, 2021, the District recognized OPEB expense of \$1,359,271. As of fiscal year ended June 30, 2021, the District reported deferred outflows of resources related to OPEB from the following sources:

## CUCAMONGA VALLEY WATER DISTRICT

Notes to the Basic Financial Statements, continued

June 30, 2021

### (17) Other Postemployment Benefits, continued

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in Assumptions	\$ 115,735	\$ 526,434
Difference between Expected and Actual Experience	562,950	-
Net Difference between Projected and Actual Earnings on Investments	180,879	-
Contributions subsequent to the Measurement Date	2,201,838	-
<b>Total</b>	<b>\$ 3,061,402</b>	<b>\$ 526,434</b>

\$2,201,838 the contributions made after the measurement date of the net pension/OPEB liability/collective net pension/OPEB liability but before the end of the employer's or governmental nonemployer contributing entity's reporting period will be recognized as a reduction of the net pension/OPEB liability or collective net pension/OPEB liability in the subsequent fiscal period rather than in the current fiscal period. The remaining amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in future expense as follows:

Measurement Period ended June 30:	Deferred Outflows/(Inflows) of Resources
2021	\$ 18,259
2022	55,850
2023	62,949
2024	195,942
2025	130
Thereafter	-

### (18) 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 or Authority). The ACWA/JPIA is a risk-pooling, self-insurance authority, created under California Government Code Sections 6500 et. seq. The purpose of the ACWA/JPIA is to arrange and administer programs of self-insured losses and purchases excess insurance coverage for its members. The District has purchased various insurance policies to manage the potential liabilities from the previously named sources. As of June 30, 2021, the District participates in the liability and property programs of the Authority as follows:

**Property Loss:** Insured up to the replacement value with a \$25,000 deductible per occurrence for buildings, personal property, fixed equipment, and catastrophic coverage. The deductible for mobile equipment and vehicles is \$5,000. The boiler and machinery deductible is \$25,000 or \$50,000 and varies by incident and property type. There is a \$50,000,000 program limit with replacement values. The deductible for flood is \$100,000. The deductible for earthquake is 5% per unit of insurance, subject to \$75,000 with a limit of \$2,500,000. The Property Program includes Business Interruption with a sub-limit of \$500,000 per loss, subject to a \$2,500,000 program aggregate. The ACWA/JPIA is self-insured up to \$100,000 per occurrence and has purchased excess coverage up to \$60,000,000 for its members.

## CUCAMONGA VALLEY WATER DISTRICT

Notes to the Basic Financial Statements, continued

June 30, 2021

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### (18) Risk Management, continued

General Liability: The District is insured for general liability up to \$1,000,000 per occurrence, and ACWA/JPIA has purchased additional coverage from commercial insurers, subject to policy aggregate limits.

Auto Liability: The District is insured for automobile liability up to \$1,000,000 per occurrence, and ACWA/JPIA has purchased additional coverage from commercial insurers, subject to policy aggregate limits.

UST Pollution Liability: The District is insured for underground storage tank liability with a \$10,000 deductible for each incident. The Authority is self-insured up to \$3,000,000 per occurrence and has purchased excess insurance coverage in the amount of \$3,000,000 subject to a \$750,000 aggregate expense limit.

Cyber Liability: The deductible for Cyber Liability is \$50,000, subject to a \$2,000,000 annual aggregate limit.

Public Officials' and Employees' Errors and Omissions: The District is insured up to \$5,000,000 per occurrence, and ACWA/JPIA has purchased additional coverage from commercial insurers, subject to policy aggregate limits.

Workers Compensation: The District is insured to statutory requirements.

In addition to the above, the District also has purchased insurance coverage as follows:

Fidelity Coverage: \$100,000 total insurance with a \$1,000 deductible covering public employee dishonesty, forgery or alteration, and computer fraud.

Settled claims have not exceeded any of the coverage amounts in the last three fiscal years, and there were no reductions in the District's insurance coverage during the years ending June 30, 2021, 2020, and 2019. Liabilities are recorded when it is probable that a loss has been incurred, and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2021, 2020, and 2019.

### (19) Jointly Governed Organizations

The District, in conjunction with the Monte Vista Water District, the City of Ontario, and the Inland Empire Utilities Agency, have created the Chino Basin Water Bank Planning Authority (CBWB). The CBWB's board is composed of one member from the governing board of each of the four agencies. The four members of the CBWB have entered into a cost sharing agreement in which each agency will pay 25% of the costs of the CBWB activities. The primary activity cost of the CBWB has been professional consulting to complete a planning and feasibility study.

## CUCAMONGA VALLEY WATER DISTRICT

Notes to the Basic Financial Statements, continued

June 30, 2021

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### (20) Commitments and Contingencies

#### **Grant Awards**

Grant funds received by the District are subject to audit by the grantor agencies. Such audit could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. Management of the District believes that such disallowances, if any, would not be significant.

#### **Construction Commitments**

The following schedule lists the major contractual commitments as of June 30, 2021:

<u>Project</u>	<u>Vendor</u>	<u>Amount</u>
Sewer line in Haven from Foothill to Arrow	CP Construction	\$ 1,990,790
Waterline between Amethyst and Kirkwood	Norstar Plumbing & Engineering, Inc.	1,873,300
Waterline in Baseline road, Haven to Deer Creek	Norstar Plumbing & Engineering, Inc.	626,918
Construction of Reservoir 3A	RSH Construction Services	519,702

#### **Litigation**

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 materially affect its financial condition.

## **Required Supplementary Information**

**CUCAMONGA VALLEY WATER DISTRICT**

*Defined Benefit Pension Plan (PERS)*

*Schedule of Changes In Net Pension Liability and Related Ratios*

As of June 30, for the Last Ten Fiscal Years (1)

MEASUREMENT PERIOD	2014	2015	2016
<b>TOTAL PENSION LIABILITY</b>			
Service Cost	\$ 1,503,857	\$ 1,489,827	\$ 1,524,172
Interest	4,682,615	5,013,228	5,279,223
Changes in Assumptions	-	(1,378,724)	-
Difference Between expected and Actual Experience	-	623,559	(558,291)
Benefit Payments, Including Refunds of employee Contributions	(2,290,095)	(2,363,439)	(2,606,336)
<b>Net Change in Total Pension Liability</b>	<b>\$ 3,896,377</b>	<b>\$ 3,384,451</b>	<b>\$ 3,638,768</b>
Total Pension Liability - Beginning	62,827,983	66,724,360	70,108,811
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 66,724,360</b>	<b>\$ 70,108,811</b>	<b>\$ 73,747,579</b>
<b>PLAN FIDUCIARY NET POSITION</b>			
Contribution - Employer	\$ 1,517,017	\$ 1,653,572	\$ 1,817,385
Contribution - Employee	734,040	899,150	777,419
Net Investment Income	7,556,918	1,140,016	288,644
Benefit Payments, Including Refunds of Employee Contributions	(2,290,095)	(2,363,439)	(2,606,336)
Administrative Expense	-	(58,593)	(31,758)
Net Plan to Plan Resource Movement	-	-	-
Other Miscellaneous Income/(Expenses)	-	-	-
<b>Net Change in Fiduciary Net Position</b>	<b>\$ 7,517,880</b>	<b>\$ 1,270,706</b>	<b>\$ 245,354</b>
Plan Fiduciary Net Position - Beginning	43,321,632	50,839,512	52,110,218
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 50,839,512</b>	<b>\$ 52,110,218</b>	<b>\$ 52,355,572</b>
<b>Plan Net Pension Liability/(Assets) - Ending (a) - (b)</b>	<b>\$ 15,884,848</b>	<b>\$ 17,998,593</b>	<b>\$ 21,392,007</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>76.19%</b>	<b>74.33%</b>	<b>70.99%</b>
Covered Payroll	\$ 9,088,151	\$ 9,381,625	\$ 9,867,521
<b>Plan Net Pension Liability/(Asset) as a Percentage of Covered Payroll</b>	<b>174.79%</b>	<b>191.85%</b>	<b>216.79%</b>

(Continued on following page)

# CUCAMONGA VALLEY WATER DISTRICT

## Defined Benefit Pension Plan (PERS)

### Schedule of Changes In Net Pension Liability and Related Ratios

As of June 30, for the Last Ten Fiscal Years (1)

MEASUREMENT PERIOD	2017	2018	2019	2020
<b>TOTAL PENSION LIABILITY</b>				
Service Cost	\$ 1,758,184	\$ 1,866,288	\$ 1,745,718	\$ 1,765,434
Interest	5,620,418	5,921,045	6,380,628	6,682,850
Changes in Assumptions	5,233,031	(794,630)	-	-
Difference Between expected and Actual Experience	157,575	575,309	2,116,769	(266,167)
Benefit Payments, Including Refunds of employee Contributions	(2,820,091)	(3,197,422)	(3,634,711)	(3,651,602)
<b>Net Change in Total Pension Liability</b>	<b>\$ 9,949,117</b>	<b>\$ 4,370,590</b>	<b>\$ 6,608,404</b>	<b>\$ 4,530,515</b>
Total Pension Liability - Beginning	73,747,579	83,696,696	88,067,286	94,675,690
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 83,696,696</b>	<b>\$ 88,067,286</b>	<b>\$ 94,675,690</b>	<b>\$ 99,206,205</b>
<b>PLAN FIDUCIARY NET POSITION</b>				
Contribution - Employer	\$ 3,044,601	\$ 3,038,475	\$ 3,259,552	\$ 3,575,721
Contribution - Employee	804,638	847,496	798,807	844,963
Net Investment Income	5,852,581	5,068,060	4,268,816	3,468,688
Benefit Payments, Including Refunds of Employee Contributions	(2,820,091)	(3,197,422)	(3,634,711)	(3,651,602)
Administrative Expense	(77,299)	(92,188)	(46,135)	(97,690)
Net Plan to Plan Resource Movement	-	(149)	-	-
Other Miscellaneous Income/(Expenses)	-	(175,066)	149	-
<b>Net Change in Fiduciary Net Position</b>	<b>\$ 6,804,430</b>	<b>\$ 5,489,206</b>	<b>\$ 4,646,478</b>	<b>\$ 4,140,080</b>
Plan Fiduciary Net Position - Beginning	52,355,572	59,160,002	64,649,208	69,295,686
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 59,160,002</b>	<b>\$ 64,649,208</b>	<b>\$ 69,295,686</b>	<b>\$ 73,435,766</b>
<b>Plan Net Pension Liability/(Assets) - Ending (a) - (b)</b>	<b>\$ 24,536,694</b>	<b>\$ 23,418,078</b>	<b>\$ 25,380,004</b>	<b>\$ 25,770,439</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>70.68%</b>	<b>73.41%</b>	<b>73.19%</b>	<b>74.02%</b>
Covered Payroll	\$ 10,315,083	\$ 10,475,082	\$ 10,612,655	\$ 11,021,207
<b>Plan Net Pension Liability/(Asset) as a Percentage of Covered Payroll</b>	<b>237.87%</b>	<b>223.56%</b>	<b>239.15%</b>	<b>233.83%</b>

(1) Historical information is required only for measurement for which GASB 68 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

(2) Net of administrative expenses.

