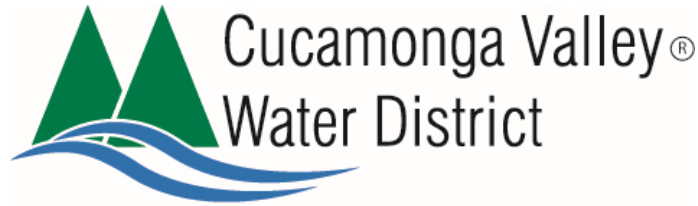


# *Cucamonga Valley Water District*

Comprehensive Annual Financial Report  
For the Fiscal Year Ending June 30, 2018  
Rancho Cucamonga, CA





*Service Beyond Expectation*

## **Comprehensive Annual Financial Report**

### **Fiscal Year Ending**

June 30, 2018

## **CUCAMONGA VALLEY WATER DISTRICT**

10440 Ashford Street  
Rancho Cucamonga, CA 91730

General Manager/CEO  
*Martin E. Zvirbulis, PE*

Assistant General Manager  
*Carrie Corder, CPA*

Assistant General Manager  
*John Bosler, PE*

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

Director of Engineering  
Services  
*Eduardo Espinoza, PE*

Prepared by Finance Division:

Finance Manager  
*Agnes Boros, CPA*

Accounting Supervisor  
*Jennifer Fillinger, CPA*

Accountant  
*Andrea Dutton*

**Cucamonga Valley Water District  
Comprehensive Annual Financial Report  
Fiscal Year Ending June 30, 2018**

**Table of Contents**

**Page No.**

**Introductory Section**

Letter of Transmittal	i-vii
Board of Directors and Executive Staff	viii
Organization Chart	ix
Statement of Mission, Vision, Culture, and Values	x
Government Finance Officers Association – Certificate of Achievement in Financial Reporting – June 30, 2017	xi
District Boundary	xii

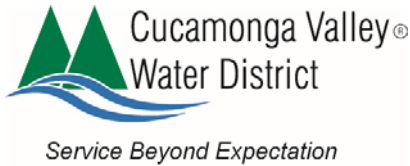
**Financial Section**

Independent Auditors’ Report	1-3
Management’s Discussion and Analysis	5-11
Basic Financial Statements:	
Statement of Net Position	12
Statement of Revenues, Expenses and Changes in Net Position	13
Statement of Cash Flows	14-15
Notes to the Basic Financial Statements	16-53
Required Supplementary Information:	
Net Pension Liability and Related Ratios (CalPERS)	54
Schedule of Plan Contributions (CalPERS)	55
Net Pension Liability and Related Ratios, Retirement Enhancement Plan (PARS)	56
Schedule of Plan Contributions, Retirement Enhancement Plan (PARS)	57
Net Pension Liability and Related Ratios, Excess Benefit Pension Plan	58
Schedule of Plan Contributions, Excess Benefit Pension Plan	59
Schedule of Changes in Net OPEB Liability and Related Ratios	60
Schedule of Plan Contributions, OPEB	61

**Statistical Section**

Financial Trends:	
Changes in Net Position and Net Position by Component	64-65
Operating Revenue by Source	66
Operating Expenses by Activity	67
Revenue Capacity:	
Water Production in Acre Feet	68
Water Rate History	69
Water Service Accounts	70
Principal Water Customers	71
Debt Capacity:	
Ratio of Outstanding Debt	72
Debt Coverage	73
Demographic Information:	
Demographic and Economic Statistics	74
Principal Employers	75
Operating Indicators:	
Personnel Trends	76
Other Operating and Capacity Indicators	77

# **Introductory Section**



**CUCAMONGA VALLEY WATER DISTRICT**  
10440 Ashford Street  
Rancho Cucamonga, CA 91730  
(909) 987-2591 Fax (909) 476-8032

Martin E. Zvirbulis  
Secretary / General Manager/CEO

November 7, 2018

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, 2018.

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.

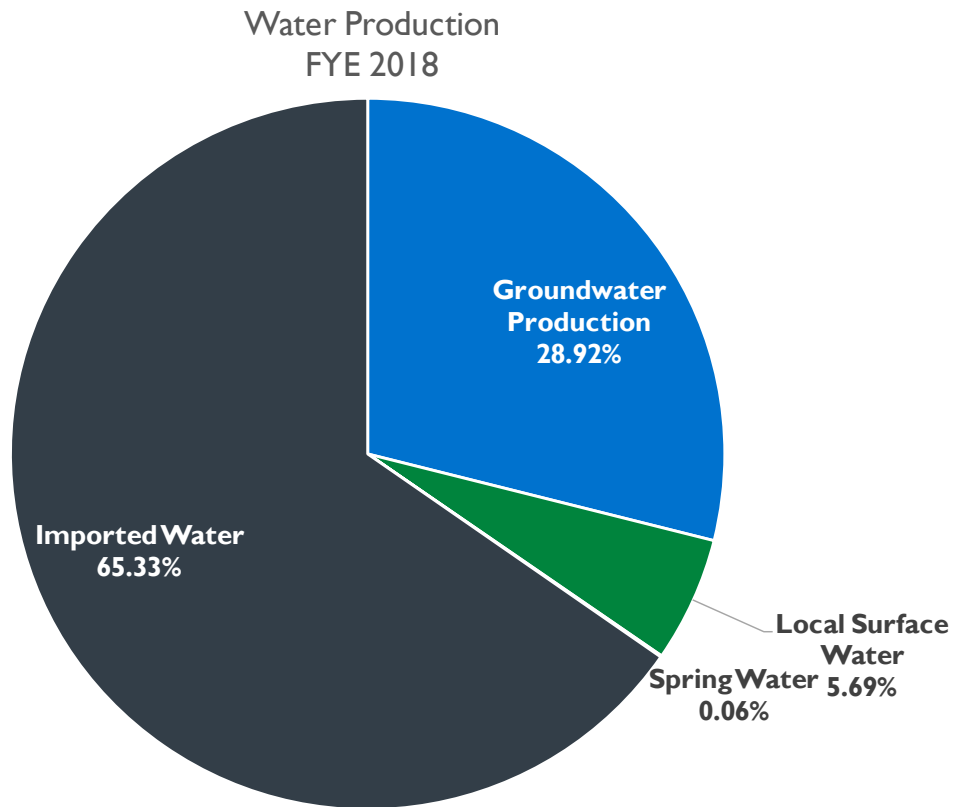
Davis Farr LLP has issued an unmodified (“clean”) opinion on the District’s financial statements for the year ended June 30, 2018. The independent auditor’s report is located at the front of the financial section of this report.

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 190,000 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 89% of the District’s customer base and consume approximately 57% of the water produced annually by the District. The District currently has a total of 29 groundwater wells, of which 20 are in service with a maximum production capacity of approximately 36,692 gallons per minute (or an annual production equivalent of 59,184 acre-feet). In addition, the District has surface and subsurface water rights in four local canyon watersheds with an annual production in 2018 of 2,692 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 2018, the District purchased 30,559 acre-feet of imported water. The following chart illustrates the water production sources.



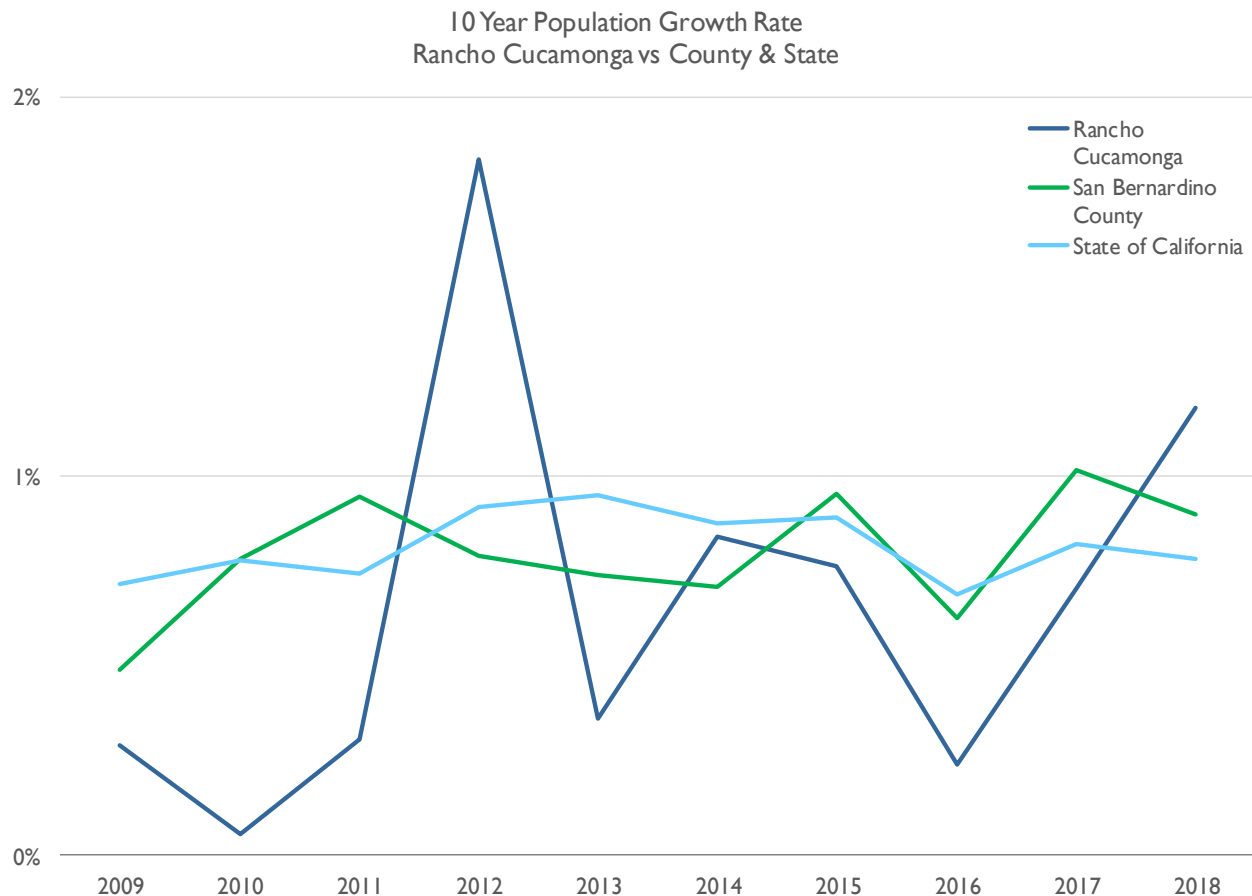
Greater availability of imported water and local surface water during FY2017 and FY2018 has allowed the District to transition away from the high levels of groundwater production that were utilized in FY2016. This flexibility in the sources of water supply is a reflection of the District’s ongoing effort to enhance and maximize these sources. Past droughts as well as court orders affecting State Water Project operations have impacted the Metropolitan Water District of Southern California (MWD or Metropolitan) service area and main supply sources. This has raised the possibility that Metropolitan may not have access to the supplies necessary to meet total demands at some point in the future and may have to allocate shortages in supplies to the member agencies. As a result, the District has secured local groundwater resources from other purveyors in the Chino Basin for future use and has increased its use of recycled water.

### 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. Rancho Cucamonga is considered a premiere city in the Inland Empire area of California. The District population is projected to increase to approximately 215,100 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 economics of the communities served by the District are heavily influenced by a multitude of factors. Historically, the construction industry has led the job growth in the Inland Empire. In the years since the economic downturn, construction industry job growth has improved steadily and now appears to have fully recovered. Also, growth in logistics has led to job creation in the land-rich Inland Empire. In addition, the health care and manufacturing industries have demonstrated job growth in the Inland Empire.

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 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 increased to a high of 10.3% in 2010. Unemployment has since fallen to a rate of 3.4% in June of 2018, which is lower than the region as well as the State of California.

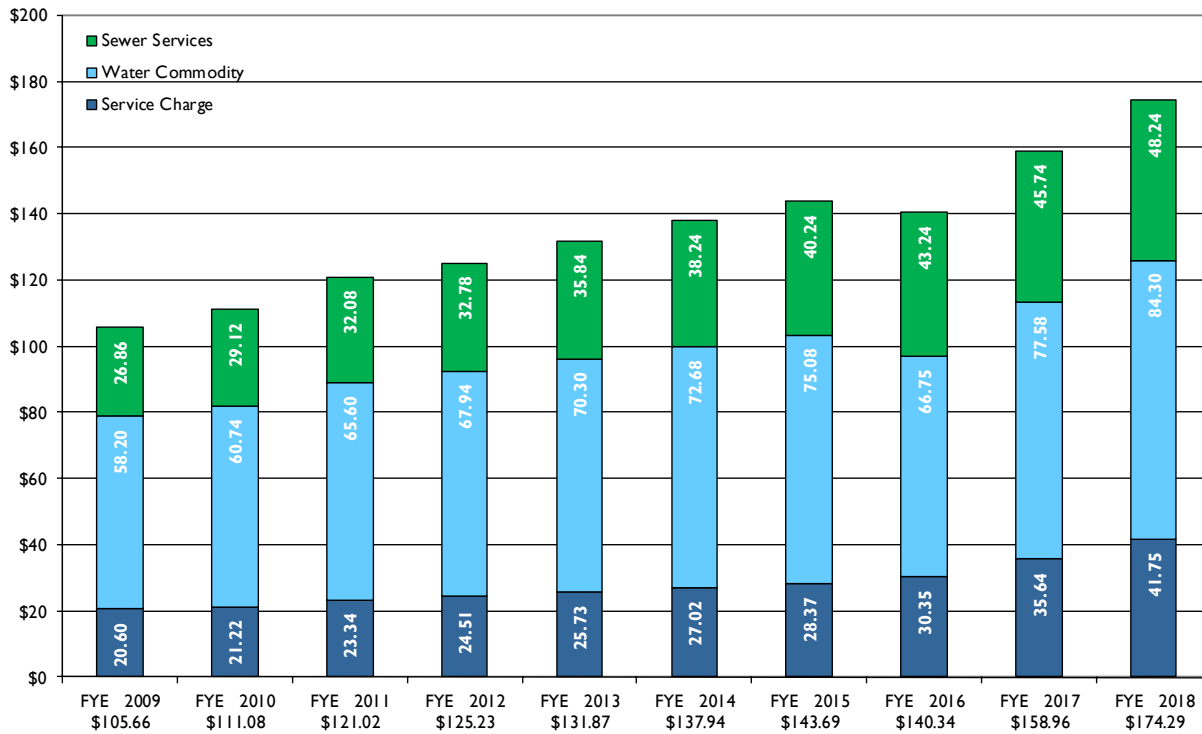
California's water supply continues to be a concern due to past droughts and projected population increases. This concern has increased interest in recycled water for groundwater replenishment purposes. The District has expanded and will continue to expand its conservation efforts and the availability 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 0.34% per year. Water production increased each year from 2011 through 2014 but fell significantly in 2015 and 2016. Higher precipitation levels in 2017 marked another reversal of the trend. Improvements in economic conditions and less rainfall in 2013 and 2014 contributed to the increased demand for water in those years causing annual usage per customer to rise as high as 1.09 acre-feet. However, in 2015 water production per customer fell to 0.97 acre-feet and to 0.80 acre-feet for 2016. This decrease in water usage was consistent with the statewide drought messaging that began in August 2014 and culminated with the Governor's executive order in April 2015. The drought declaration was officially lifted in April 2017.