#### Notes to Schedule:

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2016 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions: In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.50 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 7.50 percent discount rate.

**CUCAMONGA VALLEY WATER DISTRICT**

*Defined Benefit Pension Plan (PERS)*

*Schedule of Plan Contributions*

As of June 30, for the Last Ten Fiscal Years (1)

**2014-2017**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actuarially Determined Contribution	\$ 1,517,017	\$ 1,653,572	\$ 1,817,385	\$ 2,044,601
Contribution in Relation to the Actuarially Determined Contribution	<u>(1,517,017)</u>	<u>(1,653,572)</u>	<u>(1,817,385)</u>	<u>(3,044,601)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,000,000)</u>
Covered Payroll	9,088,151	9,381,625	9,867,521	10,315,083
Contributions as a Percentage of Covered Payroll	16.69%	17.63%	18.42%	29.52%

**2018-2021**

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Actuarially Determined Contribution	\$ 2,058,533	\$ 2,309,234	\$ 2,638,119	\$ 2,894,521
Contribution in Relation to the Actuarially Determined Contribution	<u>(3,058,533)</u>	<u>(3,309,234)</u>	<u>(3,638,119)</u>	<u>(3,894,521)</u>
Contribution Deficiency (Excess)	<u>\$ (1,000,000)</u>	<u>\$ (1,000,000)</u>	<u>\$ (1,000,000)</u>	<u>\$ (1,000,000)</u>
Covered Payroll	10,475,082	10,612,655	11,021,207	11,573,492
Contributions as a Percentage of Covered Payroll	29.20%	31.18%	33.01%	33.65%

(1) Historical information is required only for measurement for which GASB 68 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

**Note to Schedule:**

Valuation Date: June 30, 2018

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB 68
Amortization method	Level percentage of payroll, closed
Assets valuation method	Market Value
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Payroll growth	2.75% compounded annually
Investment rate of return	7.25% Net of Pension Plan Investment and Administrative Expenses; includes Inflation.
Retirement age	The probabilities of retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.
Mortality	The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries.

**CUCAMONGA VALLEY WATER DISTRICT**

*Retirement Enhancement Pension Plan (PARS)*

*Schedule of Changes on Net Pension Liability and Related Ratios*

As of June 30, for the Last Ten Fiscal Years (1)

MEASUREMENT PERIOD	2014	2015	2016
<b>TOTAL PENSION LIABILITY</b>			
Service Cost	\$ 155,755	\$ 167,923	\$ 96,326
Interest	275,262	291,019	306,815
Difference Between expected and Actual Experience	-	(59,276)	-
Changes in Assumptions	-	(1,467,793)	-
Benefit Payments, Including Refunds of employee Contributions	(128,070)	(128,012)	(142,508)
<b>Net Change in Total Pension Liability</b>	<b>\$ 302,947</b>	<b>\$ (1,196,139)</b>	<b>\$ 260,633</b>
Total Pension Liability - Beginning	5,413,524	5,716,471	4,520,332
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 5,716,471</b>	<b>\$ 4,520,332</b>	<b>\$ 4,780,965</b>
<b>PLAN FIDUCIARY NET POSITION</b>			
Contribution - Employer	\$ -	\$ 181,815	\$ 229,000
Net Investment Income	642,211	116,980	72,824
Benefit Payments, Including Refunds of Employee Contributions	(105,433)	(128,012)	(142,508)
Administrative Expense	(51,373)	(29,113)	(29,467)
<b>Net Change in Fiduciary Net Position</b>	<b>\$ 485,405</b>	<b>\$ 141,670</b>	<b>\$ 129,849</b>
Plan Fiduciary Net Position - Beginning	4,633,256	5,118,661	5,260,331
Plan Fiduciary Net Position - Ending (b)	\$ 5,118,661	\$ 5,260,331	\$ 5,390,180
<b>Plan Net Pension Liability/(Assets) - Ending (a) - (b)</b>	<b>\$ 597,810</b>	<b>\$ (739,999)</b>	<b>\$ (609,215)</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>89.54%</b>	<b>116.37%</b>	<b>112.74%</b>
Covered Payroll	\$ 8,257,925	\$ 8,237,008	\$ 8,060,799
<b>Plan Net Pension Liability/(Asset) as a Percentage of Covered Payroll</b>	<b>7.24%</b>	<b>-8.98%</b>	<b>-7.56%</b>

(Continued on following page)

# CUCAMONGA VALLEY WATER DISTRICT

## Retirement Enhancement Pension Plan (PARS)

### Schedule of Changes on Net Pension Liability and Related Ratios

As of June 30, for the Last Ten Fiscal Years (1)

MEASUREMENT PERIOD	2017	2018	2019	2020
<b>TOTAL PENSION LIABILITY</b>				
Service Cost	\$ 105,656	\$ 91,496	\$ 94,241	\$ 107,042
Interest	324,556	334,808	350,617	387,118
Difference Between expected and Actual Experience	(130,125)	-	(42,960)	-
Changes in Assumptions	35,844	-	794,012	-
Benefit Payments, Including Refunds of employee Contributions	(156,761)	(183,021)	(206,668)	(211,632)
<b>Net Change in Total Pension Liability</b>	<b>\$ 179,170</b>	<b>\$ 243,283</b>	<b>\$ 989,242</b>	<b>\$ 282,528</b>
Total Pension Liability - Beginning	4,780,965	4,960,135	5,203,418	6,192,660
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 4,960,135</b>	<b>\$ 5,203,418</b>	<b>\$ 6,192,660</b>	<b>\$ 6,475,188</b>
<b>PLAN FIDUCIARY NET POSITION</b>				
Contribution - Employer	\$ 180,000	\$ 180,000	\$ 180,000	\$ 180,000
Net Investment Income	457,755	368,766	389,948	400,069
Benefit Payments, Including Refunds of Employee Contributions	(156,761)	(183,021)	(206,668)	(211,632)
Administrative Expense	(29,547)	(30,086)	(30,195)	(30,591)
<b>Net Change in Fiduciary Net Position</b>	<b>\$ 451,447</b>	<b>\$ 335,659</b>	<b>\$ 333,085</b>	<b>\$ 337,846</b>
Plan Fiduciary Net Position - Beginning	5,390,180	5,841,627	6,177,286	6,510,371
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 5,841,627</b>	<b>\$ 6,177,286</b>	<b>\$ 6,510,371</b>	<b>\$ 6,848,217</b>
<b>Plan Net Pension Liability/(Assets) - Ending (a) - (b)</b>	<b>\$ (881,492)</b>	<b>\$ (973,868)</b>	<b>\$ (317,711)</b>	<b>\$ (373,029)</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>117.77%</b>	<b>118.72%</b>	<b>105.13%</b>	<b>105.76%</b>
Covered Payroll	\$ 7,785,307	\$ 7,606,373	\$ 6,781,265	\$ 7,078,754
<b>Plan Net Pension Liability/(Asset) as a Percentage of Covered Payroll</b>	<b>-11.32%</b>	<b>-12.80%</b>	<b>-4.69%</b>	<b>-5.27%</b>

(1) Historical information is required only for measurement for which GASB 68 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

(2) Net of administrative expenses.

#### Notes to Schedule:

Benefit Changes: There were no changes in benefits

Changes of Assumptions:

\* Salary scale, mortality, withdrawal and retirement rates were updated from the rates used in the 6/30/2016 CalPERS Public Agency Miscellaneous actuarial valuation to the rates based on the December 2017 CalPERS experience study.

\* The expected investment return and discount rate decreased from 6.75% to 6.25% to reflect updated capital market assumptions.

\* The inflation assumption was changed from 2.75% to 2.50% based on an updated historical analysis of inflation rates and forward-looking market expectations.

\* The aggregate wage inflation assumption was changed from 3.00% to 2.75% based on the 2017 CalPERS experience study.

\* The form of payment assumption for vested terminated participants was refined to be consistent for all future retirees.

\* The IRS §415 limit calculations were refined to reflect annual dollar limit updates and plan operations.

**CUCAMONGA VALLEY WATER DISTRICT**  
*Retirement Enhancement Pension Plan (PARS)*  
*Schedule of Plan Contributions*  
As of June 30, for the Last Ten Fiscal Years (1)

**2014-2017**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actuarially Determined Contribution	\$ 221,769	\$ 181,815	\$ 229,000	\$ 180,000
Contribution in Relation to the Actuarially Determined Contribution	-	(181,815)	(229,000)	(180,000)
Contribution Deficiency (Excess)	<u>\$ (221,769)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	8,257,925	8,237,008	8,060,799	7,785,307
Contributions as a Percentage of Covered Payroll	0.00%	2.21%	2.84%	2.31%

**2018-2021**

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Actuarially Determined Contribution	\$ 180,000	\$ 180,000	\$ 180,000	\$ 180,000
Contribution in Relation to the Actuarially Determined Contribution	(180,000)	(180,000)	(180,000)	(180,000)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	7,606,373	6,781,265	7,078,754	7,214,300
Contributions as a Percentage of Covered Payroll	2.37%	2.65%	2.54%	2.50%

**Note to Schedule:**

Valuation Date: June 30, 2019

Methods and assumptions used to determine contribution rates:

Actuarial cost method	The Entry Age Normal level percent of pay cost method
Amortization method	Level percentage of payroll, closed
Remaining amortization period	10 years
Assets valuation method	5-year
Inflation	2.50%

Based on assumptions for Public Agency Miscellaneous members published in the December 2017 CalPERS Experience Study. Rates are based on a wage growth rate of 2.75% per year plus merit and promotion increases.

Salary Increases 6.25%

Investment rate of return 6.25%

Retirement age The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2011.

Mortality Based on assumptions for Public Agency Miscellaneous members published in the December 2017 Experience Study. These tables include 15 years of static mortality improvement using 90% of scale MP-2016.

- Healthy: Non-Industrial rates
- Disabled: Non-Industrial rates

# CUCAMONGA VALLEY WATER DISTRICT

## Excess Benefit Pension Plan

### Schedule of Changes in Net Pension Liability and Related Ratios

As of June 30, for the Last Ten Fiscal Years (1)

	2014	2015	2016
<b>TOTAL PENSION LIABILITY</b>			
Service Cost	\$ 59,051	\$ 70,173	\$ 33,058
Interest	55,507	59,298	48,835
Difference Between expected and Actual Experience	-	153,569	-
Changes in Assumptions	-	(517,106)	234,570
Benefit Payments, Including Refunds of employee Contributions	(24,485)	(24,711)	(25,205)
<b>Net Change in Total Pension Liability</b>	<b>\$ 90,073</b>	<b>\$ (258,777)</b>	<b>\$ 291,258</b>
Total Pension Liability - Beginning	1,433,384	1,523,457	1,264,680
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 1,523,457</b>	<b>\$ 1,264,680</b>	<b>\$ 1,555,938</b>
<b>PLAN FIDUCIARY NET POSITION</b>			
Contribution - Employer	\$ 22,330	\$ -	\$ -
Net Investment Income	106	-	-
Benefit Payments, Including Refunds of Employee Contributions	(24,226)	-	-
Other Changes in Fiduciary Net Position	(48)	(3,403)	-
<b>Net Change in Fiduciary Net Position</b>	<b>\$ (1,838)</b>	<b>\$ (3,403)</b>	<b>\$ -</b>
Plan Fiduciary Net Position - Beginning	5,241	3,403	-
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 3,403</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Plan Net Pension Liability/(Assets) - Ending (a) - (b) (2)</b>	<b>\$ 1,520,054</b>	<b>\$ 1,264,680</b>	<b>\$ 1,555,938</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>0.22%</b>	<b>0.00%</b>	<b>0.00%</b>
<b>Covered Payroll</b>	<b>\$ 8,257,925</b>	<b>\$ 8,237,008</b>	<b>\$ 8,060,799</b>
<b>Plan Net Pension Liability/(Asset) as a Percentage of Covered Payroll</b>	<b>18.41%</b>	<b>15.35%</b>	<b>19.30%</b>

(Continued on next page)

# CUCAMONGA VALLEY WATER DISTRICT

## Excess Benefit Pension Plan

### Schedule of Changes in Net Pension Liability and Related Ratios

As of June 30, for the Last Ten Fiscal Years (1)

	2017	2018	2019	2020
<b>TOTAL PENSION LIABILITY</b>				
Service Cost	\$ 45,946	\$ 46,967	\$ 48,376	\$ 22,372
Interest	45,287	60,070	62,756	59,591
Difference Between expected and Actual Experience	327,832	-	622,043	-
Changes in Assumptions	(290,403)	(17,478)	(479,570)	219,076
Benefit Payments, Including Refunds of employee Contributions	(25,709)	(37,013)	(52,435)	(62,201)
<b>Net Change in Total Pension Liability</b>	<b>\$ 102,953</b>	<b>\$ 52,546</b>	<b>\$ 201,170</b>	<b>\$ 238,838</b>
Total Pension Liability - Beginning	1,555,938	1,658,891	1,711,437	1,912,607
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 1,658,891</b>	<b>\$ 1,711,437</b>	<b>\$ 1,912,607</b>	<b>\$ 2,151,445</b>
<b>PLAN FIDUCIARY NET POSITION</b>				
Contribution - Employer	\$ -	\$ -	\$ -	\$ -
Net Investment Income	-	-	-	-
Benefit Payments, Including Refunds of Employee Contributions	-	-	-	-
Other Changes in Fiduciary Net Position	-	-	-	-
<b>Net Change in Fiduciary Net Position</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Plan Fiduciary Net Position - Beginning	-	-	-	-
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Plan Net Pension Liability/(Assets) - Ending (a) - (b) (2)</b>	<b>\$ 1,658,891</b>	<b>\$ 1,711,437</b>	<b>\$ 1,912,607</b>	<b>\$ 2,151,445</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>
<b>Covered Payroll</b>	<b>\$ 7,785,307</b>	<b>\$ 7,606,373</b>	<b>\$ 6,781,265</b>	<b>\$ 7,078,754</b>
<b>Plan Net Pension Liability/(Asset) as a Percentage of Covered Payroll</b>	<b>21.31%</b>	<b>22.50%</b>	<b>28.20%</b>	<b>30.39%</b>

(1) Historical information is required only for measurement for which GASB 73 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

(2) Plan Fiduciary Net Position balance at previous fiscal year end included pension assets. Under GASB 73, pension assets subject to District's creditors should be reported as assets of the District rather than Plan Fiduciary Net Position.

#### Notes to Schedule:

Benefit Changes: There were no changes in benefits

Changes of Assumptions:

\* Salary scale, mortality, withdrawal and retirement rates were updated from the rates used in the 6/30/2016 CalPERS Public Agency Miscellaneous actuarial valuation to the rates based on the December 2017 CalPERS experience study.

\* The discount rate decreased from 3.62% to 3.13% to reflect a change in the 20-year municipal bond rate.

\* The inflation assumption was changed from 2.75% to 2.50% based on an updated historical analysis of inflation rates and forward-looking market expectations.

\* The aggregate wage inflation assumption was changed from 3.00% to 2.75% based on the 2017 CalPERS experience study.

\* The IRS \$415 limit calculations were refined to reflect annual dollar limit updates and plan operations.

**CUCAMONGA VALLEY WATER DISTRICT**

*Excess Benefit Pension Plan*

*Schedule of Plan Contributions*

As of June 30, for the Last Ten Fiscal Years (1)

**2014-2017**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actuarially Determined Contribution	\$ 24,360	\$ 24,360	\$ 25,205	\$ 25,709
Contribution in Relation to the Actuarially Determined Contribution	(24,360)	(24,360)	(25,205)	(25,709)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Covered Payroll	 8,257,925	 8,237,008	 8,060,799	 7,785,307
Contributions as a Percentage of Covered Payroll	0.29%	0.30%	0.31%	0.33%

**2018-2021**

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Actuarially Determined Contribution	\$ 37,013	\$ 52,435	\$ 62,201	\$ 68,858
Contribution in Relation to the Actuarially Determined Contribution	(37,013)	(52,435)	(62,201)	(68,858)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Covered Payroll	 7,606,373	 6,781,265	 7,078,754	 7,214,300
Contributions as a Percentage of Covered Payroll	0.49%	0.77%	0.88%	0.95%

**Note to Schedule:**

Valuation Date: June 30, 2019

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	12 years
Assets valuation method	5-year
Inflation	2.50%
Salary Increases	Varies by entry age and service
Investment rate of return	N/A

Retirement age: The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2011.

Mortality: Based on assumptions for Public Agency Miscellaneous members published in the December 2017 Experience Study. These tables include 15 years of static mortality improvement using 90% of scale MP-2016.

- Healthy: Non-Industrial rates
- Disabled: Non-Industrial rates

# CUCAMONGA VALLEY WATER DISTRICT

## Other Postemployment Benefits

### Schedule of Changes in Net OPEB Liability and Related Ratios

As of June 30, for the Last Ten Fiscal Years (1)

MEASUREMENT PERIOD	2017	2018	2019	2020
<b>TOTAL OPEB LIABILITY</b>				
Service Cost	\$ 432,544	\$ 452,441	\$ 447,776	\$ 456,216
Interest	1,384,413	1,469,710	1,477,009	1,457,921
Changes in Assumptions	-	(1,052,868)	176,487	-
Difference Between expected and Actual Experience	-	-	857,268	945
Benefit Payments	(566,374)	(764,013)	(764,690)	(887,328)
<b>Net Change in Total OPEB Liability</b>	<b>\$ 1,250,583</b>	<b>\$ 105,270</b>	<b>\$ 2,193,850</b>	<b>\$ 1,027,754</b>
Total OPEB Liability - Beginning	18,867,302	20,117,885	20,223,155	22,417,005
<b>Total OPEB Liability - Ending (a)</b>	<b>\$ 20,117,885</b>	<b>\$ 20,223,155</b>	<b>\$ 22,417,005</b>	<b>\$ 23,444,759</b>
<b>PLAN FIDUCIARY NET POSITION</b>				
Contribution - Employer	\$ 984,000	\$ 1,311,239	\$ 1,520,000	\$ 1,457,643
Contribution - Employee	596,123	-	-	-
Net Investment Income	-	516,128	517,427	319,294
Other Additions	-	4,435	-	-
Other Deductions	-	(8,226)	-	-
Benefit Payments	(566,374)	(764,013)	(764,690)	(887,328)
Administrative Expense	(2,883)	(3,524)	(1,697)	(4,438)
<b>Net Change in Fiduciary Net Position</b>	<b>\$ 1,010,866</b>	<b>\$ 1,056,039</b>	<b>\$ 1,271,040</b>	<b>\$ 885,171</b>
Plan Fiduciary Net Position - Beginning	5,203,156	6,214,022	7,270,061	8,541,101
Plan Fiduciary Net Position - Ending (b)	\$ 6,214,022	\$ 7,270,061	\$ 8,541,101	\$ 9,426,272
<b>Plan Net OPEB Liability/(Assets) - Ending (a) - (b)</b>	<b>\$ 13,903,863</b>	<b>\$ 12,953,094</b>	<b>\$ 13,875,904</b>	<b>\$ 14,018,487</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</b>	<b>30.89%</b>	<b>35.95%</b>	<b>38.10%</b>	<b>40.21%</b>
<b>Covered Employee Payroll<sup>(2)</sup></b>	<b>\$ 7,785,307</b>	<b>\$ 7,753,113</b>	<b>\$ 7,431,860</b>	<b>\$ 7,907,675</b>
<b>Plan Net OPEB Liability/(Asset) as a Percentage of Covered Employee Payroll</b>	<b>178.59%</b>	<b>167.07%</b>	<b>186.71%</b>	<b>177.28%</b>

(1) Historical information is required only for measurement for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

(2) Covered Employee Payroll represents the payroll of employees that are provided with OPEB through the OPEB plan since the contributions to the OPEB plan are not based on a measure of pay.

#### Notes to Schedule:

Changes of Assumptions: The discount rate and long-term expected rate of return on OPEB plan investments was changed from 7.28% to 6.50% based on updated capital market assumptions.