During the fiscal years 2011 through 2014, water sales revenues increased by approximately 9.3% per year on average, fell by 9.0% in 2015, recovered by 2.8% in 2016, and then decreased by 1.6% in 2017. 2018 saw an increase of 9.9%. The decrease in 2017 can be attributed to the high level of precipitation during the year. From 2011 to 2015 water rates increased about 5% per year. In FY2016, the District entered Drought Stage 6 in order to comply with the conservation target set by the SWRCB. Drought Stage 6 caused a 58% increase in water rates. For FY2017 the SWRCB allowed water purveyors to self-certify their supply of water in order to set their own needed level of conservation. CVWD was able to certify a 3-year water supply that does not require any mandatory conservation. For this reason, rates were reduced by 27% to Drought Stage 1 prices. Rates remained at Drought Stage 1 in 2018 and will continue in 2019. Meter charge revenue has increased by approximately 11.9% per year on average since 2011.

The District's policy direction ensures that all revenues from user charges generated from District customers must support all District operations including capital project funding. The District does not receive property tax subsidies. Water, recycled water, and sewer rates are user charges imposed on customers for services and are the primary component of the District's revenue. Water and recycled water rates are composed of a fixed meter charge and a commodity (usage) charge. Sewer rates are billed based on a unit of measure called an equivalent dwelling unit (EDU), which is equal to the average amount of wastewater flow from a single-family household. The District bills each residential customer a fixed charge for each EDU. The following chart illustrates the average bi-monthly utility bill for a ¾ inch meter single family residential customer who is connected to the District's sewer system and who uses the average amount of water while following conservation expectations.

Average Residential Bi-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, 2018:

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

The District has earned and maintained for 2018 a debt rating of “AA+” from Standard and Poor’s on the Certificates of Participation. Moody’s upgraded their rating of the Certificates of Participation to “Aa2” and Fitch affirmed the rating of “AA” on the subordinate Revenue Bonds. The District’s outstanding debt as of June 30, 2018 consists of three Certificate of Participation Issuances (C.O.P.’s) and five Revenue Bonds, as follows:

Year of Issuance	Use of Proceeds
2009 C.O.P.'s	Provided funds for construction of the Frontier Project, well and reservoir acquisition, and other improvements to District facilities.
2009 Clean Renewable Energy Bonds	Provided funding related to renewable energy installations in the District's Frontier Project building.
2011 C.O.P.'s	Provided funds to defease the 2000 C.O.P.'s and the 2001 C.O.P.'s.
2012 Revenue Bonds	Provided funds for construction of improvements to water treatment plants and other District facilities.
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.

## 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 nine 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 comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2017. This was the sixteenth 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 CAFR. 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 CAFR 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 Chad Brantley, Director of Finance and Technology Services, Agnes Boros, Finance Manager, Jennifer Fillinger, Accounting Supervisor, and Andrea Dutton, 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,



Martin Zvirbulis  
General Manager/CEO



Carrie Corder  
Assistant General Manager

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



**James V. Curatalo, *President***



**Luis Cetina, *Vice President***



**Oscar Gonzalez, *Director***



**Randall James Reed, *Director***



**Kathleen Tieg, *Director***

---



**Martin Zvirbulis  
*General Manager/CEO***



**John Bosler  
*Assistant General Manager***



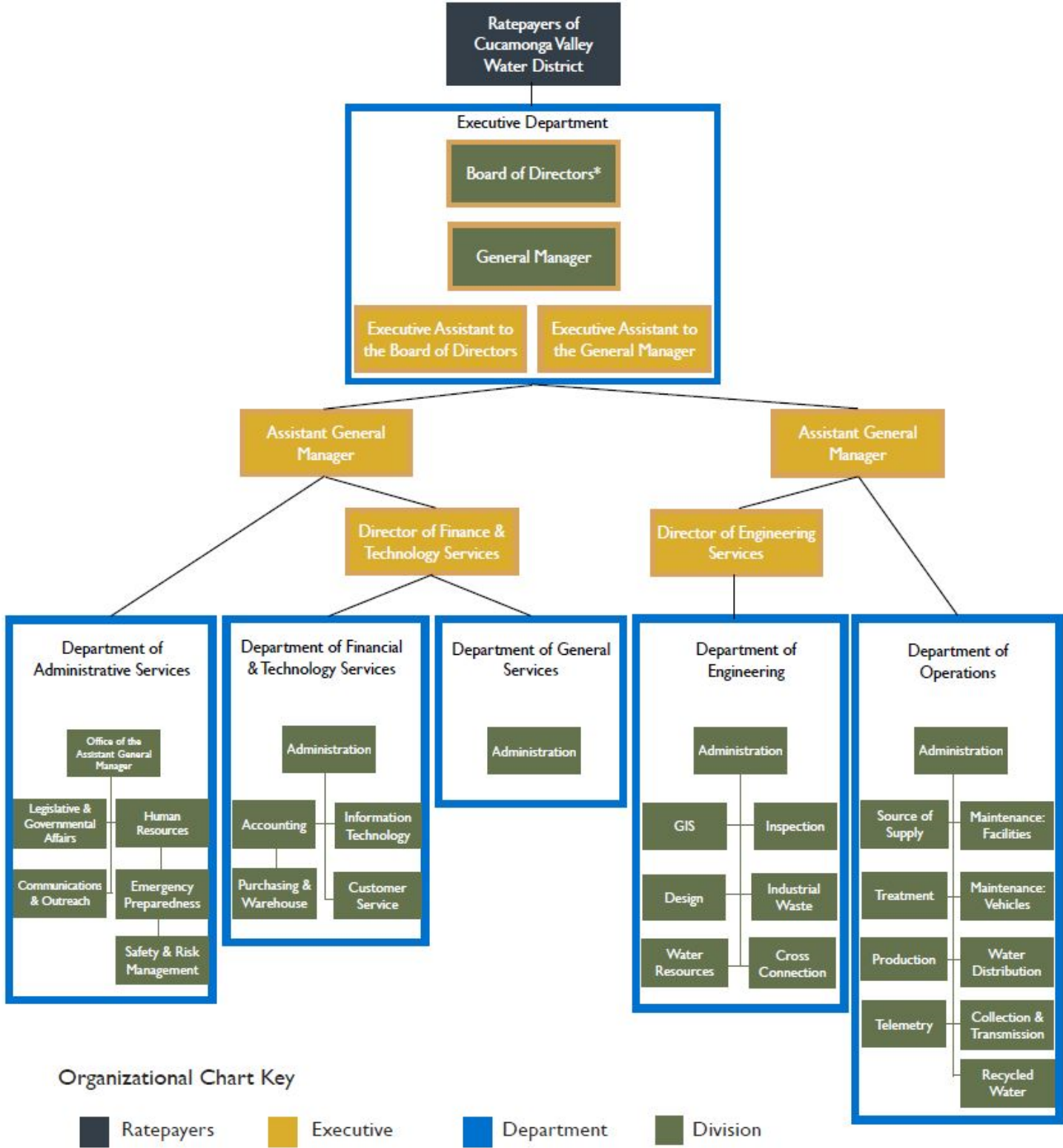
**Carrie Corder  
*Assistant General Manager***



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



**Eduardo Espinoza  
*Director of Engineering Services***



Organizational Chart Key

- Ratepayers
- Executive
- Department
- Division

\*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

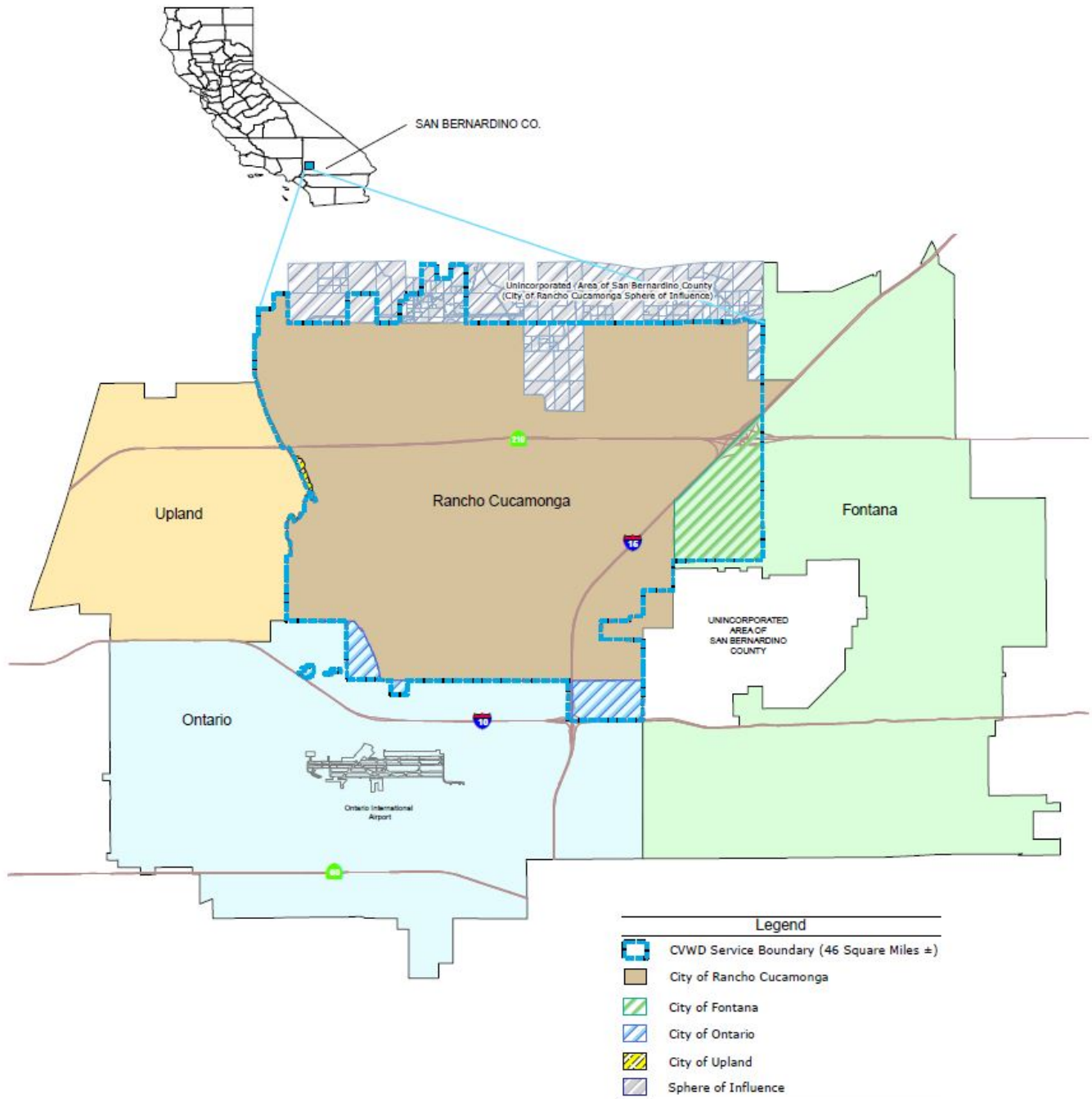
**June 30, 2017**

*Christopher P. Morrill*

Executive Director/CEO



### Cucamonga Valley Water District District Boundary



# **Financial Section**

Board of Directors  
Cucamonga Valley Water District  
Rancho Cucamonga, California

## **Independent Auditors' Report**

### **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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on the 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 auditors' 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, 2018, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As described further in note 18 to the financial statements, during the year ended June 30, 2018, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 75. Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. As a result, the financial statements for the year ended June 30, 2018 reflect a certain prior period adjustment as described further in note 21 to the financial statements.

During the year ended June 30, 2018, the District implemented GASB Statement No. 89 Accounting for Interest Cost Incurred Before the End of a Construction Period.

Our opinion is not modified with respect to these matters.

## **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 the 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 it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "David Sun UP". The signature is written in a cursive style.

Irvine, California  
November 7, 2018

**Page Intentionally Left Blank**

## CUCAMONGA VALLEY WATER DISTRICT

### *Management's Discussion and Analysis*

For the Year Ended June 30, 2018

---

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, 2018. Please read it in conjunction with the basic financial statements, which follow this section.

### **Financial Highlights**

- The District's net position increased by \$2,058 thousand or 0.67 percent.
- During the year the District's revenues increased 9.55 percent to \$95,134 thousand, while expenses increased 15.34 percent to \$96,731 thousand.
- Capital contributions to the District amounted to \$3,655 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 12) includes all of the District's investments in resources (assets) and the obligations to creditors (liabilities). 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 13). 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 14 and 15). 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 12 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, 2018

**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)

	<b>Fiscal Year 2018</b>	<b>Fiscal Year 2017</b>	<b>Dollar Change</b>	<b>Total Percent Change</b>
Current and Noncurrent Assets	\$ 145,589	\$ 141,080 <sup>(1)</sup>	\$ 4,509	3.20%
Capital Assets	412,289	418,797	(6,508)	(1.55)%
<b>Total Assets</b>	<b>557,878</b>	<b>559,877</b>	<b>(1,999)</b>	<b>(0.36)%</b>
Deferred Outflows of Resources	14,908	10,602	4,306	40.61%
Long-term Liabilities	219,621	226,387 <sup>(1)</sup>	(6,766)	(2.99)%
Other Liabilities	42,217	35,017	7,200	20.56%
<b>Total Liabilities</b>	<b>261,838</b>	<b>261,404</b>	<b>434</b>	<b>0.17%</b>
Deferred Inflows of Resources	2,649	2,786	(137)	(4.92)%
Net investment in Capital Assets	242,567	224,108	18,459	8.24%
Restricted for Capital Projects	9,747	6,091	3,656	60.02%
Unrestricted	55,985	76,090 <sup>(1)</sup>	(20,105)	(26.42)%
<b>Total Net Position</b>	<b>\$ 308,299</b>	<b>\$ 306,289</b>	<b>\$ 2,010</b>	<b>0.66%</b>

Note (1) Beginning Net Position, Current and Noncurrent Assets, and Long-term Liabilities have been restated due to prior period adjustments

As can be seen from the table above, net position increased \$2,010 thousand to \$308,299 thousand in fiscal year 2018, up from \$306,289 thousand in fiscal year 2017. Total assets decreased minimally. The increase in deferred outflows and the decrease in deferred inflows are related to pension and OPEB liability activities. Short-term liabilities decreased due primarily to the timing of payment on our Intergovernmental Payable (Note 8). Unrestricted net assets decreased \$20,105 thousand due to the implementation of GASB Statement No. 75 for Other Postemployment Benefits and utilizing cash reserves for the 2018B Revenue Bond taxable refunding.