# CUCAMONGA VALLEY WATER DISTRICT

## Other Postemployment Benefits

### Schedule of Plan Contributions

As of June 30, for the Last Ten Fiscal Years (1)

	2018	2019	2020	2021
Actuarially Determined Contribution	\$ 1,311,239	\$ 1,520,000	\$ 1,440,000	\$ 2,201,838
Contribution in Relation to the Actuarially Determined Contribution	(1,311,239)	(1,520,000)	(1,440,000)	(2,201,838)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	7,753,113	7,431,860	7,907,675	7,527,264
Contributions as a Percentage of Covered Employee Payroll	16.91%	20.45%	18.21%	29.25%

(1) Historical information is required only for measurement for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

#### Note to Schedule:

Actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2020 were from the June 30, 2019 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	Level percent of payroll over a fixed closed 21-year period
Asset Valuation Method	Market value
Inflation	2.50%
Payroll Growth	2.75%
Investment Rate of Return	6.50%, assuming actuarially determined contributions funded into CERBT Investment Strategy 1
Healthcare cost-trend rates	Annual increases in per capita claims costs and plan premiums are as follows:

Medical Coverage	
Fiscal Year Ending	Not Medicare Eligible
2020	6.4%
2021	6.2%
2022	5.9%
2023	5.5%
2024-2051	5.2%
2052-2075	Transition to ultimate rate
2076+	4.0%

- Medicare Part B premiums are assumed to increase 5.0% annually through fiscal year ending 2055 and 4.0% annually thereafter.

- Dental and vision premiums are assumed to increase 3.75% and 2.75% annually, respectively.

Retirement Age Tier 1 employees - 2.5% @55, Tier 2 employees - 2.5% @60 and Tier 3 employees - 2.0% @62. The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.

Mortality Based on assumptions for Public Agency Miscellaneous members published in the December 2017 Experience Study. These tables include 15 years of static mortality improvement using 90% of scale MP-2016.  
 - Healthy: Non-Industrial rates  
 - Disabled: Non-Industrial rates

# **Statistical Section**

# CUCAMONGA VALLEY WATER DISTRICT

## Statistical Section

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This part of the District’s annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District’s overall financial health.

### Table of Contents

	<b><u>Page No.</u></b>
Financial Trends	64-65
These schedules contain information to help the reader understand how the District’s financial performance and well-being have changed over time.	
Revenue Capacity	66-71
These schedules contain information to help the reader assess the District’s most significant own-source revenue, water sales.	
Debt Capacity	72-73
These schedules present information to help the reader assess the affordability of the District’s current levels of outstanding debt and the District’s ability to issue additional debt in the future.	
Demographic Information	74-75
These schedules offer demographic indicators to help the reader understand the environment within which the District’s financial activities take place.	
Other Operating Information	76-77
These schedules contains service and infrastructure data to help the reader understand how the information in the District’s financial report relates to the service provided by the District.	

# CUCAMONGA VALLEY WATER DISTRICT

## Changes in Net Position and Net Position by Component Last Ten Fiscal Years

Schedule 1

	2012	2013	2014	2015	2016
<b>Changes in net position:</b>					
Operating revenues (see Schedule 2)	\$ 74,705,240	\$ 77,575,410	\$ 83,426,225	\$ 77,904,102	\$ 81,198,764
Operating expenses (see Schedule 3)	<u>(61,486,795)</u>	<u>(62,940,607)</u>	<u>(67,892,079)</u>	<u>(67,584,114)</u>	<u>(64,439,623)</u>
Operating income(loss)	<u>13,218,445</u>	<u>14,634,803</u>	<u>15,534,146</u>	<u>10,319,988</u>	<u>16,759,141</u>
Non-operating revenues(expenses)					
Investment income	743,118	208,488	929,941	755,174	1,569,781
Taxes and assessments	11	10	12	35	35
Rent and lease revenue	243,668	278,934	375,700	405,027	437,184
Interest expense	(7,502,696)	(8,493,530)	(7,321,681)	(6,814,957)	(6,052,435)
Amortization of deferred charge on refunding	82,749	(8,643)	303,225	(150,560)	(225,345)
Gain (loss) on disposal of assets	21,935	31,565	(16,526)	84,155	(6,153)
Other nonoperating revenues	2,054,305	900,483	1,634,133	6,124,244	1,498,448
Other nonoperating expenses	<u>(945,085)</u>	<u>(979,443)</u>	<u>(1,460,637)</u>	<u>(984,585)</u>	<u>(1,405,307)</u>
Total non-operating revenues(expenses), net	<u>(5,301,995)</u>	<u>(8,062,136)</u>	<u>(5,555,833)</u>	<u>(581,467)</u>	<u>(4,183,792)</u>
Net income before capital contributions	7,916,450	6,572,667	9,978,313	9,738,521	12,575,349
Capital contributions	1,404,950	3,164,707	5,352,641	2,627,376	3,009,934
Special items	-	-	-	-	-
<b>Changes in net position</b>	<u>\$ 9,321,400</u>	<u>\$ 9,737,374</u>	<u>\$ 15,330,954</u>	<u>\$ 12,365,897</u>	<u>\$ 15,585,283</u>
<b>Net position by component:</b>					
Net investment in capital assets	\$ 215,183,046	\$ 248,304,834	\$ 212,123,526	\$ 219,737,010	\$ 230,275,675
Restricted for capital projects	3,164,707	4,569,657	8,528,546	10,483,922	8,923,356
Unrestricted	<u>66,185,714</u>	<u>41,328,761</u>	<u>88,882,134</u>	<u>71,283,528</u>	<u>70,845,073</u>
<b>Total net position</b>	<u>\$ 284,533,467</u>	<u>\$ 294,203,252</u> <sup>(1)</sup>	<u>\$ 309,534,206</u> <sup>(2)</sup>	<u>\$ 301,504,460</u>	<u>\$ 310,044,104</u> <sup>(3)</sup>

(Continued on next page)

# CUCAMONGA VALLEY WATER DISTRICT

## Changes in Net Position and Net Position by Component Last Ten Fiscal Years

Schedule 1

	Fiscal Year				
	2017	2018	2019	2020	2021
<b>Changes in net position:</b>					
Operating revenues (see Schedule 2)	\$ 84,522,917	\$ 92,921,423	\$ 93,844,175	\$103,431,561	\$106,424,224
Operating expenses (see Schedule 3)	<u>(74,472,769)</u>	<u>(86,904,795)</u>	<u>(86,527,748)</u>	<u>(93,473,452)</u>	<u>(90,905,761)</u>
Operating income(loss)	<u>10,050,148</u>	<u>6,016,628</u>	<u>7,316,427</u>	<u>9,958,109</u>	<u>15,518,463</u>
Non-operating revenues(expenses)					
Investment income	226,841	522,782	3,348,754	3,573,731	219,154
Taxes and assessments	13	12	-	-	-
Rent and lease revenue	450,838	460,533	478,310	492,454	512,890
Interest expense	(7,441,446)	(7,379,979)	(6,445,695)	(6,138,065)	(5,455,126)
Amortization of deferred charge on refunding	(309,984)	(316,069)	(406,564)	(406,564)	(339,851)
Gain (loss) on disposal of assets	(169,966)	-	(57,166)	-	(300,363)
Other nonoperating revenues	1,636,786	1,228,196	3,128,989	757,886	653,102
Other nonoperating expenses	<u>(1,475,858)</u>	<u>(2,178,033)</u>	<u>(2,058,894)</u>	<u>(462,047)</u>	<u>(532,397)</u>
Total non-operating revenues(expenses), net	<u>(7,082,776)</u>	<u>(7,662,558)</u>	<u>(2,012,266)</u>	<u>(2,182,605)</u>	<u>(5,242,591)</u>
Net income before capital contributions	2,967,372	(1,645,930)	5,304,161	7,775,504	10,275,872
Capital contributions	3,134,828	3,655,449	5,077,406	1,399,852	3,186,105
Special items	-	-	(2,610,504)	-	-
<b>Changes in net position</b>	<u>\$ 6,102,200</u>	<u>\$ 2,009,519</u>	<u>\$ 7,771,063</u>	<u>\$ 9,175,356</u>	<u>\$ 13,461,977</u>
<b>Net position by component:</b>					
Net investment in capital assets	\$230,199,134	\$242,567,203	\$251,202,768	\$251,398,320	\$251,414,505
Restricted for capital projects	6,090,965	9,746,415	12,212,066	12,211,918	13,793,095
Unrestricted	<u>79,856,205</u>	<u>55,985,193</u>	<u>52,655,040</u>	<u>61,634,992</u>	<u>73,499,607</u>
<b>Total net position</b>	<u>\$316,146,304</u>	<u>\$308,298,811</u> <sup>(4)</sup>	<u>\$316,069,874</u> <sup>(4)</sup>	<u>\$325,245,230</u>	<u>\$338,707,207</u>

### Notes:

- (1) The District made a net prior period adjustment of (\$67,589).
- (2) The District made a net prior period adjustment of (\$20,395,643).
- (3) The District made a prior period adjustment of (\$7,045,639).
- (4) The District made a prior period adjustment of (\$9,857,012).

SOURCE: Cucamonga Valley Water District – Accounting Division

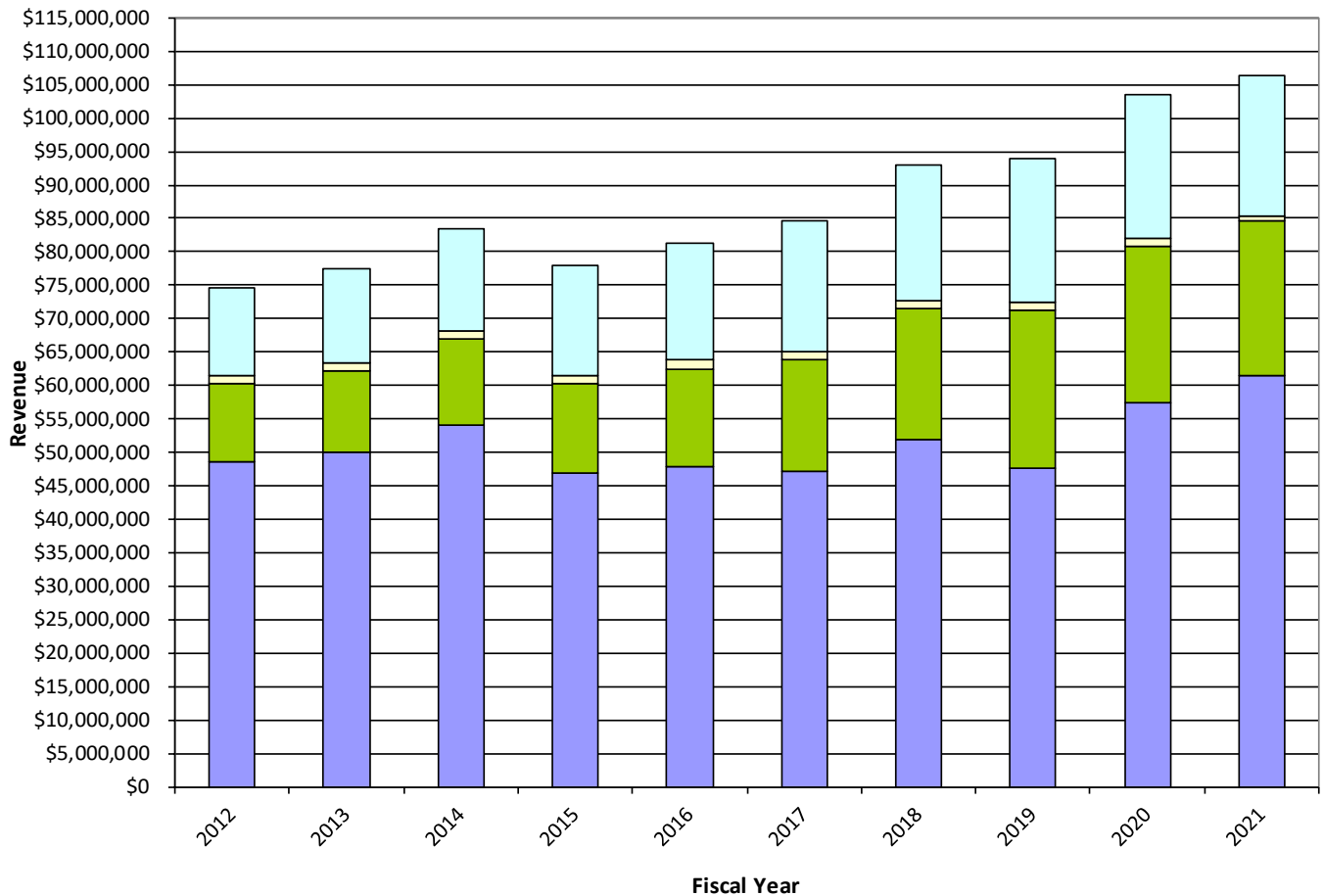
# CUCAMONGA VALLEY WATER DISTRICT

## Operating Revenue by Source

Last Ten Fiscal Years

Schedule 2

Fiscal Year	Water Sales	Meter Charges	Water Services	Sewer Services	Total Operating Revenue
2012	\$ 48,675,139	\$ 11,532,573	\$ 1,291,048	\$ 13,206,480	\$ 74,705,240
2013	49,983,058	12,122,798	1,229,893	14,239,661	77,575,410
2014	54,134,874	12,814,590	1,248,185	15,228,576	83,426,225
2015	46,811,236	13,442,140	1,243,752	16,406,974	77,904,102
2016	47,914,302	14,595,971	1,266,664	17,421,827	81,198,764
2017	47,067,431	16,780,336	1,224,963	19,450,187	84,522,917
2018	51,977,882	19,558,598	1,253,034	20,131,909	92,921,423
2019	47,740,155	23,458,777	1,212,098	21,433,145	93,844,175
2020	57,520,807	23,299,147	1,078,989	21,532,618	103,431,561
2021	61,464,121	23,159,509	716,184	21,084,410	106,424,224



SOURCE: Cucamonga Valley Water District – Accounting Division

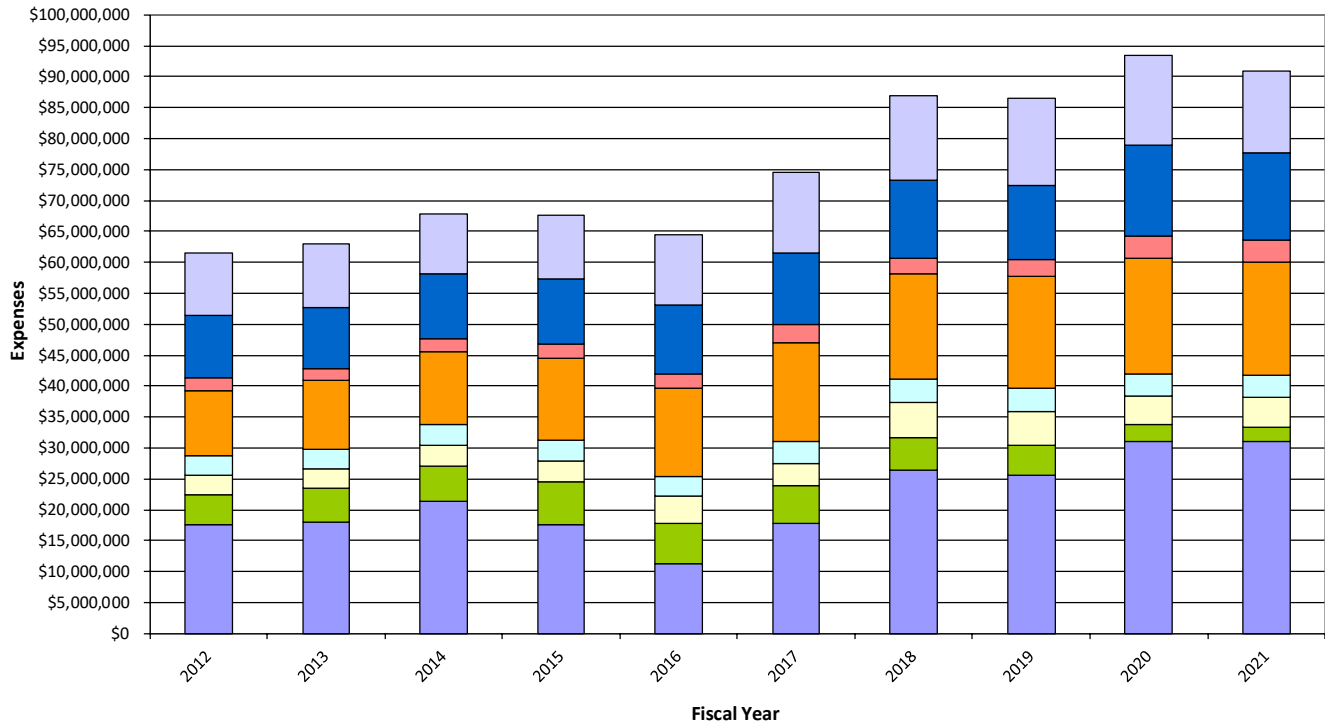
# CUCAMONGA VALLEY WATER DISTRICT

## Operating Expenses by Activity

Last Ten Fiscal Years

Schedule 3

Fiscal Year	Source of Supply	Pumping Operations	Water Treatment	Transmission and Distribution	Collection and Transmission	Customer Accounts	General and Administrative	Depreciation and Amortization	Total Operating Expenses
2012	\$ 17,506,123	\$ 4,908,418	\$ 3,161,739	\$ 3,134,960	\$ 10,547,211	\$ 2,134,887	\$ 10,030,142	\$ 10,063,315	\$ 61,486,795
2013	18,006,105	5,491,422	3,134,158	3,104,700	11,116,847	2,044,545	9,840,029	10,202,801	62,940,607
2014	21,286,846	5,707,682	3,431,498	3,436,889	11,622,712	2,115,655	10,479,755	9,811,042	67,892,079
2015	17,671,304	6,932,863	3,269,903	3,399,409	13,326,807	2,172,880	10,473,636	10,337,312	67,584,114
2016	11,286,663	6,485,127	4,380,765	3,284,484	14,240,864	2,266,296	11,134,118	11,361,306	64,439,623
2017	17,807,730	6,120,261	3,597,740	3,575,857	16,021,489	2,751,655	11,578,873	13,019,164	74,472,769
2018	26,482,669	5,188,325	5,756,539	3,729,021	17,039,642	2,540,184	12,497,711	13,670,704	86,904,795
2019	25,525,383	4,887,732	5,463,597	3,876,239	17,922,796	2,787,920	11,882,432	14,181,649	86,527,748
2020	31,007,851	2,859,490	4,477,073	3,614,004	18,790,682	3,523,499	14,731,324	14,469,529	93,473,452
2021	31,141,728	2,315,271	4,799,390	3,545,040	18,268,853	3,647,716	13,879,534	13,308,229	90,905,761