**CUCAMONGA VALLEY WATER DISTRICT***Management's Discussion and Analysis, continued*

For the Year Ended June 30, 2018

**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>2018</u>	Fiscal Year <u>2017</u>	Dollar Change	Total Percent Change
Operating Revenues:				
Water Sales	\$ 51,978	\$ 47,067	\$ 4,911	10.43%
Meter Charges	19,559	16,780	2,779	16.56%
Water Services	1,253	1,225	28	2.29%
Sewer Services	20,132	19,450	682	3.51%
Nonoperating Revenues:				
Investment income	523	227	296	130.40%
Rent and lease revenue	461	451	10	2.22%
Other nonoperating revenue	<u>1,228</u>	<u>1,637</u>	<u>(409)</u>	<u>(24.98)%</u>
Total Revenues	<u>95,134</u>	<u>86,837</u>	<u>8,297</u>	<u>9.55%</u>
Operating Expenses:				
Source of supply	26,483	17,808	8,675	48.71%
Pumping operations	5,188	6,120	(932)	(15.23)%
Water treatment	5,756	3,598	2,158	59.98%
Transmission and distribution	3,729	3,576	153	4.28%
Collection and transmission	17,040	16,020	1,020	6.37%
Customer accounts	2,540	2,752	(212)	(7.70)%
General and administrative	12,498	11,579	919	7.94%
Depreciation and amortization	13,671	13,019	652	5.01%
Nonoperating Expenses:				
Interest expense	7,380	7,441	(61)	(0.82)%
Amortization of deferred bond costs and refunding	316	310	6	1.94%
Loss on disposal of assets	-	170	(170)	(100.00)%
Other nonoperating expenses	<u>2,178</u>	<u>1,476</u>	<u>702</u>	<u>47.56%</u>
Total Expenses	<u>96,779</u>	<u>83,869</u>	<u>12,910</u>	<u>15.39%</u>
Net Income/(Loss) Before				
Capital Contributions	(1,645)	2,967	(4,612)	(155.44)%
Capital Contributions	<u>3,655</u>	<u>3,135</u>	<u>520</u>	<u>16.59%</u>
Changes in Net Position	2,010	6,102	(4,092)	(67.06)%
Beginning Net Position	<u>306,289</u> <sup>(1)</sup>	<u>300,187</u> <sup>(1)</sup>	<u>6,102</u>	<u>2.03%</u>
Ending Net Position	<u>\$ 308,299</u>	<u>\$ 306,289</u>	<u>\$ 2,010</u>	<u>0.66%</u>

Note (1) Amount restated due to prior period adjustment

## CUCAMONGA VALLEY WATER DISTRICT

Management's Discussion and Analysis, continued

For the Year Ended June 30, 2018

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 7, net income before capital contributions of \$(1,645) thousand and capital contributions of \$3,655 thousand were the sources of the increase in Net Position of \$2,010 thousand in fiscal year 2018.

A closer examination of the source of changes in net position reveals that the District's revenues increased by \$8,297 thousand to \$95,134 thousand in fiscal year 2018 from \$86,837 thousand in fiscal year 2017 due primarily to increases in operating revenues. In particular, water sales increased \$4,911 thousand due to less customer conservation. Meter charges increased \$2,779 thousand due to a slight increase in customer connections and a rate increase. Non-operating revenue decreased \$103 thousand due to a decrease in scrap metal and energy rebates. Operating expenses increased \$12,910 thousand due to the increase in the amount of imported water purchased.

### Operating Revenues – Water Sales

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

	<b>Fiscal Year 2018</b>	<b>Fiscal Year 2017</b>	<b>Dollar Change</b>	<b>Total Percent Change</b>
Customer Type:				
Domestic	\$ 32,133	\$ 28,689	\$ 3,444	12.00%
Irrigation and Landscape	11,313	9,895	1,418	14.33%
Other Water Agencies	5,093	5,380	(287)	(5.33)%
Industrial	2,755	2,684	71	2.65%
Construction	368	157	211	134.39%
Canyon Source Water	<u>316</u>	<u>262</u>	<u>54</u>	20.61%
Total Water Sales	<u>\$ 51,978</u>	<u>\$ 47,067</u>	<u>\$ 4,911</u>	10.43%

Water sales revenue to Domestic, Irrigation and Landscape, and Industrial customer types for the fiscal year 2018 increased \$4,933 thousand combined due an increase in the volume of water consumed. Sales to other water agencies decreased \$287 thousand due to the sale of groundwater to Fontana Water Company. Construction water sales increased \$211 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, 2018

**Capital Asset Administration**

At June 30, 2018, the District had invested \$412,289 thousand in a broad range of infrastructure as shown in Table A-3.

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

	<u>Fiscal Year 2018</u>	<u>Fiscal Year 2017</u>	<u>Dollar Change</u>	<u>Total Percent Change</u>
<b>Non-Depreciable Assets:</b>				
Land	\$ 6,876	\$ 6,876	\$ -	0.00%
Water Rights	92,917	92,914	3	0.00%
Construction in Progress	<u>4,976</u>	<u>3,148</u>	<u>1,828</u>	58.07%
Total Non-Depreciable Assets	<u>104,769</u>	<u>102,938</u>	<u>1,831</u>	1.78%
<b>Depreciable Assets:</b>				
Intangibles	295	295	-	0.00%
Source of Supply	24,618	24,579	39	0.16%
Pumping Plant	24,411	23,810	601	2.52%
Transmission and Distribution	214,977	211,792	3,185	1.50%
Treatment plant	112,079	111,685	394	0.35%
General Water	50,176	49,467	709	1.43%
Wastewater Reclamation	5,795	5,795	-	0.00%
Pumping Station	207	105	102	97.14%
Collection and Transmission	70,482	70,366	116	0.16%
General Sewer	10,134	9,949	185	1.86%
General Frontier Project	<u>84</u>	<u>105</u>	<u>(21)</u>	(20.00)%
Total Depreciable Assets	513,258	507,948	5,310	1.05%
Less: Accumulated Depreciation	<u>(205,738)</u>	<u>(192,089)</u>	<u>(13,649)</u>	(7.11)%
Net Depreciable Assets	<u>307,520</u>	<u>315,859</u>	<u>(8,339)</u>	(2.64)%
Total Capital Assets, Net	<u>\$ 412,289</u>	<u>\$ 418,797</u>	<u>\$ (6,508)</u>	(1.55)%

The following is a summary of some of the major improvements to the system during fiscal year 2018. This year’s major capital asset additions include (in thousands of dollars):

Various water distribution mains	\$ 3,185
Buildings and equipment	894
Pumps and pumping equipment	703
Various water treatment facilities	394
Various sewer collection and transmission mains	116
Wells	39

## CUCAMONGA VALLEY WATER DISTRICT

Management's Discussion and Analysis, continued

For the Year Ended June 30, 2018

In table A-4, the District's fiscal year 2019 Capital Budget is \$31,282 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 2019 Capital Budget  
(In thousands of dollars)

Depreciable Assets:		
Source of Supply	\$	921
Pumping Plant		3,710
Reservoirs		4,315
Transmission and Distribution		3,326
Treatment Plant		8,340
General Water		3,322
Recycled Water Distribution		350
Sewer Collection and Transmission		6,360
General Sewer		<u>638</u>
Total Depreciable Assets	\$	<u>31,282</u>

### Debt Administration

During the year, the District's long-term debt decreased \$6,098 thousand which can be attributed the normal debt principal repayments. Additional information on long term debt is presented in Note 7 to Basic Financial Statements. The District's credit rating did not change during the year. Senior obligations remain at "AA+" from Standard & Poor's and "Aa2" from Moody's Investor Services. The District's debt rating on Subordinate Obligations remained at "AA" from Standard & Poor's and "AA" from Fitch Ratings.

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

	Fiscal Year 2018	Fiscal Year 2017	Dollar Change
Net Certificates of Participation	\$ 35,595	\$ 115,620	\$ (80,025)
Net Revenue Bonds	143,505	71,530	71,975
Leases Payable	7,570	8,987	(1,417)
Loan Payable	416	484	(68)
Compensated Absences	1,972	2,023	(51)
Net OPEB Obligation	13,904	13,664	240
Net CalPERS Pension Plan Obligation	24,537	21,392	3,145
Net Excess Benefit Plan Obligation	<u>1,659</u>	<u>1,556</u>	<u>103</u>
Total Long-term debt	<u>\$ 229,158</u>	<u>\$ 235,256</u>	<u>\$ (6,098)</u>

## CUCAMONGA VALLEY WATER DISTRICT

Management's Discussion and Analysis, continued

For the Year Ended June 30, 2018

---

### 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 2018 budget, user fees, and charges. These indicators were taken into consideration when adopting the District's budget for year 2019.

TABLE A-6  
Fiscal Year 2018 Actual vs. Fiscal Year 2019 Budget  
(In thousands of dollars)

	<b>Actual Fiscal Year 2018</b>	<b>Budget Fiscal Year 2019</b>	<b>Dollar Change</b>	<b>Total Percent Change</b>
Operating Revenues	\$ 92,921	\$ 102,636	\$ 9,715	10.46%
Nonoperating Revenues	<u>2,213</u>	<u>3,071</u>	<u>858</u>	38.77%
Total Revenues	<u>95,134</u>	<u>105,707</u>	<u>10,573</u>	11.11%
Depreciation Expense	13,671	14,000	329	2.41%
Other Operating Expenses	73,234	77,733	4,499	6.14%
Nonoperating Expenses	<u>9,874</u>	<u>14,665</u>	<u>4,791</u>	48.52%
Total Expenses	<u>96,779</u>	<u>106,398</u>	<u>9,619</u>	9.94%
Net Income/(Loss) Before Capital Contributions	(1,645)	(691)	954	(57.99)%
Capital Contributions	<u>3,655</u>	<u>5,469</u>	<u>1,814</u>	49.63%
Changes in Net Position	2,010	4,778	2,768	137.71%
Beginning Net Position	<u>306,289</u> <sup>(1)</sup>	<u>308,299</u>	<u>2,010</u>	0.66%
Total Net Position	<u>\$ 308,299</u>	<u>\$ 313,077</u>	<u>\$ 4,778</u>	1.55%

Note (1) Beginning Net Position restated due to prior period adjustments

### Contacting the District's Assistant General Manager

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 Carrie Corder, Assistant General Manager, at (909) 987-2591.

# CUCAMONGA VALLEY WATER DISTRICT

## Statement of Net Position

June 30, 2018

	Water Utility Fund	Sewer Utility Fund	Recycled Water Utility Fund	Frontier Project Foundation	Totals
<b>CURRENT ASSETS:</b>					
Cash and cash equivalents (note 2)	\$ 6,912,357	\$ 10,949,067	\$ 61,780	\$ 47,031	\$ 17,970,235
Investments (note 2)	27,191,924	30,418,084	-	-	57,610,008
Customer receivables, net	11,256,700	2,056,337	188,016	-	13,501,053
Accounts receivable	4,831,897	672,318	-	28	5,504,243
Accrued interest	325,008	96,301	-	-	421,309
Prepaid expense and deposit	438,152	84,724	-	-	522,876
Inventories	1,376,232	-	-	-	1,376,232
<b>TOTAL CURRENT ASSETS</b>	<b>52,332,270</b>	<b>44,276,831</b>	<b>249,796</b>	<b>47,059</b>	<b>96,905,956</b>
<b>NONCURRENT ASSETS:</b>					
Restricted cash and cash equivalents (note 2 & 3)	12,692,279	10,905,036	-	-	23,597,315
Water in storage (note 4)	24,002,214	-	-	-	24,002,214
Prepaid bond insurance	202,049	-	-	-	202,049
Net pension asset (note 14 & 16)	719,592	144,923	16,977	-	881,492
Capital assets (note 5):					
Non-depreciable capital assets	104,585,644	183,927	-	-	104,769,571
Depreciable capital assets, net	261,884,746	40,916,180	4,716,598	1,859	307,519,383
<b>TOTAL NONCURRENT ASSETS</b>	<b>404,086,524</b>	<b>52,150,066</b>	<b>4,733,575</b>	<b>1,859</b>	<b>460,972,024</b>
<b>TOTAL ASSETS</b>	<b>456,418,794</b>	<b>96,426,897</b>	<b>4,983,371</b>	<b>48,918</b>	<b>557,877,980</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>					
Pension plans deferred outflows	7,566,873	1,612,238	161,322	-	9,340,433
Other post employment benefits deferred outflows	1,062,104	222,911	26,225	-	1,311,240
Deferred charge on refunding	4,256,542	-	-	-	4,256,542
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>12,885,519</b>	<b>1,835,149</b>	<b>187,547</b>	<b>-</b>	<b>14,908,215</b>
<b>LIABILITIES:</b>					
Current:					
Accounts payable	8,585,676	3,273,849	104,772	-	11,964,297
Interest payable	1,603,381	-	-	-	1,603,381
Accrued expense payable	761,387	1,523,015	3,794	142	2,288,338
Unearned revenue	340,846	-	-	43,596	384,442
Customer deposits	3,257,629	-	-	-	3,257,629
Intergovernmental payable (note 8)	-	10,905,036	-	-	10,905,036
Water held for Inland Empire Utilities Agency (note 9)	2,277,467	-	-	-	2,277,467
Lease payable (note 7)	933,916	-	-	-	933,916
Compensated absences payable (note 7)	907,954	187,490	28,745	-	1,124,189
Certificates of participation (note 7)	2,389,286	-	-	-	2,389,286
Revenue bonds (note 7)	5,055,000	-	-	-	5,055,000
Loans payable (note 7)	-	-	34,486	-	34,486
<b>Total current liabilities</b>	<b>26,112,542</b>	<b>15,889,390</b>	<b>171,797</b>	<b>43,738</b>	<b>42,217,467</b>
Noncurrent:					
Net other postemployment benefits liability (notes 7 & 18)	11,147,410	2,543,229	213,224	-	13,903,863
Net pension liability (notes 14,15,17)	21,240,939	4,591,412	363,234	-	26,195,585
Lease payable (note 7)	6,636,543	-	-	-	6,636,543
Compensated absences payable (note 7)	684,854	141,421	21,682	-	847,957
Certificates of participation, net (note 7)	33,205,346	-	-	-	33,205,346
Revenue bonds, net (note 7)	138,450,481	-	-	-	138,450,481
Loans Payable (note 7)	-	-	381,026	-	381,026
<b>Total noncurrent liabilities</b>	<b>211,365,573</b>	<b>7,276,062</b>	<b>979,166</b>	<b>-</b>	<b>219,620,801</b>
<b>TOTAL LIABILITIES</b>	<b>237,478,115</b>	<b>23,165,452</b>	<b>1,150,963</b>	<b>43,738</b>	<b>261,838,268</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
Pension plans deferred inflows	2,025,213	450,051	23,500	-	2,498,764
Other post employment benefits deferred inflows	120,282	26,973	3,097	-	150,352
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>2,145,495</b>	<b>477,024</b>	<b>26,597</b>	<b>-</b>	<b>2,649,116</b>
<b>NET POSITION:</b>					
Net investment in capital assets (note 10)	196,748,639	41,100,107	4,716,598	1,859	242,567,203
Restricted for capital projects	7,762,875	1,685,750	297,790	-	9,746,415
Unrestricted (note 11)	25,169,189	31,833,713	(1,021,030)	3,321	55,985,193
<b>TOTAL NET POSITION</b>	<b>\$ 229,680,703</b>	<b>\$ 74,619,570</b>	<b>\$ 3,993,358</b>	<b>\$ 5,180</b>	<b>\$ 308,298,811</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, 2018