SOURCE: Cucamonga Valley Water District – Accounting Division

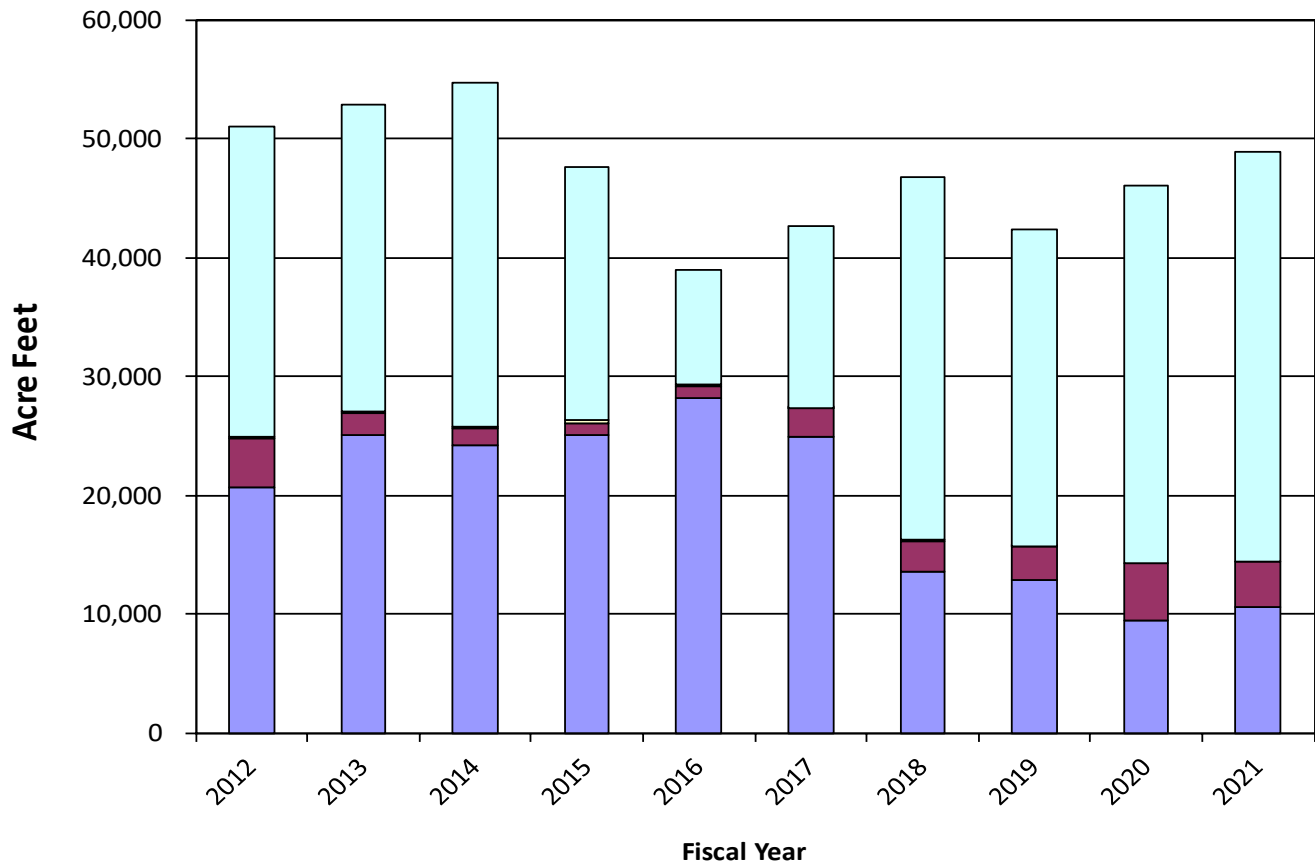
# CUCAMONGA VALLEY WATER DISTRICT

## Water Production in Acre Feet

Last Ten Fiscal Years

Schedule 4

Fiscal Year	Source				Total Production
	Groundwater	Local Surface Water	Spring Water	Imported Water	
2012	20,723	4,070	159	26,144	51,096
2013	25,015	1,921	146	25,846	52,928
2014	24,230	1,388	216	28,825	54,659
2015	25,055	1,076	216	21,306	47,653
2016	28,151	990	156	9,682	38,979
2017	24,928	2,448	8	15,288	42,672
2018	13,527	2,662	30	30,559	46,778
2019	12,883	2,847	22	26,691	42,443
2020	9,537	4,744	-	31,738	46,019
2021	10,638	3,797	-	34,425	48,860



SOURCE: Cucamonga Valley Water District – Production Division

# CUCAMONGA VALLEY WATER DISTRICT

## Water Rate History Last Ten Fiscal Years

Schedule 5

Fiscal Year	Water Rate per HCF <sup>(1)</sup>						
	Tiered Water Rates				Non-Residential	Gov't Irrigation	Temp/Constr.
	Tier 1	Tier 2	Tier 3	Tier 4			
2012	1.43	1.66	1.92	2.17	N/A	N/A	3.42
2013	1.46	1.72	2.05	2.35	N/A	N/A	3.60
2014	1.49	1.78	2.19	2.54	N/A	N/A	3.78
2015	1.52	1.84	2.34	2.75	N/A	N/A	3.98
2016 <sup>(2)</sup>	2.34	2.55	3.09	5.68	N/A	N/A	5.34
2017	1.60	2.13	2.66	3.03	N/A	N/A	4.63
2018	1.61	2.14	2.68	3.05	N/A	N/A	4.65
2019	1.62	2.16	2.71	3.07	N/A	N/A	4.70
2020	1.62	2.16	2.71	3.07	N/A	N/A	4.70
2021	1.62	2.16	2.71	3.07	N/A	N/A	4.70

	Tier Allocation in HCF by Meter Size <sup>(3)</sup>							
	3/4 inch	1 inch	1 1/2 inch	2 inch	3 inch	4 inch	6 inch	8 inch
Tier 1	0-5	0-9	0-17	0-27	0-50	0-84	0-167	0-267
Tier 2	6-20	10-34	18-67	28-107	51-200	85-334	168-667	268-1,067
Tier 3	21-50	35-84	68-167	108-267	201-500	335-834	668-1,667	1,068-2,667
Tier 4	> 50	> 84	> 167	> 267	> 500	> 834	> 1,667	> 2,667

Fiscal Year	Billing Period	Meter Charge Rates							
		3/4 inch	1 inch	1 1/2 inch	2 inch	3 inch	4 inch	6 inch	8 inch
2012	Bi-monthly	24.51	40.93	81.62	130.63	245.09	408.57	816.89	1,307.07
2013	Bi-monthly	25.73	42.98	85.70	137.17	257.35	429.00	857.73	1,372.42
2014	Bi-monthly	27.02	45.13	89.98	144.02	270.21	450.44	900.62	1,441.05
2015	Bi-monthly	28.37	47.38	94.48	151.22	283.72	472.97	945.65	1,513.10
2016	Bi-monthly	30.35	50.58	101.16	161.86	303.48	505.80	1,011.60	1,618.57
2017	Bi-monthly	35.64	59.39	118.79	190.06	356.36	593.93	1,187.87	1,900.59
2018	Bi-monthly	41.75	69.58	139.16	222.65	417.47	695.79	1,391.57	2,226.51
2019	Bi-monthly	50.00	83.33	166.67	266.67	500.00	833.33	1,666.67	2,666.67
2020	Monthly	25.00	41.66	83.33	133.33	250.00	416.66	833.33	1,333.33
2021	Monthly	25.00	41.66	83.33	133.33	250.00	416.66	833.33	1,333.33

**Notes:**

(1) HCF = 100 Cubic Feet = 748 gallons

(2) In fiscal year 2016, the District enacted Drought Stage 6 which increased tiered rates in accordance with the rate series approved in June 2015. This action was taken in order to the California state-wide water conservation mandate issued by the Governor. The District returned to Drought Stage 1 rates in fiscal year 2017.

**SOURCE:** Cucamonga Valley Water District – Accounting Division

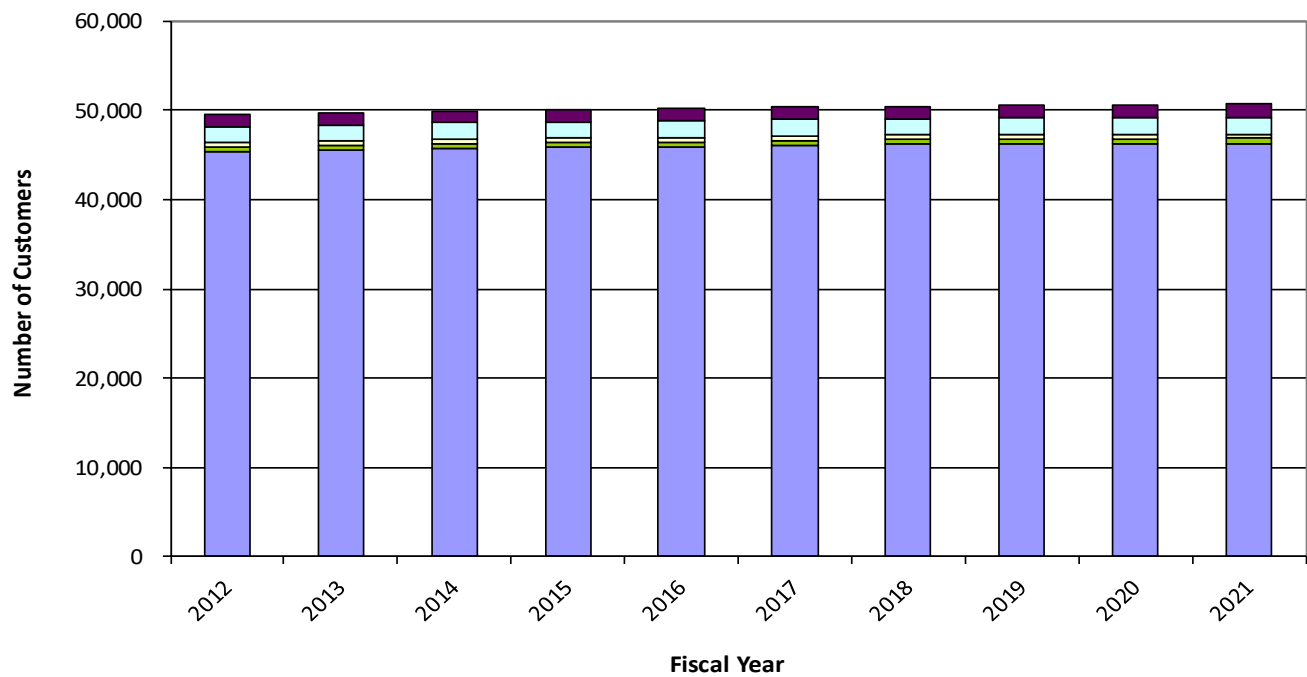
# CUCAMONGA VALLEY WATER DISTRICT

## Water Service Accounts

Last Ten Fiscal Years

Schedule 6

Fiscal Year	Customer Type					Total
	Domestic	Industrial	Government Irrigation	Landscape/ Parkway	Fire Lines	
2012	45,325	536	512	1,790	1,325	49,488
2013	45,557	536	511	1,807	1,333	49,744
2014	45,747	537	505	1,828	1,340	49,957
2015	45,876	538	507	1,808	1,354	50,083
2016	45,941	538	507	1,821	1,359	50,166
2017	46,117	537	507	1,830	1,369	50,360
2018	46,205	537	507	1,843	1,387	50,479
2019	46,257	537	506	1,858	1,410	50,568
2020	46,304	537	506	1,874	1,425	50,646
2021	46,339	537	506	1,882	1,439	50,703



**Note:** Number of customers as of June 30 of fiscal year.

**SOURCE:** Cucamonga Valley Water District – Accounting Division

# CUCAMONGA VALLEY WATER DISTRICT

## Principal Water Customers

Current Fiscal Year and Nine Years Ago

Schedule 7

Customer	2021			2011		
	Annual Usage (HCF)	Percentage of Total	Rank	Annual Usage (HCF)	Percentage of Total	Rank
City of Rancho Cucamonga	963,711	4.75%	1	811,970	3.97%	1
City of Fontana	287,375	1.42%	2	447,634	2.19%	2
Frito Lay	239,678	1.18%	3	125,287	0.61%	7
County of San Bernardino	200,192	0.99%	4	234,869	1.15%	4
Etiwanda School District	160,873	0.79%	5	203,782	1.00%	5
Mizkan American Inc	141,359	0.70%	6	N/A	N/A	N/A
Homecoming I at Terra Vista LLC	106,671	0.53%	7	N/A	N/A	N/A
Mission Foods Corporation	104,216	0.51%	8	N/A	N/A	N/A
Warren Companies	100,622	0.50%	9	N/A	N/A	N/A
Nong Shim America Inc	97,332	0.48%	10	N/A	N/A	N/A
Lewis Operating Corporation	N/A	N/A	N/A	436,303	2.13%	3
Caltrans	N/A	N/A	N/A	198,326	0.97%	6
Chaffey College	N/A	N/A	N/A	120,383	0.59%	8
Chaffey Union High School District	N/A	N/A	N/A	119,968	0.59%	9
Alta Loma School District	N/A	N/A	N/A	98,891	0.48%	10
<b>Total</b>	<b>2,402,029</b>	<b>11.85%</b>		<b>2,797,413</b>	<b>13.68%</b>	
<b>Total Water Consumed (HCF)</b>	<b>20,279,824</b>	<b>100.00%</b>		<b>20,453,266</b>	<b>100.00%</b>	