	Water Utility Fund	Sewer Utility Fund	Recycled Water Utility Fund	Frontier Project Foundation	Totals
<b>OPERATING REVENUES:</b>					
Water sales	\$ 50,918,018	\$ -	\$ 1,059,864	\$ -	\$ 51,977,882
Meter charges	19,420,714	-	137,884	-	19,558,598
Water services	1,252,838	-	196	-	1,253,034
Sewer services	-	20,131,909	-	-	20,131,909
<b>TOTAL OPERATING REVENUES</b>	<u>71,591,570</u>	<u>20,131,909</u>	<u>1,197,944</u>	<u>-</u>	<u>92,921,423</u>
<b>OPERATING EXPENSES:</b>					
Source of supply	25,889,543	-	593,126	-	26,482,669
Pumping operations	5,188,325	-	-	-	5,188,325
Water treatment	5,756,539	-	-	-	5,756,539
Transmission and distribution	3,728,601	-	420	-	3,729,021
Collection and transmission	-	17,039,642	-	-	17,039,642
Customer accounts	2,170,399	366,667	3,118	-	2,540,184
General and administrative	10,411,501	1,747,208	265,239	73,763	12,497,711
Depreciation and amortization	11,758,956	1,793,815	116,708	1,225	13,670,704
<b>TOTAL OPERATING EXPENSES</b>	<u>64,903,864</u>	<u>20,947,332</u>	<u>978,611</u>	<u>74,988</u>	<u>86,904,795</u>
<b>NET OPERATING INCOME (LOSS)</b>	<u>6,687,706</u>	<u>(815,423)</u>	<u>219,333</u>	<u>(74,988)</u>	<u>6,016,628</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>					
Investment income	407,326	115,456	-	-	522,782
Taxes and assessments	12	-	-	-	12
Rent and lease revenue	460,533	-	-	-	460,533
Interest expense	(7,379,287)	-	(692)	-	(7,379,979)
Amortization of deferred charge on refunding	(316,069)	-	-	-	(316,069)
Other nonoperating revenues	1,154,184	-	-	74,012	1,228,196
Other nonoperating expenses	(1,835,506)	(342,527)	-	-	(2,178,033)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>(7,508,807)</u>	<u>(227,071)</u>	<u>(692)</u>	<u>74,012</u>	<u>(7,662,558)</u>
<b>NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>					
	(821,101)	(1,042,494)	218,641	(976)	(1,645,930)
Capital contributions (note 12)	2,500,739	1,058,145	96,565	-	3,655,449
Transfers out (note 6)	(42,086)	-	-	-	(42,086)
Transfers in (note 6)	-	42,086	-	-	42,086
<b>CHANGE IN NET POSITION</b>	1,637,552	57,737	315,206	(976)	2,009,519
<b>NET POSITION - BEGINNING</b>	236,145,302	76,186,872	3,807,974	6,156	316,146,304
<b>PRIOR PERIOD ADJUSTMENT (NOTE 21)</b>	<u>(8,102,151)</u>	<u>(1,625,039)</u>	<u>(129,822)</u>	<u>-</u>	<u>(9,857,012)</u>
<b>NET POSITION - ENDING</b>	<u>\$ 229,680,703</u>	<u>\$ 74,619,570</u>	<u>\$ 3,993,358</u>	<u>\$ 5,180</u>	<u>\$ 308,298,811</u>

See accompanying notes to the basic financial statements

# CUCAMONGA VALLEY WATER DISTRICT

## Statement of Cash Flows

For the Year Ended June 30, 2018

	Water Utility Fund	Sewer Utility Fund	Recycled Water Utility Fund	Frontier Project Foundation	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Receipts from customers	\$ 71,212,067	\$ 20,157,584	\$ 1,194,088	\$ 482	\$ 92,564,221
Receipts from others	1,920,369	-	-	117,608	2,037,977
Payment to suppliers	(48,637,469)	(17,698,251)	(726,343)	(74,215)	(67,136,278)
Payment to employees	(8,561,056)	(1,781,218)	(137,230)	-	(10,479,504)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>15,933,911</u>	<u>678,115</u>	<u>330,515</u>	<u>43,875</u>	<u>16,986,416</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Due to (due from) other funds	-	-	(295,712)	-	(295,712)
Other noncapital financing activities	-	-	-	-	-
Taxes and assessments	-	-	-	-	-
Transfers to/from other funds	(42,086)	42,086	-	-	-
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>(42,086)</u>	<u>42,086</u>	<u>(295,712)</u>	<u>-</u>	<u>(295,712)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Proceeds from debt issuance	74,109,048	-	-	-	74,109,048
Cash paid to Escrow	(77,460,131)	-	-	-	(77,460,131)
Principal payments - Certificates of Participation & Revenue Bonds	(5,509,286)	-	-	-	(5,509,286)
Principal payments - lease payable	(1,416,571)	-	-	-	(1,416,571)
Principal payments - loan payable	-	-	(68,896)	-	(68,896)
Interest	(8,446,540)	-	(692)	-	(8,447,232)
Proceeds from sale of equipment	-	-	-	-	-
Capital fees collected for/(paid to) Inland Empire Utilities Agency	-	7,599,678	-	-	7,599,678
Additions to utility plant	(6,665,828)	(497,187)	-	-	(7,163,015)
Other capital and related financing activities	-	-	-	-	-
Cash contributions received in aid of construction	2,500,739	1,058,145	96,565	-	3,655,449
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(22,888,569)</u>	<u>8,160,636</u>	<u>26,977</u>	<u>-</u>	<u>(14,700,956)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Investment income	(1,013,087)	324,214	-	-	(688,873)
Purchases of investments	(7,784,580)	(2,594,860)	-	-	(10,379,440)
Proceeds from sales and maturities of investments	8,226,028	3,612,456	-	-	11,838,484
Rent and lease revenue	-	-	-	-	-
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>(571,639)</u>	<u>1,341,810</u>	<u>-</u>	<u>-</u>	<u>770,171</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>(7,568,383)</u>	<u>10,222,647</u>	<u>61,780</u>	<u>43,875</u>	<u>2,759,919</u>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>27,173,019</u>	<u>11,631,456</u>	<u>-</u>	<u>3,156</u>	<u>38,807,631</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 19,604,636</u>	<u>\$ 21,854,103</u>	<u>\$ 61,780</u>	<u>\$ 47,031</u>	<u>\$ 41,567,550</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:</b>					
Cash and cash equivalents	\$ 6,912,357	\$ 10,949,067	\$ 61,780	\$ 47,031	\$ 17,970,235
Cash and cash equivalents - restricted	12,692,279	10,905,036	-	-	23,597,315
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<u>\$ 19,604,636</u>	<u>\$ 21,854,103</u>	<u>\$ 61,780</u>	<u>\$ 47,031</u>	<u>\$ 41,567,550</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, 2018

	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</b>					
<b>PROVIDED (USED) BY</b>					
<b>OPERATING ACTIVITIES:</b>					
Operating income (Loss)	\$ 6,466,929	\$ (1,157,950)	\$ 219,333	\$ (976)	\$ 5,527,336
Depreciation and amortization	11,758,956	1,793,815	116,708	1,225	13,670,704
Changes in:					
(Increase) Decrease in customer receivables, net	(359,357)	(7,718)	(3,856)	-	(370,931)
(Increase) Decrease in accounts receivable	(702,412)	33,393	-	482	(668,537)
(Increase) Decrease in prepaid expense and deposit	94,267	26,849	-	-	121,116
(Increase) Decrease in inventories	(131,757)	-	-	-	(131,757)
(Increase) Decrease in water in storage	(18,295)	-	-	-	(18,295)
(Increase) Decrease in deferred outflows	(336,005)	(468,320)	(45,566)	-	(849,891)
Increase (Decrease) in accounts payable	(1,465,802)	(152,463)	(20,460)	(453)	(1,639,178)
Increase (Decrease) in accrued expense payable	(32,595)	18,948	(768)	1	(14,414)
Increase (Decrease) in unearned revenue	9,928	-	-	43,596	53,524
Increase (Decrease) in deposits payable	977,978	-	-	-	977,978
Increase (Decrease) in compensated absences payable	(73,472)	14,814	8,207	-	(50,451)
Increase (Decrease) in net other post-employment benefits obligation	(2,516,736)	52,255	5,529	-	(2,458,952)
Increase (Decrease) in net pension plans obligations	2,373,108	548,480	53,775	-	2,975,363
Increase (Decrease) in deferred inflows	(110,824)	(23,988)	(2,387)	-	(137,199)
<b>NET CASH PROVIDED (USED) BY</b>					
<b>OPERATING ACTIVITIES</b>					
	<u>\$ 15,933,911</u>	<u>\$ 678,115</u>	<u>\$ 330,515</u>	<u>\$ 43,875</u>	<u>\$ 16,986,416</u>
<b>NONCASH INVESTING, CAPITAL AND</b>					
<b>FINANCING ACTIVITIES:</b>					
Changes in fair value of investments	\$ (666,962)	\$ (222,321)	\$ -	\$ -	\$ (889,283)
Amortization of deferred bond costs and refunding	-	-	-	-	-
<b>NET NONCASH CAPITAL AND</b>					
<b>RELATED FINANCING ACTIVITIES</b>					
	<u>\$ (666,962)</u>	<u>\$ (222,321)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (889,283)</u>

See accompanying notes to the basic financial statements

# CUCAMONGA VALLEY WATER DISTRICT

## Notes to the Basic Financial Statements

June 30, 2018

---

### (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 \$35,594,632 in interfund receivable/payable on the statement of net position, \$4,989,539 in interest expense and \$28,944 in investment income on the statement of revenues, expenses and changes in net position, and \$8,169,738 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 \$143,505,481 in interfund receivable/payable on the statement of net position, \$2,389,748 in interest expense and \$216 in investment income on the statement of revenues, expenses and changes in net position, and \$276,802 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

June 30, 2018

---

### (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.

#### D. 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, 2018

---

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

#### E. 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 market 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, 2018

---

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

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

##### 7. Capital Assets, continued

- Intangible Plant – 40 years
- Source of Supply Plant – 50 years
- Pumping Plant – 10 to 20 years
- Treatment Plant – 40 years
- Collection, Transmission and Distribution Plant – 50 years
- General Plant – 5 to 50 years

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

In addition to assets, the statement of financial 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 financial 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, 2018

---

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

### E. 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, 2016
Measurement Date (MD)	June 30, 2017
Measurement Period (MP)	June 30, 2016 to June 30, 2017

#### 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, 2016
Measurement Date (MD)	June 30, 2017
Measurement Period (MP)	June 30, 2016 to June 30, 2017

#### 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, 2018

---

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

**E. 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 bi-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	\$ 17,970,235
Investments	57,610,008
Restricted:	
Cash and cash equivalents with fiscal agent	<u>23,597,315</u>
Total cash and investments	<u>\$ 99,177,558</u>

## CUCAMONGA VALLEY WATER DISTRICT

Notes to the Basic Financial Statements, continued

June 30, 2018

### (2) Cash and Investments, continued

Cash and investments at June 30, 2018 consisted of the following:

Cash on hand	\$	4,202
Deposits with financial institutions		346,892
Investments		98,826,464
	\$	<u>99,177,558</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, 2018

---

### (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 \$2,702,049 as of June 30, 2018. 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 Assistant General Manager 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, 2018

**(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	\$ 2,751,511	\$ 3,098,374	\$ 956,920	\$ 6,806,805	\$ -	\$ 6,806,805	\$ -
Federal Home Loan Mortgage Corporation	2,530,566	2,295,194	1,467,187	6,292,947	-	6,292,947	-
U.S. Treasuries	-	4,531,346	18,908,386	23,439,732	23,439,732	-	-
Medium-term Corporate Notes	2,381,212	3,100,086	5,033,770	10,515,068	-	10,515,068	-
Negotiable Certificates of Deposit	5,607,336	1,486,370	1,751,693	8,845,399	-	8,845,399	-
Supranational Obligations	<u>1,135,084</u>	<u>564,673</u>	<u>-</u>	<u>1,699,757</u>	<u>-</u>	<u>1,699,757</u>	<u>-</u>
Total Securities Classified	14,405,709	15,076,043	28,117,956	57,599,708	<u>\$ 23,439,732</u>	<u>\$ 34,159,976</u>	<u>\$ -</u>
Local Agency Investment Fund (LAIF)	26,801,819	-	-	26,801,819	-	-	-
Money Market Funds	10,300	-	-	10,300	-	-	-
Cash with fiscal agent:							
Local Agency Investment Fund (LAIF)	2,110,611	-	-	2,110,611	-	-	-
Money Market Funds	<u>12,304,026</u>	<u>-</u>	<u>-</u>	<u>12,304,026</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 55,632,465</u>	<u>\$ 15,076,043</u>	<u>\$ 28,117,956</u>	<u>\$ 98,826,464</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, 2018

### (2) Cash and Investments, continued

#### Credit Risk, continued

Investment Type	Minimum Legal Rating	Rating	June 30, 2018
U.S. Agency Securities:			
Federal National Mortgage Association	AA+	AA+	\$ 6,806,805
Federal Home Loan Mortgage Corporation	AA+	AA+	6,292,947
U.S. Treasuries	AA+	AA+	23,439,732
Medium-term Corporate Notes	A	AA+	971,020
		AA	74,609
		AA-	2,376,174
		A+	2,140,562
		A	1,974,916
		A-	2,188,528
		BBB+	789,259
Negotiable Certificates of Deposit	N/A	N/A	8,845,399
Supranational Obligations	A	AAA	1,699,757
Local Agency Investment Fund (LAIF)	N/A	N/A	26,801,819
Money Market Funds	A	AAA	10,300
Cash with Fiscal Agent:			
Local Agency Investment Fund (LAIF)	N/A	N/A	2,110,611
Money Market Funds	A	AAA	12,304,026
			\$ 98,826,464

#### 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. 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 are as follows:

Issuer	Investment Type	Reported Amount	Percent of Investments
Federal National Mortgage Association	U.S. Agency Securities	\$ 6,806,805	8.06%
Federal Home Loan Mortgage Corporation	U.S. Agency Securities	6,292,947	7.46%

### (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 8)	\$ 10,905,036
Debt Service Reserves	Funds held in reserve for outstanding debt	2,140,159
Debt Proceeds	Construction of specific assets outlined in issues	10,552,120
		\$ 23,597,315

### (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, 2018, the District's unsold water purchases amounted to \$24,002,214.

# CUCAMONGA VALLEY WATER DISTRICT

Notes to the Basic Financial Statements, continued

June 30, 2018

## (5) Capital Assets

Changes in capital assets for the year were as follows:

	Balance July 1, 2017	Additions/ Transfers	Retirements/ Transfers	Balance June 30, 2018
<b>Non-Depreciable Assets:</b>				
Water:				
Land	\$ 6,876,087	\$ -	\$ -	\$ 6,876,087
Water rights	92,913,569	3,574	-	92,917,143
Construction in progress	3,058,042	2,352,453	(618,081)	4,792,414
Sewer:				
Construction in progress	90,005	93,922	-	183,927
Total non-depreciable assets	<u>102,937,703</u>	<u>2,449,949</u>	<u>(618,081)</u>	<u>104,769,571</u>
<b>Depreciable assets:</b>				
Water:				
Intangibles	167,295	-	-	167,295
Source of supply	24,579,185	38,732	-	24,617,917
Pumping plant	23,810,087	601,368	-	24,411,455
Transmission and distribution	211,792,034	3,184,975	-	214,977,009
Treatment plant	111,684,444	394,068	-	112,078,512
General water	49,467,177	708,739	-	50,175,916
Sewer:				
Intangibles	127,819	-	-	127,819
Pumping station	104,726	101,908	-	206,634
Collection and transmission	70,366,047	115,660	-	70,481,707
General sewer	9,948,534	185,697	-	10,134,231
Recycled Water:				
Waste water reclamation	5,789,952	-	-	5,789,952
General recycled water	5,000	-	-	5,000
Frontier Project Foundation:				
Office equipment	105,274	-	(20,910)	84,364
Total depreciable assets	<u>507,947,574</u>	<u>5,331,147</u>	<u>(20,910)</u>	<u>513,257,811</u>
<b>Less: accumulated depreciation</b>				
Water:				
Intangibles	(120,043)	(5,163)	-	(125,206)
Source of supply	(7,780,617)	(483,387)	-	(8,264,004)
Pumping plant	(10,333,995)	(1,089,676)	-	(11,423,671)
Transmission and distribution	(76,822,949)	(5,011,816)	-	(81,834,765)
Treatment plant	(37,434,216)	(3,569,875)	-	(41,004,091)
General water	(20,292,582)	(1,599,039)	-	(21,891,621)
Sewer:				
Intangibles	(71,094)	(3,122)	-	(74,216)
Pumping station	(64,589)	(5,660)	-	(70,249)
Collection and transmission	(33,178,616)	(1,389,429)	-	(34,568,045)
General sewer	(4,926,097)	(395,604)	-	(5,321,701)
Recycled Water:				
Waste water reclamation	(956,646)	(116,708)	-	(1,073,354)
General recycled water	(5,000)	-	-	(5,000)
Frontier Project Foundation:				
General Frontier Project	(102,190)	(1,225)	20,910	(82,505)
Total accumulated depreciation	<u>(192,088,634)</u>	<u>(13,670,704)</u>	<u>20,910</u>	<u>(205,738,428)</u>
Total depreciable assets, net	<u>315,858,940</u>	<u>(8,339,557)</u>	<u>-</u>	<u>307,519,383</u>
Total capital assets, net	<u>\$ 418,796,643</u>	<u>\$ (5,889,608)</u>	<u>\$ (618,081)</u>	<u>\$ 412,288,954</u>

**CUCAMONGA VALLEY WATER DISTRICT**

Notes to the Basic Financial Statements, continued

June 30, 2018

**(6) Interfund Transfers**

In the year ended June 30, 2018, the District made the following one-time transfers:

Transfer from the Water Utility Fund to the Sewer Utility Fund                      \$42,086

**(7) Long-term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2018, are as follows:

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2018</u>	<u>Current Portion</u>
Certificates of Participation	\$ 108,595,713	\$ -	\$(75,284,284)	\$ 33,311,429	\$ 2,389,286
Deferred Bond Premium	7,024,062	-	(4,740,859)	2,283,203	-
Net Certificates of Participation	115,619,775	-	(80,025,143)	35,594,632	2,389,286
Revenue Bonds	65,820,000	73,455,000	(1,845,000)	137,430,000	5,055,000
Deferred Bond Premium	5,710,661	654,049	(289,229)	6,075,481	-
Net Revenue Bonds	71,530,661	74,109,049	(2,134,229)	143,505,481	5,055,000
CalPERS Net Pension Liability (Note 14)	21,392,007	6,176,845	(3,032,158)	24,536,694	-
Excess Benefit Net Pension Liability (Note 16)	1,555,938	128,662	(25,709)	1,658,891	-
Net Pension Liability	22,947,945	6,305,507	(3,057,867)	26,195,585	-
Leases Payable	8,987,030	-	(1,416,571)	7,570,459	933,916
Loan Payable	484,408	-	(68,896)	415,512	34,486
Compensated Absences	2,022,597	1,073,738	(1,124,189)	1,972,146	1,124,189
Net OPEB Liability (note 17)	13,664,146 <sup>(1)</sup>	1,223,718	(984,000)	13,903,864	-
	<u>\$ 235,256,562</u>	<u>\$ 82,712,012</u>	<u>\$(88,810,895)</u>	<u>\$ 229,157,679</u>	<u>\$ 9,536,877</u>

(1) The beginning balance has been restated to add the retrospective net OPEB liability in accordance with GASB Statement No. 75. See Note 20.

Certificates of participation principal balances for the year ended June 30, 2018 are as follows:

2009 Certificates of Participation	\$ 5,745,000
2011 Certificates of Participation	27,420,000
2009 Clean Renewable Energy Bonds	146,429
	<u>\$ 33,311,429</u>

Revenue Bond principal balances for the year ended June 30, 2018 are as follows:

2012 Revenue Bonds	\$ 34,200,000
2014 Revenue Bonds	10,230,000
2016 Revenue Bonds	19,545,000
2018A Revenue Bonds	9,710,000
2018B Revenue Bonds	63,745,000
	<u>\$ 137,430,000</u>

**CUCAMONGA VALLEY WATER DISTRICT**

*Notes to the Basic Financial Statements, continued*

June 30, 2018

---

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

Leases Payable principal balances for the year ended June 30, 2018 are as follows:

2010 Fixed Network Meter Replacement	\$	1,248,578
2016 Fixed Network Meter Replacement		<u>6,321,881</u>
	\$	<u>7,570,459</u>

**2009 Certificates of Participation**

In April 2009, the Cucamonga Public Facilities Corporation issued Certificates of Participation in the amount of \$27,960,000. The proceeds were used to fund the acquisition and construction of certain capital improvements and equipment, to provide for a reserve fund, and to pay for the costs of issuance.

The 2009 Certificates of Participation are scheduled to mature annually on September 1, 2010 to September 1, 2020 in amounts ranging from \$1,420,000 to \$2,005,000. Interest is payable semiannually on March 1 and September 1 of each year with interest rates ranging from 2% to 5.625%.

Debt service requirements on the 2009 Certificates of Participation are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,825,000	\$ 241,625	\$ 2,066,625
2020	1,915,000	148,125	2,063,125
2021	<u>2,005,000</u>	<u>50,125</u>	<u>2,055,125</u>
	<u>\$ 5,745,000</u>	<u>\$ 439,875</u>	<u>\$ 6,184,875</u>

**2011 Certificates of Participation**

In August 2011, the Cucamonga Public Facilities Corporation issued Certificates of Participation in the amount of \$109,475,000. The proceeds of the Certificates were used to defease the 2000 Certificates of Participation outstanding in the amount of \$84,860,000 and to defease the 2001 Certificates of Participation outstanding in the amount of \$33,315,000.

The deferred amount on the refunding (the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt) was \$3,477,217. At June 30, 2018 the remaining unamortized deferred amount of \$852,800 on the refunding is shown as a deferred outflow of resources.

The 2011 Certificates are scheduled to mature annually on September 1, 2018 to September 1, 2036 in amounts ranging from \$1,655,000 to \$8,315,000. Interest is payable semi-annually on March 1 and September 1 of each year ranging from 0.25% to 5.38%.

**CUCAMONGA VALLEY WATER DISTRICT**

Notes to the Basic Financial Statements, continued

June 30, 2018

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

Debt service requirements on the 2011 Certificates of Participation are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 535,000	\$ 1,366,775	\$ 1,901,775
2020	555,000	1,346,375	1,901,375
2021	575,000	1,326,675	1,901,675
2022	595,000	1,306,375	1,901,375
2023	610,000	1,282,850	1,892,850
2024-2028	8,325,000	5,383,188	13,708,188
2029-2033	10,325,000	2,940,763	13,265,763
2034-2036	5,900,000	486,706	6,386,706
	<u>\$ 27,420,000</u>	<u>\$ 15,439,707</u>	<u>\$ 42,859,707</u>

**2009 Clean Renewable Energy Bonds**

In April 2009, the Cucamonga Public Facilities Corporation issued Certificates of Participation in the amount \$410,000 under the provisions of the American Recovery and Reinvestment Act (“Act”). Under the Act, public agencies may issue Clean Renewable Energy Bonds (“CREBs”), which are interest-free loans for projects that promote clean renewable energy. In return for their investments, investors are allowed a tax credit under this provision. Since the investor is making money in the form of a tax credit, no imputed interest will be calculated. The proceeds were used to fund renewable energy initiatives related to the construction of the Frontier Project building.

The 2009 Clean Renewable Energy Bonds are scheduled to mature annually on September 1, 2018 through September 1, 2022 in the amount of \$29,286.

Debt service requirements on the 2009 Clean Renewable Energy Bonds are as follows:

<u>Year</u>	<u>Principal</u>
2019	\$ 29,286
2020	29,285
2021	29,286
2022	29,286
2023	29,286
	<u>\$ 146,429</u>

**2012 Revenue Bonds**

In October 2012, the Cucamonga Valley Water District Financing Authority issued Revenue Bonds in the amount of \$37,885,000. The proceeds were used to fund the acquisition and construction of certain capital improvements and equipment, and to pay for the costs of issuance.

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

June 30, 2018

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

The 2012 Revenue Bonds are scheduled to mature annually on September 1, 2018 to September 1, 2042 in amounts ranging from \$690,000 to \$2,215,000. Interest is payable semiannually on March 1 and September 1 of each year with interest rates ranging from 2.5% to 4%.

Debt service requirements on the 2012 Certificates of Participation are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 825,000	\$ 1,446,888	\$ 2,271,888
2020	860,000	1,413,188	2,273,188
2021	895,000	1,378,087	2,273,087
2022	930,000	1,341,587	2,271,587
2023	970,000	1,303,587	2,273,587
2024-2028	5,450,000	5,914,313	11,364,313
2029-2033	6,385,000	4,975,050	11,360,050
2034-2038	7,830,000	3,531,250	11,361,250
2039-2043	10,055,000	1,306,875	11,361,875
	<u>\$ 34,200,000</u>	<u>\$ 22,610,825</u>	<u>\$ 56,810,825</u>

**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, 2018 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>
2019	\$ 675,000	\$ 439,263	\$ 1,114,263
2020	710,000	408,188	1,118,188
2021	735,000	379,288	1,114,288
2022	770,000	345,338	1,115,338
2023	810,000	305,838	1,115,838
2024-2028	4,750,000	781,065	5,531,065
2029-2030	1,780,000	68,519	1,848,519
	<u>\$ 10,230,000</u>	<u>\$ 2,727,499</u>	<u>\$ 12,957,499</u>

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

June 30, 2018

**(7) Long-term Liabilities, continued****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>
2019	\$ 435,000	\$ 736,162	\$ 1,171,162
2020	455,000	718,363	1,173,363
2021	485,000	697,137	1,182,137
2022	2,390,000	625,263	3,015,263
2023	2,515,000	502,637	3,017,637
2024-2028	-	2,198,813	2,198,813
2029-2033	935,000	2,184,787	3,119,787
2034-2037	12,330,000	1,189,094	13,519,094
	<u>\$ 19,545,000</u>	<u>\$ 8,852,256</u>	<u>\$ 28,397,256</u>

**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>
2019	\$ -	\$ 294,195	\$ 294,195
2020	-	401,175	401,175
2021	-	401,175	401,175
2022	-	401,175	401,175
2023	-	401,175	401,175
2024-2028	-	2,005,875	2,005,875
2029-2033	2,290,000	1,970,094	4,260,094
2034-2036	7,420,000	547,056	7,967,056
	<u>\$ 9,710,000</u>	<u>\$ 6,421,920</u>	<u>\$ 16,131,920</u>

## CUCAMONGA VALLEY WATER DISTRICT

Notes to the Basic Financial Statements, continued

June 30, 2018

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

#### 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%. The advance refunding resulted in an economic gain (difference between the present values of the old and new debt service payments) of \$4,037,378 and a reduction of cash flow payments of approximately \$30,160,606.