HCF = 100 cubic feet

SOURCE: Cucamonga Valley Water District – Accounting Division

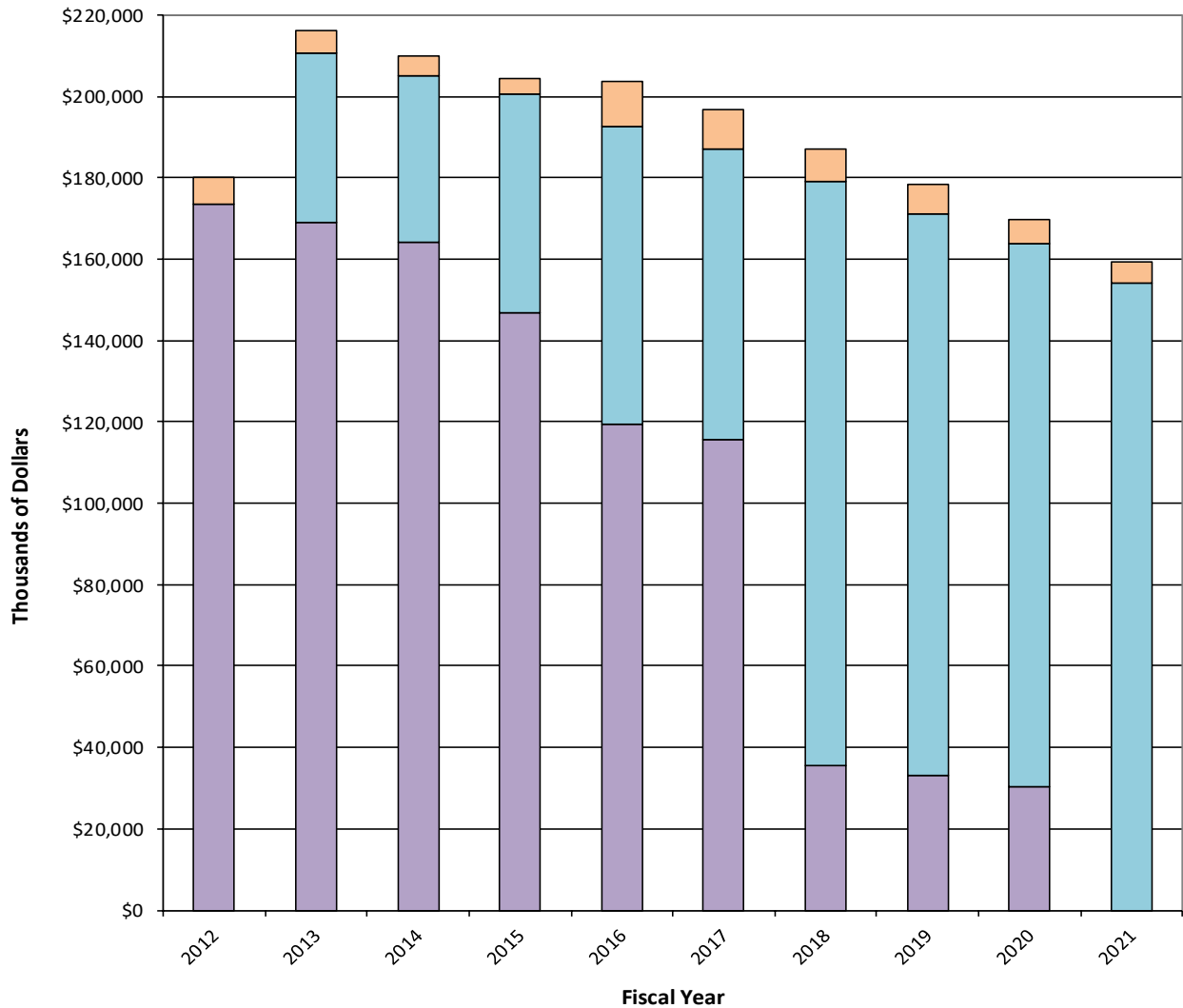
# CUCAMONGA VALLEY WATER DISTRICT

## Ratio of Outstanding Debt

Last Ten Fiscal Years

Schedule 8

Fiscal Year	Certificates of Participation (In Thousands)	Revenue Bonds (In Thousands)	Capital Lease and Loan (In Thousands)	Total		
				Debt (In Thousands)	\$ Per Capita	As a Share of Personal Income
2012	\$ 173,498	\$ -	\$ 6,425	\$ 179,923	\$ 1,059.25	3.28%
2013	168,860	41,615	5,535	216,010	1,265.15	3.83%
2014	164,184	40,797	4,756	209,737	1,221.52	3.53%
2015	146,875	53,506	3,976	204,357	1,179.65	3.23%
2016	119,533	73,203	11,018	203,754	1,169.90	3.08%
2017	115,620	71,531	9,471	196,622	1,129.41	2.90%
2018	35,595	143,505	7,986	187,086	1,070.94	2.65%
2019	33,075	138,127	7,018	178,220	1,018.56	2.41%
2020	30,444	133,279	6,027	169,750	969.71	N/A
2021	-	154,246	5,014	159,260	909.38	N/A



N/A - Data not available for time period

**NOTE:** Amounts in thousands of dollars, except for per capita amounts and percentages.

**SOURCE:** Cucamonga Valley Water District – Accounting Division

# CUCAMONGA VALLEY WATER DISTRICT

## Debt Coverage

Last Ten Fiscal Years

Schedule 9

Fiscal Year	Gross Revenues <sup>(1)</sup>	Operating Expenses <sup>(2)</sup>	Net Available Revenues	Debt Service			Coverage Ratio
				Principal	Interest	Total	
2012	\$ 65,386,200	\$ 39,431,891	\$ 25,954,309	\$ 3,964,286	\$ 8,182,797	\$ 12,147,083	2.14
2013	67,141,954	40,232,688	26,909,266	4,159,286	8,256,101	12,415,387	2.17
2014	74,855,711	44,836,095	30,019,616	4,954,286	9,211,847	14,166,133	2.12
2015	70,788,304	42,148,489	28,639,815	5,104,286	9,106,864	14,211,150	2.02
2016	69,430,664	36,809,953	32,620,711	5,204,286	8,345,317	13,549,603	2.41
2017	68,905,223	42,633,687	26,271,536	4,904,286	8,279,270	13,183,556	1.99
2018	76,782,827	53,144,908	23,637,919	5,509,286	8,040,315	13,549,601	1.74
2019	79,088,317	51,544,252	27,544,065	7,444,286	6,083,156	13,527,442	2.04
2020	84,602,295	56,171,782	28,430,513	7,024,286	6,505,646	13,529,932	2.10
2021	87,931,434	55,386,719	32,544,715	7,347,857	6,234,706	13,582,563	2.40

**Notes:**

(1) Gross revenues includes operating revenue, interest income, other nonoperating revenue (excluding taxes and assessments) and connection fees from the Water Utility Funds.

(2) Operating expenses less depreciation and amortization for the Water Utility Funds.

**SOURCE:** Cucamonga Valley Water District – Accounting Division

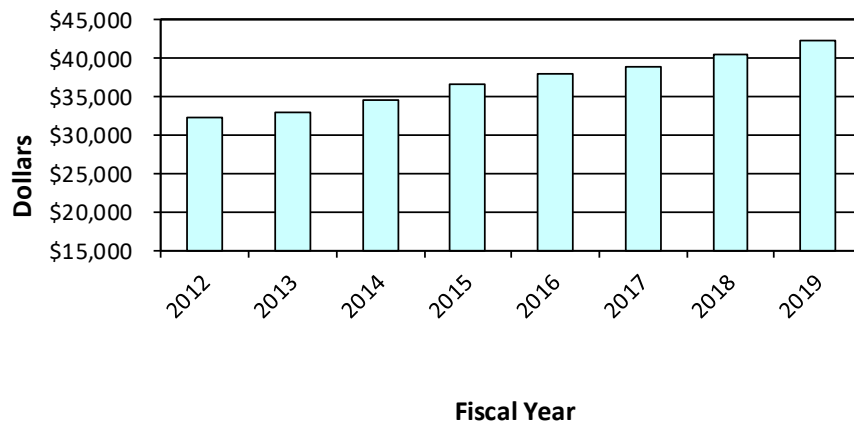
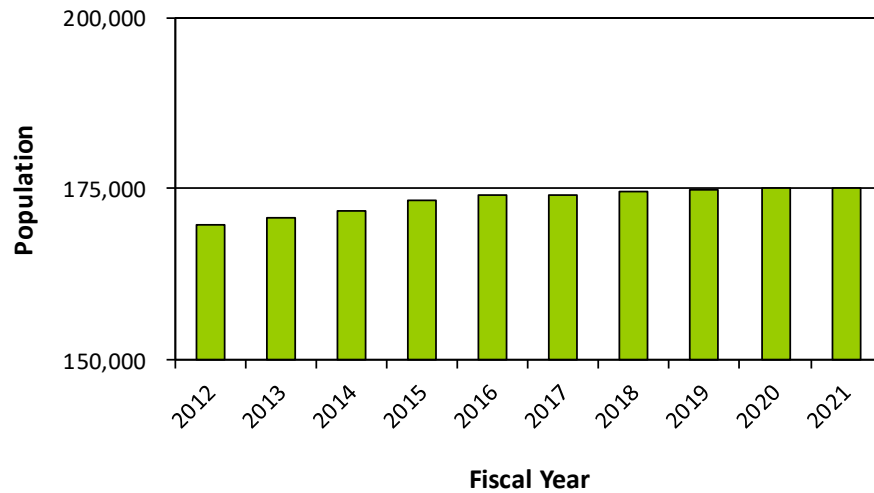
**CUCAMONGA VALLEY WATER DISTRICT**