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>
2019	\$ 3,120,000	\$ 1,557,247	\$ 4,677,247
2020	2,500,000	2,070,234	4,570,234
2021	2,565,000	2,002,218	4,567,218
2022	2,640,000	1,927,782	4,567,782
2023	2,705,000	1,847,967	4,552,967
2024-2028	26,865,000	6,904,808	33,769,808
2029-2032	23,350,000	1,703,110	25,053,110
	<u>\$ 63,745,000</u>	<u>\$ 18,013,366</u>	<u>\$ 81,758,366</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>
2019	\$ 147,786	\$ 42,849	\$ 190,635
2020	153,163	37,472	190,635
2021	158,736	31,899	190,635
2022	164,512	26,123	190,635
2023	170,498	20,137	190,635
2024-2026	453,883	22,705	476,588
	<u>\$ 1,248,578</u>	<u>\$ 181,185</u>	<u>\$ 1,429,763</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, 2018, 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%.

**CUCAMONGA VALLEY WATER DISTRICT**

Notes to the Basic Financial Statements, continued

June 30, 2018

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 786,130	\$ 127,802	\$ 913,932
2020	802,929	111,003	913,932
2021	820,087	93,845	913,932
2022	837,611	76,320	913,931
2023	855,510	58,421	913,931
2024-2026	2,219,614	65,215	2,284,829
	<u>\$ 6,321,881</u>	<u>\$ 532,606</u>	<u>\$ 6,854,487</u>

**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>
2019	\$ 34,486
2020	34,507
2021	34,537
2022	34,562
2023	34,588
2024-2028	173,325
2029-2030	69,507
	<u>\$ 415,512</u>

**(8) 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, 2018 is \$10,905,036.

**CUCAMONGA VALLEY WATER DISTRICT**

Notes to the Basic Financial Statements, continued

June 30, 2018

**(9) 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, 2018 is \$2,277,467.

**(10) Net Investment in Capital Assets**

Investment in capital assets, net of related debt, at June 30, 2018, consisted of the following:

Non-depreciable capital assets	\$ 104,769,571
Depreciable capital assets, net	307,519,383
Lease payable - current portion	(933,916)
Certificates of participation - current portion	(2,389,286)
Revenue bonds - current portion	(5,055,000)
Lease payable - non-current portion	(6,636,543)
Certificates of participation - non-current portion	(31,065,187)
Revenue bonds - non-current portion	(127,898,361)
Deferred charge - refunding of certificates of participation	4,256,542
	<u>\$ 242,567,203</u>

**(11) 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, 2018 are as follows:

<u>Reserve Types</u>	<u>Fund</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Recycled Water</u>
Capital			
Facility & Equipment Replacement	\$ 5,000,000	\$ 20,000,000	\$ -
Emergency	1,000,000 <sup>(1)</sup>	822,000 <sup>(1)</sup>	- <sup>(1)</sup>
Administrative	100,000	86,000	-
Local Water Resource Development	1,000,000	N/A	N/A
Liquidity			
Operating	5,258,467 <sup>(2)</sup>	10,240,000 <sup>(2)</sup>	- <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
Undesignated	-	\$ 685,713	\$ (1,021,030)
Total Unrestricted Net Position	<u>\$ 25,169,189</u>	<u>\$ 31,833,713</u>	<u>\$ (1,021,030)</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.

## CUCAMONGA VALLEY WATER DISTRICT

Notes to the Basic Financial Statements, continued

June 30, 2018

---

### (12) Capital Contributions

Capital contributions for the fiscal year ending June 30, 2018 were as follows:

Developer fees	<u>\$ 3,655,449</u>
Total Contributed Capital	<u>\$ 3,655,449</u>

### (13) 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. Market value of all plan assets held in trust by the District's three deferred compensation plans at June 30, 2018 amounted to \$5,982,132.

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.

### (14) 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 15)</u>	<u>PARS</u> <u>(Note 16)</u>	<u>Excess Benefit</u> <u>(Note 17)</u>	<u>Total</u>
Net pension liability	\$ 24,536,694	\$ -	\$ 1,658,891	\$ 26,195,585
Net pension asset	-	881,492	-	881,492
Pension plans deferred outflows	8,362,538	357,459	620,436	9,340,433
Pension plans deferred inflows	881,906	994,222	622,636	2,498,764
Pension expense	3,734,579	(68,031)	85,075	3,751,623

### (15) CalPERS Pension Plan

#### **Plan Description**

The District contributes to the California Public Employees Retirement System (CalPERS), an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public agencies within the State of California. Benefit provisions and all other requirements are established by state statute and the District. Copies of PERS annual financial report may be obtained from their executive Office at 400 P Street, Sacramento, CA, 95814.

#### **Benefits Provided**

Employees are eligible for benefits under the plan in one of three tiers. Employees hired before January 10, 2011 are in Tier 1, employees hired after January 11, 2011 are in Tier 2, and employees hired after January 1, 2013 are in Tier 3. The benefit formula for employees in Tier 1 is 2.5% at 55, the benefit formula for employees in Tier 2 is 2.0% at 60, and the benefit formula for employees in Tier 3 is 2.0% at 62.

**CUCAMONGA VALLEY WATER DISTRICT**

*Notes to the Basic Financial Statements, continued*

June 30, 2018

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

The final average compensation period is 12 months for employees in Tier 1, and 36 months for employees in Tiers 2 and 3. Beneficiaries in all tiers are current receiving a 2% cost of living adjustment (COLA).

Employees Covered Table:

Inactive employees or beneficiaries current receiving benefits	87
Inactive employees entitled to but not yet receiving benefits	43
Active employees	<u>127</u>
Total	257

***Contribution Description***

Section 20814(c) of the California Public Employees’ Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS’ annual actuarial valuation process. 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. For the measurement period ended June 30, 2016 (the measurement date), the average active employee contribution rate is 8% for Tier 1 employees and 7% for Tier 2 and 3 employees. Tier 1 employees pay 4% of the 8% required contribution and Tier 2 employees pay 4% of their 7% required contribution. The District makes the remaining portion of the contributions required of District Tier 1 and 2 employees on their behalf and for their account. Tier 3 employees must pay the full 7% share. The employer’s contribution rate is 19.839% of annual payroll. Employer contribution rates may change if plan contracts are amended. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any Employer Paid Member Contributions or situations where members are paying a portion of the employer contribution.

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

For the measurement period ended June 30, 2017 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2016 total pension liability. The June 30, 2016 and the June 30, 2017 total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table (1)	Derived using CalPERS’ Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

(1) The mortality table used was developed based on CalPERS’ specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

## CUCAMONGA VALLEY WATER DISTRICT

Notes to the Basic Financial Statements, continued

June 30, 2018

---

### (15) CalPERS Pension Plan, continued

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

#### **Change of Assumptions**

GASB 68, paragraph 68 states that the long long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension administrative expense. CalPERS reduced the discount rate from 7.65 percent to 7.15 percent for the June 30, 2017 measurement date.

#### **Discount Rate**

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of 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, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years.

Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 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 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 equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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.

**CUCAMONGA VALLEY WATER DISTRICT**

Notes to the Basic Financial Statements, continued

June 30, 2018

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

<b>Asset Class</b>	<b>New Strategic Allocation</b>	<b>Real Return Years 1 - 10 <sup>(1)</sup></b>	<b>Real Return Years 11+ <sup>(2)</sup></b>
Global Equity	47.00%	4.90%	5.38%
Private Equity	12.00%	6.60%	6.63%
Global Fixed Income	19.00%	0.80%	2.27%
Liquidity	2.00%	-0.40%	-0.90%
Real Estate	11.00%	2.80%	5.21%
Inflation Sensitive	6.00%	0.60%	1.39%
Infrastructure and Forestland	3.00%	3.90%	5.36%

(1) An expected inflation of 2.5% used for this period

(2) An expected inflation of 3.0% used for this period

**Pension Plan Fiduciary Net Position**

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 Comprehensive Annual 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: 6/30/2016 (Valuation Date) <sup>(1)</sup>	\$ 73,747,579	\$ 52,355,572	\$ 21,392,007
Changes Recognized for the Measurement Period:			
Service Cost	1,758,184	-	1,758,184
Interest on the Total Pension Liability	5,620,418	-	5,620,418
Changes of Assumptions	5,233,031	-	5,233,031
Difference between Expected and Actual Experience	157,575	-	157,575
Contribution from the Employer	-	3,044,601	(3,044,601)
Contributions from Employees	-	804,638	(804,638)
Net Investment Income <sup>(2)</sup>	-	5,852,581	(5,852,581)
Benefit Payments including Refunds of Employee Contributions	(2,820,091)	(2,820,091)	-
Administrative Expense	-	(77,299)	77,299
Net Changes During 2016-17	9,949,117	6,804,430	3,144,687
Balance at: 6/30/2017 (Measurement Date) <sup>(1)</sup>	\$ 83,696,696	\$ 59,160,002	\$ 24,536,694

(1) The fiduciary net position includes receivables for employee service buybacks, deficiency reserves, and fiduciary self-insurance. This may differ from the plan assets reported in the funding actuarial valuation report.

(2) Net of administrative expenses.

**CUCAMONGA VALLEY WATER DISTRICT**

Notes to the Basic Financial Statements, continued

June 30, 2018

**(15) 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)	\$ 37,507,503	\$ 24,536,694	\$ 14,003,137

**Subsequent Events**

In December 2016, the CalPERS Board of Administration voted to lower the discount rate used to determine contributions from 7.5 percent to 7.0 percent over the next three years. For public agencies, the discount rate changes approved by the Board for the next three fiscal years ending June 30, 2019, 2020, and 2021 are 7.38%, 7.25%, and 7.00%, respectively. Additionally, a new amortization policy will become effective June 30, 2019 which shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed using a level dollar amount.

**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 Plan for the 2016-17 measurement period is 4.5 years, which was obtained by dividing the total service years of 1,306 (the sum of remaining service lifetimes of the active employees) by 272 (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.

## CUCAMONGA VALLEY WATER DISTRICT

Notes to the Basic Financial Statements, continued

June 30, 2018

### (15) CalPERS Pension Plan, continued

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

For the measurement period ending June 30, 2017 (the measurement date), the District incurred a pension expense/(income) of \$3,734,579 for the Plan.

As of June 30, 2018, 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	\$ 4,142,816	\$ (551,489)
Difference between Expected and Actual Experience	374,170	(330,417)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	787,019	-
Contributions subsequent to the Measurement Date	3,058,533	-
<b>Total</b>	<b>\$ 8,362,538</b>	<b>\$ (881,906)</b>

\$3,058,533 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
2018	\$ 867,514
2019	1,730,035
2020	1,342,283
2021	482,267
2022	-
Thereafter	-

### (16) 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.

#### *Eligibility and Benefit*

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.

**CUCAMONGA VALLEY WATER DISTRICT**

Notes to the Basic Financial Statements, continued

June 30, 2018

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

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:

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.

Employees Covered Table:

Inactive employees or beneficiaries current receiving benefits	1
Active employees	86
Total	87

**Contribution Description**

The District currently funds the Plan through the PARS trust. As of June 30, 2017, the market value of Plan assets is \$5,827,994. The actuarial value of asset method smooths past asset gains and losses over five years. The actuarial value of Plan assets at June 30, 2017 is \$5,841,627.

The contribution for the 2017/2018 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.

In addition to being updated for new census and asset information, the valuation reflects an update to the demographic (mortality and retirement) assumptions to reflect rates from the most recent CalPERS experience study.

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

For the measurement period ended June 30, 2017 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2016 total pension liability. The June 30, 2016 and the June 30, 2017 total pension liabilities were based on the following actuarial methods and assumptions:

**CUCAMONGA VALLEY WATER DISTRICT**

*Notes to the Basic Financial Statements, continued*

June 30, 2018

---

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

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 73
Actuarial Assumptions	
Discount Rate	3.56%
Inflation	2.75%
Salary Increases	3.0% per annum, in aggregate
Investment Rate of Return	N/A
Mortality Rate Table (1)	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Assumed to increase 2% per year

(1) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

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

Changes since the prior valuation:

- The discount rate increased from 5.00% to 6.75% to reflect updated capital market assumptions.
- The salary increase assumption was updated to reflect the 2014 CalPERS experience study.
- The increase rate for the IRC 415 and 401(a)(17) limits changed from 3.00% to 2.75% to match the assumed inflation rate.
- An assumption regarding spouse information was added for simplification.

***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 as of June 30, 2017 the measurement date, is \$4,960,135. This amount represents the present value of all Plan benefits projected to be paid by the District for current and future retirees. If the District were to place this amount in a fund earning interest at the rate of 6.75% per year, and all other actuarial assumptions were met, the fund would have enough to pay all expected benefits. This includes Plan 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, 2018

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

#### 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.

Asset Class	Long-Term	
	Strategic Allocation	Expected Real Rate of Return
Domestic Equity	33.00%	5.39% - 5.96%
International Equity	17.00%	5.20% - 6.25%
Fixed Income	48.00%	1.98% - 3.76%
Real Estate and Alternatives	0.00%	4.25%
Cash and Equivalents	2.00%	0.79%

#### Changes in the Net Pension Asset

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: 6/30/2016 (Valuation Date)	\$ 4,780,965	\$ 5,390,180	\$ (609,215)
Changes Recognized for the Measurement Period:			
Service Cost	105,656	-	105,656
Interest on the Total Pension Liability	324,556	-	324,556
Difference between Expected and Actual Experience	(130,125)	-	(130,125)
Changes of Assumptions	35,844	-	35,844
Changes of Benefit Terms	-	-	-
Contribution from the Employer	-	180,000	(180,000)
Contributions from Employees	-	-	-
Net Investment Income	-	457,755	(457,755)
Benefit Payments including Refunds of Employee Contributions	(156,761)	(156,761)	-
Administrative Expense	-	(29,547)	29,547
Net Changes During 2016-17	179,170	451,447	(272,277)
Balance at: 6/30/2017 (Measurement Date)	\$ 4,960,135	\$ 5,841,627	\$ (881,492)

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

The annual required contribution is highly sensitive to some of the assumptions used in the valuation. To the extent that a single or a combination of assumptions is not met the future liability may fluctuate significantly from its current measurement.

The following presents the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 6.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.75%) or 1 percentage-point higher (7.75%) than the current rate:

**CUCAMONGA VALLEY WATER DISTRICT**

Notes to the Basic Financial Statements, continued

June 30, 2018

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

	Discount Rate - 1% (5.75%)	Current Discount Rate (6.75%)	Discount Rate +1% (7.75%)
Plan's Net Pension Liability/(Assets)	\$ (131,681)	\$ (881,492)	\$ (1,493,770)

**Subsequent Events**

A new amortization policy will become effective June 30, 2019 which shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed using a level dollar amount.

**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

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

For the measurement period ending June 30, 2017 (the measurement date), the District incurred a pension expense/(income) of (\$68,031) for the Plan.

As of June 30, 2018, 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	\$ 29,717	\$ (851,935)
Difference between Expected and Actual Experience	-	(142,287)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	147,742	-
Contributions subsequent to the Measurement Date	180,000	-
<b>Total</b>	<b>\$ 357,459</b>	<b>\$ (994,222)</b>

**CUCAMONGA VALLEY WATER DISTRICT**

*Notes to the Basic Financial Statements, continued*

June 30, 2018

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

\$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
2018	\$ (165,104)
2019	(165,104)
2020	(192,116)
2021	(248,706)
2022	(45,733)
Thereafter	-

**(17) 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.

***Eligibility***

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.

***Funding Policy***

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.

Employees Covered Table:

Inactive employees or beneficiaries current receiving benefits	1
Active employees	86
Total	<u>87</u>

***Contribution Description***

The District does not contribute beyond the current year member benefit payments.

**CUCAMONGA VALLEY WATER DISTRICT**

Notes to the Basic Financial Statements, continued

June 30, 2018

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

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

For the measurement period ended June 30, 2017 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2016 total pension liability. The June 30, 2017 total pension liabilities were 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	3.56%
Inflation	2.75%
Salary Increases	3.0% per annum, in aggregate
Investment Rate of Return	N/A
Mortality Rate Table (1)	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Assumed to increase 2% per year

(1) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

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

Changes in assumptions since the prior valuation:

- The discount rate increased from 3.75% to 3.80% based on bond index rates.
- The salary increase assumption was updated to reflect the 2014 CalPERS experience study.
- The increase rate for the IRC 415 and 401(a)(17) limits changed from 3.00% to 2.75% to match the assumed inflation rate.
- An assumption regarding spouse information was added for simplification.

**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: 6/30/2016 (Valuation Date)	\$ 1,555,938	\$ -	\$ 1,555,938
Changes Recognized for the Measurement Period:			
Service Cost	45,946	-	45,946
Interest on the Total Pension Liability	45,287	-	45,287
Difference between Expected and Actual Experience	327,832	-	327,832
Changes of Assumptions	(290,403)	-	(290,403)
Benefit Payments including Refunds of Employee Contributions	(25,709)	-	(25,709)
Net Changes During 2016-17	102,953	-	102,953
Balance at: 6/30/2017 (Measurement Date)	\$ 1,658,891	\$ -	\$ 1,658,891

**CUCAMONGA VALLEY WATER DISTRICT**

Notes to the Basic Financial Statements, continued

June 30, 2018

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

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

The annual required contribution is highly sensitive to some of the assumptions used in the valuation. To the extent that a single or a combination of assumptions is not met the future liability may fluctuate significantly from its current measurement.

The following presents the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 3.56 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 (2.56 percent) or 1 percentage-point higher (4.56 percent) than the current rate:

	Discount Rate - 1% (2.56%)	Current Discount Rate (3.56%)	Discount Rate +1% (4.56%)
Plan's Net Pension Liability/(Assets)	\$ 1,981,935	\$ 1,658,891	\$ 1,403,700

***Subsequent Events***

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

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

For the measurement period ending June 30, 2017 (the measurement date), the District incurred a pension expense/(income) of \$85,075 for the Plan.

As of June 30, 2018, 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	\$ 183,072	\$ 622,636
Difference between Expected and Actual Experience	400,351	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	-
Contributions subsequent to the Measurement Date	37,013	-
<b>Total</b>	<b>\$ 620,436</b>	<b>\$ 622,636</b>

\$37,013 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
2018	\$ (6,158)
2019	(6,158)
2020	(6,158)
2021	(6,158)
2022	(6,158)
Thereafter	(8,423)

## CUCAMONGA VALLEY WATER DISTRICT

Notes to the Basic Financial Statements, continued

June 30, 2018

---

### (18) 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.

#### Eligibility

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

	<u>Minimum Age at Retirement</u>	<u>Years of Service with District</u>	<u>Coverage Provided</u>
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
Tier 5 - Hired After 1/1/2011	-	5	Health Reimbursement Account

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

#### Employees Covered Table:

Active employees	70
Active employees waiving coverage	17
Inactive employees or beneficiaries current receiving benefits:	40
Total:	<u>127</u>

#### Funding Policy

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% of the Annual Required Contribution (ARC). Benefit payments equal to the annual direct plus implicit subsidy are paid from the trust. For fiscal year 2018, the District contributed \$1,311,239 to the plan, including \$632,357 for current premiums (approximately 48% of the total premiums) and an additional \$678,882 to prefund. Plan members receiving benefits contributed \$98,668, or approximately 16% of the total premiums.

#### Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

**CUCAMONGA VALLEY WATER DISTRICT**

*Notes to the Basic Financial Statements, continued*

June 30, 2018

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

	Entry Age Normal
Actuarial Assumptions	
Discount Rate	7.28%
Inflation	2.75%
Salary Increases	3.00%
Investment Rate of Return	7.28%, assuming actuarially determined contributions funded into CERBT Investment Strategy 1
Mortality Rate <sup>(1)</sup>	Derived using CalPERS' Membership Data for all Funds
Pre-Retirement Turnover <sup>(2)</sup>	Derived using CalPERS' Membership Data for all Funds
Healthcare Trend Rate	Based on recent premium experience assuming 4%-7% increase due to market trends then reduced to a rate reflecting medical price inflation

(1) Pre-retirement mortality information was derived from data collected during 1997 to 2011 CalPERS Experience Study dated January 2014 and post-retirement mortality information was derived from the 2007 to 2011 CalPERS Experience Study. The Experience Study Reports may be accessed on the CalPERS website [www.calpers.ca.gov](http://www.calpers.ca.gov) under Forms and Publications.

(2) The pre-retirement turnover information was developed based on CalPERS' specific data. For more details, please refer to the 2007 to 2011 Experience Study Report. The Experience Study Report may be accessed on the CalPERS website [www.calpers.ca.gov](http://www.calpers.ca.gov) under Forms and Publications.

**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:

<u>Asset Class</u>	<b>Strategy 1</b>	
	<b>Strategic Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Inflation Assets	57.00%	5.25%
Global Debt Securities	27.00%	2.25%
Treasury Inflation-Protected Securities	5.00%	1.25%
REITs	8.00%	4.50%
Commodities	3.00%	1.25%

The discount rate used to measure the total OPEB liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that Authority 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.

**CUCAMONGA VALLEY WATER DISTRICT**

Notes to the Basic Financial Statements, continued

June 30, 2018

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

**Changes in the OPEB Liability**

The changes in the net OPEB liability are as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Assets)
	(a)	(b)	(c)=(a)-(b)
Balance at: 6/30/2017 (Valuation Date 6/30/16)	\$ 18,867,302	\$ 5,203,156	\$ 13,664,146
Changes Recognized for the Measurement Period:			
Service Cost	432,544	-	432,544
Interest	1,384,413	-	1,384,413
Contribution from the Employer	-	984,000	(984,000)
Contributions from Employees	-	596,123	(596,123)
Benefit Payments	(566,374)	(566,374)	-
Administrative Expense	-	(2,883)	2,883
Net Changes	1,250,583	1,010,866	239,717
Balance at: 6/30/2018 (Measurement Date 6/30/17)	<u>\$ 20,117,885</u>	<u>\$ 6,214,022</u>	<u>\$ 13,903,863</u>

**Sensitivity of the Net Pension 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, 2017:

	Discount Rate - 1% (6.28%)	Current Discount Rate (7.28%)	Discount Rate +1% (8.28%)
Net OPEB Liability	\$ 16,849,665	\$ 13,903,863	\$ 11,476,541

**Sensitivity of the Net Pension 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, 2017:

	Trend Rates - 1% (5.80%)	Current Trend Rates (6.80%)	Trend Rates +1% (7.80%)
Net OPEB Liability	\$ 11,262,864	\$ 13,903,863	\$ 17,162,735

**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.

**CUCAMONGA VALLEY WATER DISTRICT**

Notes to the Basic Financial Statements, continued

June 30, 2018

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

**Recognition of Deferred Outflows and Deferred Inflows of Resources**

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

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

The 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, 2018, the District recognized OPEB expense of \$1,374,070. As of fiscal year ended June 30, 2018, the District reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference between Projected and Actual Earnings on Investments	\$ -	\$ 150,352
Contributions subsequent to the Measurement Date	1,311,240	-
<b>Total</b>	<b>\$ 1,311,240</b>	<b>\$ 150,352</b>

The \$1,311,240 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2017 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

Measurement Period ended June 30:	Deferred Outflows/(Inflows) of Resources
2018	\$ (37,588)
2019	(37,588)
2020	(37,588)
2021	(37,588)
2022	-
Thereafter	-

## CUCAMONGA VALLEY WATER DISTRICT

Notes to the Basic Financial Statements, continued

June 30, 2018

---

### (19) 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 has purchased various insurance policies to manage the potential liabilities that may occur from the previously named sources and is a member of the Association of California Water Agencies Joint Powers Insurance Authority ("Authority"). The Authority is a risk-pooling, self-insurance authority, created under provisions of California Government Code Sections 6500 et. seq. The purpose of the Authority is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage. At June 30, 2018, the District participated in the liability and property programs of the Authority as follows:

**Property Loss:** Insured up to replacement value with \$25,000 deductible per occurrence for buildings, personal property, fixed equipment, and catastrophic coverage. The deductible for mobile equipment is \$5,000. The deductible on vehicles is \$5,000. The boiler and machinery deductible varies on incident. There is a \$150,000,000 program limit with replacement value. These deductibles vary based on the property type. The Authority is self-insured up to \$100,000 per occurrence and has purchased excess insurance coverage in the amount of \$50,000,000.

**General Liability:** The District is insured for general liability through ACWA/JPIA up to \$2,000,000 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 through ACWA/JPIA up to \$2,000,000 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 through ACWA/JPIA with \$10,000 deductible 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.

**Public Officials' and Employees' Errors and Omissions:** The District is insured for through ACWA/JPIA 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 Authority 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 any of the last three fiscal years and there were no reductions in the District's insurance coverage during the years ending June 30, 2018, 2017 and 2016. 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, 2018, 2017 and 2016.

### (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.

**CUCAMONGA VALLEY WATER DISTRICT**

*Notes to the Basic Financial Statements, continued*

June 30, 2018

---

**(20) Commitments and Contingencies, continued**

***Construction Commitments***

The District has entered into several material construction contracts. The following schedule lists the major contractual commitments as of June 30, 2018:

<u>Project</u>	<u>Vendor</u>	<u>Amount</u>
Waterline in 210 Freeway and Banyan Street	C P Construction	\$ 859,373
Automatic Meter Reader Network	Itron	815,825
Meter Replacement	National Meter & Automation	596,131
New Well #48	C P Construction	502,499

***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.

**(21) Prior Period Adjustment**

The beginning net position has been decreased in all funds in the amount of \$ 8,847,426 to include the beginning balance of the OPEB liability in accordance with implementation of GASB Statement No. 75. Additionally, the beginning net position has been decreased by \$ 1,009,586 to correct water sales due to equipment malfunction. District staff discovered and corrected the error in the current fiscal year, but the cumulative effect from previous fiscal years warranted a restatement to beginning net position.

## **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	2017
<b>TOTAL PENSION LIABILITY</b>				
Service Cost	\$ 1,503,857	\$ 1,489,827	\$ 1,524,172	\$ 1,758,184
Interest	4,682,615	5,013,228	5,279,223	5,620,418
Changes of Benefits Terms	-	-	-	-
Changes in Assumptions	-	(1,378,724)	-	5,233,031
Difference Between expected and Actual Experience	-	623,559	(558,291)	157,575
Benefit Payments, Including Refunds of employee Contributions	(2,290,095)	(2,363,439)	(2,606,336)	(2,820,091)
<b>Net Change in Total Pension Liability</b>	<b>\$ 3,896,377</b>	<b>\$ 3,384,451</b>	<b>\$ 3,638,768</b>	<b>\$ 9,949,117</b>
Total Pension Liability - Beginning	62,827,983	66,724,360	70,108,811	73,747,579
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 66,724,360</b>	<b>\$ 70,108,811</b>	<b>\$ 73,747,579</b>	<b>\$ 83,696,696</b>
<b>PLAN FIDUCIARY NET POSITION</b>				
Contribution - Employer	\$ 1,517,017	\$ 1,653,572	\$ 1,817,385	\$ 3,044,601
Contribution - Employee	734,040	899,150	777,419	804,638
Net Investment Income	7,556,918	1,140,016	288,644	5,852,581
Benefit Payments, Including Refunds of Employee Contributions	(2,290,095)	(2,363,439)	(2,606,336)	(2,820,091)
Administrative Expense	-	(58,593)	(31,758)	(77,299)
<b>Net Change in Fiduciary Net Position</b>	<b>\$ 7,517,880</b>	<b>\$ 1,270,706</b>	<b>\$ 245,354</b>	<b>\$ 6,804,430</b>
Plan Fiduciary Net Position - Beginning	43,321,632	50,839,512	52,110,218	52,355,572
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 50,839,512</b>	<b>\$ 52,110,218</b>	<b>\$ 52,355,572</b>	<b>\$ 59,160,002</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>\$ 24,536,694</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>	<b>70.68%</b>
Covered Payroll	\$ 9,088,151	\$ 9,381,625	\$ 9,867,521	\$ 10,315,083
<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>	<b>237.87%</b>

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only four years are shown.

(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.

**Subsequent Events:** In December 2016, the CalPERS Board of Administration voted to lower the discount rate from 7.5 percent to 7.00 percent (net of administrative expense) over three years. For public agencies, the discount rate changes approved by the Board for the three fiscal years ending June 30, 2019, 2020 and 2021 are 7.38%, 7.25% and 7.00%.

**CUCAMONGA VALLEY WATER DISTRICT**

*Defined Benefit Pension Plan (PERS)*

*Schedule of Plan Contributions*

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Actuarially Determined Contribution	\$ 1,517,017	\$ 1,653,572	\$ 1,817,385	\$ 2,044,601	\$ 2,058,533
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>	<u>(3,058,533)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,000,000)</u>	<u>\$ (1,000,000)</u>
Covered Payroll	9,088,151	9,381,625	9,867,521	10,315,083	10,475,082
Contributions as a Percentage of Covered Payroll	16.69%	17.63%	18.42%	29.52%	29.20%

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only five years are shown.

**Note to Schedule:**

Valuation Date: June 30, 2015

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal cost method
Amortization method	Level percentage of payroll, closed
Assets valuation method	Market Value
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Payroll growth	3.00%
Investment rate of return	7.50% net of pension investment and administrative expenses, including inflation.