*Demographic and Economic Statistics*

Last Ten Fiscal Years

Schedule 10

Year	Unemployment Rate	Population - Rancho Cucamonga	Riverside-San Bernardino-Ontario MSA	
			Personal Income (thousands of dollars)	Personal Income per Capita
2012	9.2%	169,859	139,872	32,268
2013	7.8%	170,739	144,258	33,015
2014	6.2%	171,701	152,895	34,628
2015	5.0%	173,235	163,116	36,563
2016	4.9%	174,164	171,115	37,924
2017	4.0%	174,093	177,944	38,972
2018	3.4%	174,694	186,262	40,382
2019	3.1%	174,972	196,453	42,242
2020	12.2%	175,052	N/A	N/A
2021	6.0%	175,131	N/A	N/A



N/A - Data not available for time period

**SOURCES:** California State Department of Finance, United States Bureau of Economic Analysis and the United States Department of Labor

**CUCAMONGA VALLEY WATER DISTRICT**

*Principal Employers*

Current Fiscal Year and Nine Years Ago

Schedule 11

<u>Employer</u>	<u>2020</u>			<u>2011</u>		
	<u>Number of Employees</u>	<u>Percentage of Total</u>	<u>Rank</u>	<u>Number of Employees</u>	<u>Percentage of Total</u>	<u>Rank</u>
Inland Empire Health Plan	2,000	2.40%	1	N/A	N/A	N/A
Chaffey Community College	1,250	1.50%	2	1,300	1.85%	2
Etiwanda School District	1,075	1.29%	3	1,312	1.86%	1
Amphastar Pharmaceutical	890	1.07%	4	999	1.42%	3
City of Rancho Cucamonga	775	0.93%	5	880	1.25%	4
Alta Loma School District	655	0.79%	6	783	1.11%	5
Mercury Insurance Company	600	0.72%	7	509	0.72%	10
Central School District	545	0.65%	8	680	0.97%	7
West Valley Detention Center	520	0.62%	9	668	0.95%	8
Walmart	435	0.52%	10	N/A	N/A	N/A
Macy's	380	0.46%	N/A	750	1.07%	6
Western Liquidators/Big Lots	N/A	N/A	N/A	521	0.74%	9

**NOTE:** Data is from June 2020 (latest available data).

**SOURCE:** City of Rancho Cucamonga

# CUCAMONGA VALLEY WATER DISTRICT

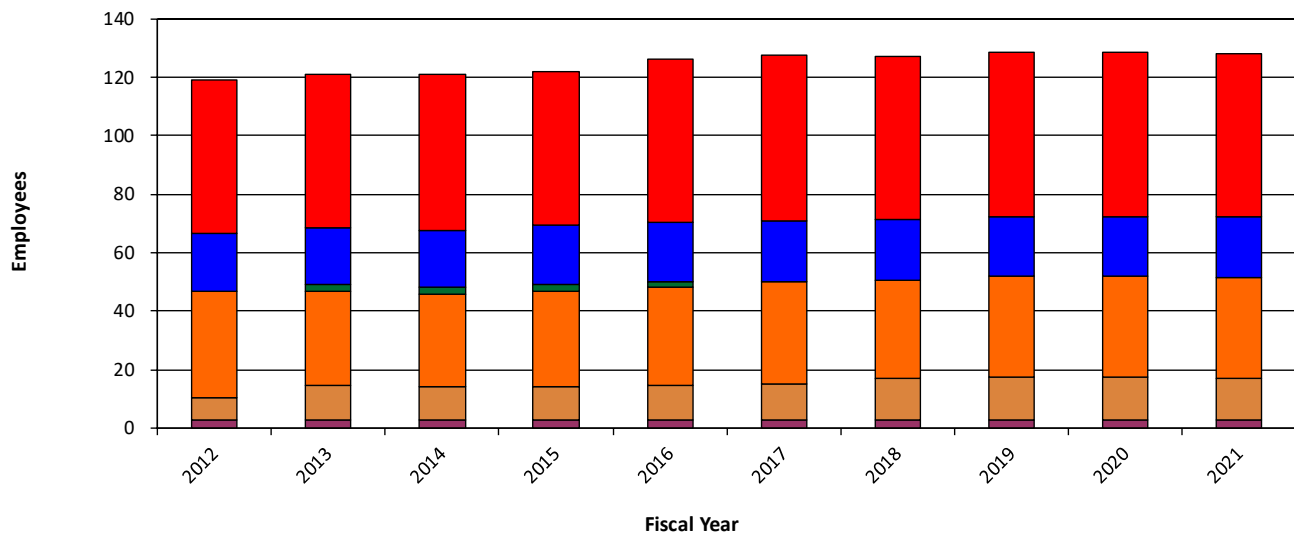
## Personnel Trends

Current Fiscal Year and Nine Years Ago

Schedule 12

### Full Time Equivalent Employees by Division

Fiscal Year	Division						Total
	Executive	Administrative Services	Finance & Technology Services	General Services	Engineering	Operations	
2012	3.00	7.50	36.50	-	19.50	52.50	119.00
2013	3.00	11.50	32.50	2.00	19.50	52.50	121.00
2014	3.00	11.00	32.00	2.00	19.50	53.50	121.00
2015	3.00	11.00	33.00	2.00	20.50	52.50	122.00
2016	3.00	11.50	33.50	2.00	20.50	55.50	126.00
2017	3.00	12.00	35.00	-	21.00	56.50	127.50
2018	3.00	14.00	33.50	-	21.00	55.50	127.00
2019	3.00	14.50	34.50	-	20.50	56.00	128.50
2020	3.00	14.50	34.50	-	20.50	56.00	128.50
2021	3.00	14.00	34.75	-	20.50	56.00	128.25



SOURCE: Cucamonga Valley Water District – Human Resources Department

**CUCAMONGA VALLEY WATER DISTRICT***Other Operating and Capacity Indicators*

Last Ten Fiscal Years

Schedule 13

<b>Water System</b>				
<b>Fiscal Year</b>	<b>Miles of Water Mains</b>	<b>Number of Fire Hydrants</b>	<b>Annual Production (MG)</b>	<b>Average Production (MGD)</b>
2012	710	8,245	16,650	45.6
2013	710	8,315	17,245	47.2
2014	711	8,371	18,010	49.3
2015	711	8,323	16,006	43.9
2016	707	8,354	13,080	35.8
2017	707	8,374	14,232	39.0
2018	707	8,388	15,665	42.9
2019	708	8,413	14,155	38.8
2020	708	8,427	15,336	42.0
2021	709	8,441	16,314	44.7

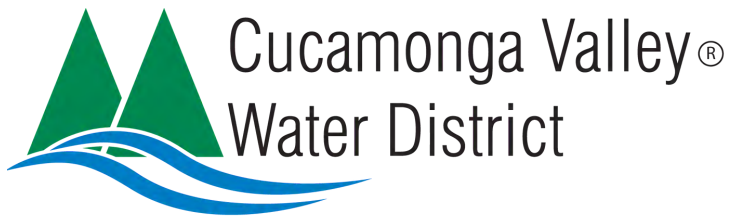
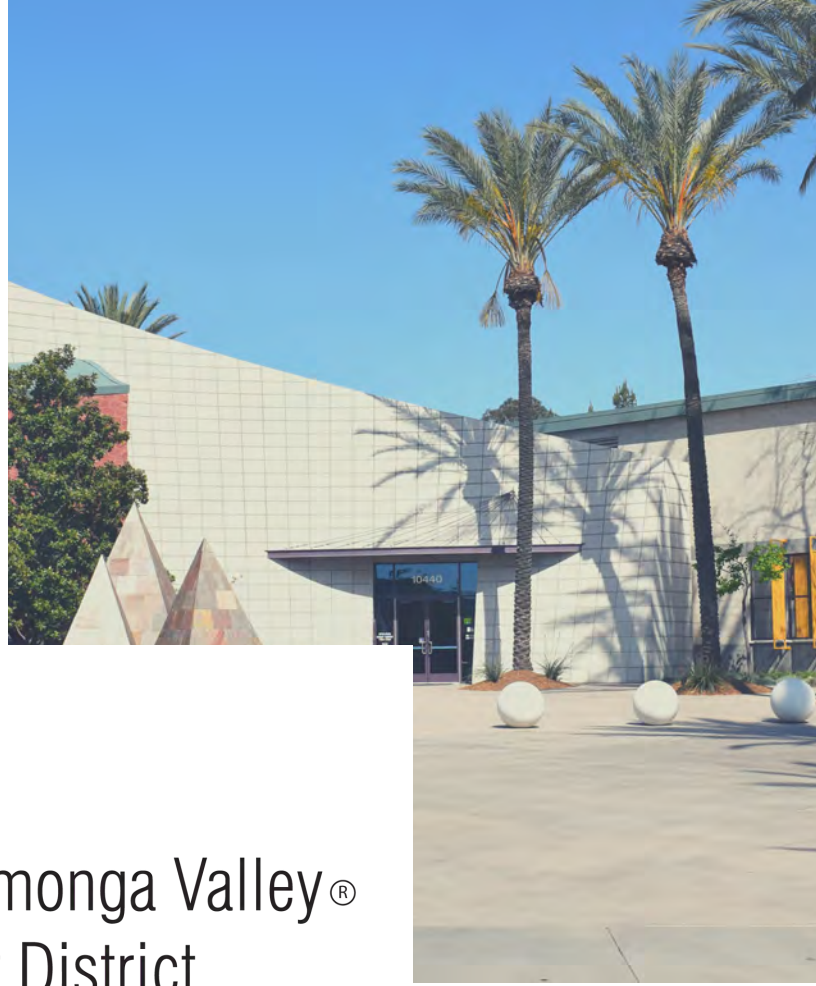
<b>Sewer System</b>				
<b>Fiscal Year</b>	<b>Miles of Sewers</b>	<b>Service Connections</b>	<b>Annual Sewerage (MG)</b>	<b>Daily Sewerage (MGD)</b>
2012	420	36,448	5,990	16.4
2013	420	36,688	6,265	17.2
2014	421	36,884	6,645	18.2
2015	421	37,012	7,140	19.6
2016	421	37,061	6,799	18.6
2017	419	37,231	6,847	18.8
2018	419	37,338	6,729	18.4
2019	420	37,379	6,682	18.3
2020	420	37,461	6,342	17.4
2021	420	37,488	6,606	18.1

AF - Acre Feet

MG - Millions of Gallons

MGD - Millions of Gallons per Day

**SOURCE:** Cucamonga Valley Water District – GIS, Industrial Waste and Production Divisions



Cucamonga Valley®  
Water District

*Service Beyond Expectation*