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

Mortality The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

# CUCAMONGA VALLEY WATER DISTRICT

## Retirement Enhancement Pension Plan (PARS)

### 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	2017
<b>TOTAL PENSION LIABILITY</b>				
Service Cost	\$ 155,755	\$ 167,923	\$ 96,326	\$ 105,656
Interest	275,262	291,019	306,815	324,556
Difference Between expected and Actual Experience	-	(59,276)	-	(130,125)
Changes in Assumptions	-	(1,467,793)	-	35,844
Changes of Benefits Terms	-	-	-	-
Benefit Payments, Including Refunds of employee Contributions	(128,070)	(128,012)	(142,508)	(156,761)
<b>Net Change in Total Pension Liability</b>	<b>\$ 302,947</b>	<b>\$ (1,196,139)</b>	<b>\$ 260,633</b>	<b>\$ 179,170</b>
Total Pension Liability - Beginning	5,413,524	5,716,471	4,520,332	4,780,965
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 5,716,471</b>	<b>\$ 4,520,332</b>	<b>\$ 4,780,965</b>	<b>\$ 4,960,135</b>
<b>PLAN FIDUCIARY NET POSITION</b>				
Contribution - Employer	\$ -	\$ 181,815	\$ 229,000	\$ 180,000
Contribution - Employee	-	-	-	-
Net Investment Income	642,211	116,980	72,824	457,755
Benefit Payments, Including Refunds of Employee Contributions	(105,433)	(128,012)	(142,508)	(156,761)
Administrative Expense	(51,373)	(29,113)	(29,467)	(29,547)
<b>Net Change in Fiduciary Net Position</b>	<b>\$ 485,405</b>	<b>\$ 141,670</b>	<b>\$ 129,849</b>	<b>\$ 451,447</b>
Plan Fiduciary Net Position - Beginning	4,633,256	5,118,661	5,260,331	5,390,180
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 5,118,661</b>	<b>\$ 5,260,331</b>	<b>\$ 5,390,180</b>	<b>\$ 5,841,627</b>
<b>Plan Net Pension Liability/(Assets) - Ending (a) - (b)</b>	<b>\$ 597,810</b>	<b>\$ (739,999)</b>	<b>\$ (609,215)</b>	<b>\$ (881,492)</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>	<b>117.77%</b>
Covered Payroll	\$ 8,374,988	\$ 8,237,008	\$ 8,060,799	\$ 7,785,307
<b>Plan Net Pension Liability/(Asset) as a Percentage of Covered Payroll</b>	<b>7.14%</b>	<b>-8.98%</b>	<b>-7.56%</b>	<b>-11.32%</b>

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only four years are shown.

(2) Net of administrative expenses.

#### Notes to Schedule:

Benefit Changes: There were no changes in benefits

Changes of Assumptions:

- \* The discount rate increased from 5.00% to 6.75% to reflect updated capital market assumptions.
- \* The salary increase assumption was updated to reflect 2014 CalPERS experience study.
- \* The increase rate for IRC 415 and 401(a)(17) limits changed from 3.00% to 2.75% to match the assumed inflation rate.
- \* An assumption regarding spouse information was added for simplification.

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Actuarially Determined Contribution	\$ 221,769	\$ 181,815	\$ 229,000	\$ 180,000	\$ 180,000
Contribution in Relation to the Actuarially Determined Contribution	-	(181,815)	(229,000)	(180,000)	(180,000)
Contribution Deficiency (Excess)	<u>\$ (221,769)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	8,257,925	8,237,008	8,060,799	7,785,307	7,606,373
Contributions as a Percentage of Covered Payroll	0.00%	2.21%	2.84%	2.31%	2.37%

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only five years are shown.

**Note to Schedule:**

Valuation Date: June 30, 2016

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	11 years
Assets valuation method	5-year
Inflation	2.75%
Salary Increases	3.0% per annum, in aggregate
Investment rate of return	6.75% net of pension investment and administrative expenses, including inflation.

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

Mortality: The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

# 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	2017
<b>TOTAL PENSION LIABILITY</b>				
Service Cost	\$ 59,051	\$ 70,173	\$ 33,058	\$ 45,946
Interest	55,507	59,298	48,835	45,287
Difference Between expected and Actual Experience	-	153,569	-	327,832
Changes in Assumptions	-	(517,106)	234,570	(290,403)
Changes of Benefits Terms	-	-	-	-
Benefit Payments, Including Refunds of employee Contributions	(24,485)	(24,711)	(25,205)	(25,709)
<b>Net Change in Total Pension Liability</b>	<b>\$ 90,073</b>	<b>\$ (258,777)</b>	<b>\$ 291,258</b>	<b>\$ 102,953</b>
Total Pension Liability - Beginning	1,433,384	1,523,457	1,264,680	1,555,938
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 1,523,457</b>	<b>\$ 1,264,680</b>	<b>\$ 1,555,938</b>	<b>\$ 1,658,891</b>
<b>PLAN FIDUCIARY NET POSITION</b>				
Contribution - Employer	\$ 22,330	\$ -	\$ -	\$ -
Contribution - Employee	-	-	-	-
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>	<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>\$ -</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>\$ 1,658,891</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>0.00%</b>
<b>Covered Payroll</b>	<b>\$ 8,374,988</b>	<b>\$ 8,237,008</b>	<b>\$ 8,060,799</b>	<b>\$ 7,785,307</b>
<b>Plan Net Pension Liability/(Asset) as a Percentage of Covered Payroll</b>	<b>18.15%</b>	<b>15.35%</b>	<b>19.30%</b>	<b>21.31%</b>

(1) Historical information is required only for measurement for which GASB 73 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only four years are shown.

(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:

- \* The discount rate increased from 3.75% to 3.80% based on bond index rates.
- \* The salary increase assumption was updated to reflect 2014 CalPERS experience study.
- \* The increase rate for IRC 415 and 401(a)(17) limits changed from 3.00% to 2.75% to match the assumed inflation rate.
- \* An assumption regarding spouse information was added for simplification.

# CUCAMONGA VALLEY WATER DISTRICT

## Excess Benefit Pension Plan

### Schedule of Plan Contributions

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

	2014	2015	2016	2017	2018
Actuarially Determined Contribution	\$ 24,360	\$ 24,360	\$ 25,205	\$ 25,709	\$ 37,013
Contribution in Relation to the Actuarially Determined Contribution	(24,360)	(24,360)	(25,205)	(25,709)	(37,013)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	8,257,925	8,237,008	8,060,799	7,785,307	7,606,373
Contributions as a Percentage of Covered Payroll	0.29%	0.30%	0.31%	0.33%	0.49%

(1) Historical information is required only for measurement for which GASB 73 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only five years are shown.

#### Note to Schedule:

Valuation Date: June 30, 2016

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	13 years
Assets valuation method	5-year
Inflation	2.75%
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: The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

**CUCAMONGA VALLEY WATER DISTRICT**

*Other Postemployment Benefits Plan*

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

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

<b>MEASUREMENT PERIOD</b>	<u><b>2017</b></u>
<b>TOTAL OPEB LIABILITY</b>	
Service Cost	\$ 432,544
Interest	1,384,413
Changes of Benefits Terms	-
Changes in Assumptions	-
Difference Between expected and Actual Experience	-
Benefit Payments	<u>(566,374)</u>
<b>Net Change in Total OPEB Liability</b>	<b>\$ 1,250,583</b>
Total OPEB Liability - Beginning	<u>18,867,302</u>
<b>Total OPEB Liability - Ending (a)</b>	<b><u>\$ 20,117,885</u></b>
<b>PLAN FIDUCIARY NET POSITION</b>	
Contribution - Employer	\$ 984,000
Contribution - Employee	596,123
Net Investment Income	-
Benefit Payments	(566,374)
Administrative Expense	<u>(2,883)</u>
<b>Net Change in Fiduciary Net Position</b>	<b>\$ 1,010,866</b>
Plan Fiduciary Net Position - Beginning	<u>5,203,156</u>
Plan Fiduciary Net Position - Ending (b)	<b><u>\$ 6,214,022</u></b>
<b>Plan Net OPEB Liability/(Assets) - Ending (a) - (b)</b>	<b><u>\$ 13,903,863</u></b>
<b>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</b>	<b>30.89%</b>
Covered Payroll	\$ 7,785,307
<b>Plan Net OPEB Liability/(Asset) as a Percentage of Covered Payroll</b>	<b>178.59%</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.

**Notes to Schedule:**

Changes of Assumptions: None

# CUCAMONGA VALLEY WATER DISTRICT

## Other Postemployment Benefits

### Schedule of Plan Contributions

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

---

	<u>2018</u>
Actuarially Determined Contribution	\$ 1,311,239
Contribution in Relation to the Actuarially Determined Contribution	<u>(1,311,239)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>
Covered Payroll	7,606,373
Contributions as a Percentage of Covered Payroll	17.24%

(1) Historical information is required only for measurement for which GASB 75 is applicable. Future years' information will be disclosed 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 2018 were from the June 30, 2017 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	2.75%
Payroll Growth	3% per annum, in aggregate
Investment Rate of Return	7.28% per annum. Assumes investing in California Employers' Retiree Benefit Trust asset allocation Strategy 1.
Healthcare cost-trend rates	6.8% initial, 0.1% near term increase then decreasing 0.5-0.6% per year to trend rate that reflects medical price inflation.
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	Pre-retirement mortality probability based on 2014 CalPERS 1997-2011 Experience Study covering CalPERS participants. Post-retirement mortality probability based on 2010 CalPERS Experience Study 2007-2011 covering participants in CalPERS.

# **Statistical Section**

# CUCAMONGA VALLEY WATER DISTRICT

## Statistical Section

---

This part of the District’s comprehensive annual 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

	<u>Page No.</u>
Financial Trends	64-67
These schedules contain information to help the reader understand how the District’s financial performance and well-being have changed over time.	
Revenue Capacity	69-71
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

	Fiscal Year			
	2009	2010	2011	2012
<b>Changes in net position:</b>				
Operating revenues (see Schedule 2)	\$ 55,672,904	\$ 61,108,993	\$ 65,781,091	\$ 74,705,240
Operating expenses (see Schedule 3)	<u>(57,386,251)</u>	<u>(60,061,448)</u>	<u>(58,192,485)</u>	<u>(61,486,795)</u>
Operating income(loss)	<u>(1,713,347)</u>	<u>1,047,545</u>	<u>7,588,606</u>	<u>13,218,445</u>
Non-operating revenues(expenses)				
Investment income	2,093,797	1,938,155	892,000	743,118
Taxes and assessments	39	38	11	11
Rent and lease revenue	199,636	246,329	214,842	243,668
Interest expense	(8,144,911)	(8,915,969)	(8,137,741)	(7,502,696)
Amortization of deferred charge on refunding	(179,187)	(193,578)	(199,334)	82,749
Gain (loss) on disposal of assets	89,965	335,387	223,398	21,935
Other nonoperating revenues	1,828,633	6,122,507	1,315,961	2,054,305
Other nonoperating expenses	<u>(1,281,167)</u>	<u>(4,045,032)</u>	<u>(947,727)</u>	<u>(945,085)</u>
Total non-operating revenues(expenses), net	<u>(5,393,195)</u>	<u>(4,512,163)</u>	<u>(6,638,590)</u>	<u>(5,301,995)</u>
Net income before capital contributions	(7,106,542)	(3,464,618)	950,016	7,916,450
Capital contributions	<u>1,484,108</u>	<u>2,845,995</u>	<u>1,931,751</u>	<u>1,404,950</u>
<b>Changes in net position</b>	<u>\$ (5,622,434)</u>	<u>\$ (618,623)</u>	<u>\$ 2,881,767</u>	<u>\$ 9,321,400</u>
<b>Net position by component:</b>				
Net investment in capital assets	\$ 217,733,045	\$ 207,808,294	\$ 206,948,235	\$ 215,183,046
Restricted for capital projects	-	2,110,995	1,704,332	3,164,707
Unrestricted	<u>55,215,878</u>	<u>62,411,011</u>	<u>66,559,500</u>	<u>66,185,714</u>
<b>Total net position</b>	<u>\$ 272,948,923</u> <sup>(1)</sup>	<u>\$ 272,330,300</u>	<u>\$ 275,212,067</u>	<u>\$ 284,533,467</u>

#### Notes:

- (1) The District made a prior period adjustment of (\$1,052,393).
- (2) The District made a net prior period adjustment of (\$67,589).
- (3) The District made a net prior period adjustment of (\$20,395,643).
- (4) The District made a prior period adjustment of (\$7,045,639).
- (5) The District made a prior period adjustment of (\$9,857,012).

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

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 77,575,410	\$ 83,426,225	\$ 77,904,102	\$ 81,198,764	\$ 84,522,917	\$ 92,921,423
(62,940,607)	(67,892,079)	(67,584,114)	(64,439,623)	(74,472,769)	(86,904,795)
<u>14,634,803</u>	<u>15,534,146</u>	<u>10,319,988</u>	<u>16,759,141</u>	<u>10,050,148</u>	<u>6,016,628</u>
208,488	929,941	755,174	1,569,781	226,841	522,782
10	12	35	35	13	12
278,934	375,700	405,027	437,184	450,838	460,533
(8,493,530)	(7,321,681)	(6,814,957)	(6,052,435)	(7,441,446)	(7,379,979)
(8,643)	303,225	(150,560)	(225,345)	(309,984)	(316,069)
31,565	(16,526)	84,155	(6,153)	(169,966)	-
900,483	1,634,133	6,124,244	1,498,448	1,636,786	1,228,196
(979,443)	(1,460,637)	(984,585)	(1,405,307)	(1,475,858)	(2,178,033)
<u>(8,062,136)</u>	<u>(5,555,833)</u>	<u>(581,467)</u>	<u>(4,183,792)</u>	<u>(7,082,776)</u>	<u>(7,662,558)</u>
6,572,667	9,978,313	9,738,521	12,575,349	2,967,372	(1,645,930)
<u>3,164,707</u>	<u>5,352,641</u>	<u>2,627,376</u>	<u>3,009,934</u>	<u>3,134,828</u>	<u>3,655,449</u>
<u>\$ 9,737,374</u>	<u>\$ 15,330,954</u>	<u>\$ 12,365,897</u>	<u>\$ 15,585,283</u>	<u>\$ 6,102,200</u>	<u>\$ 2,009,519</u>
\$248,304,834	\$212,123,526	\$219,737,010	\$230,275,675	\$230,199,134	\$242,567,203
4,569,657	8,528,546	10,483,922	8,923,356	6,090,965	9,746,415
41,328,761	88,882,134	71,283,528	70,845,073	79,856,205	55,985,193
<u>\$294,203,252</u> <sup>(2)</sup>	<u>\$309,534,206</u>	<u>\$301,504,460</u> <sup>(3)</sup>	<u>\$310,044,104</u> <sup>(4)</sup>	<u>\$316,146,304</u>	<u>\$308,298,811</u> <sup>(5)</sup>

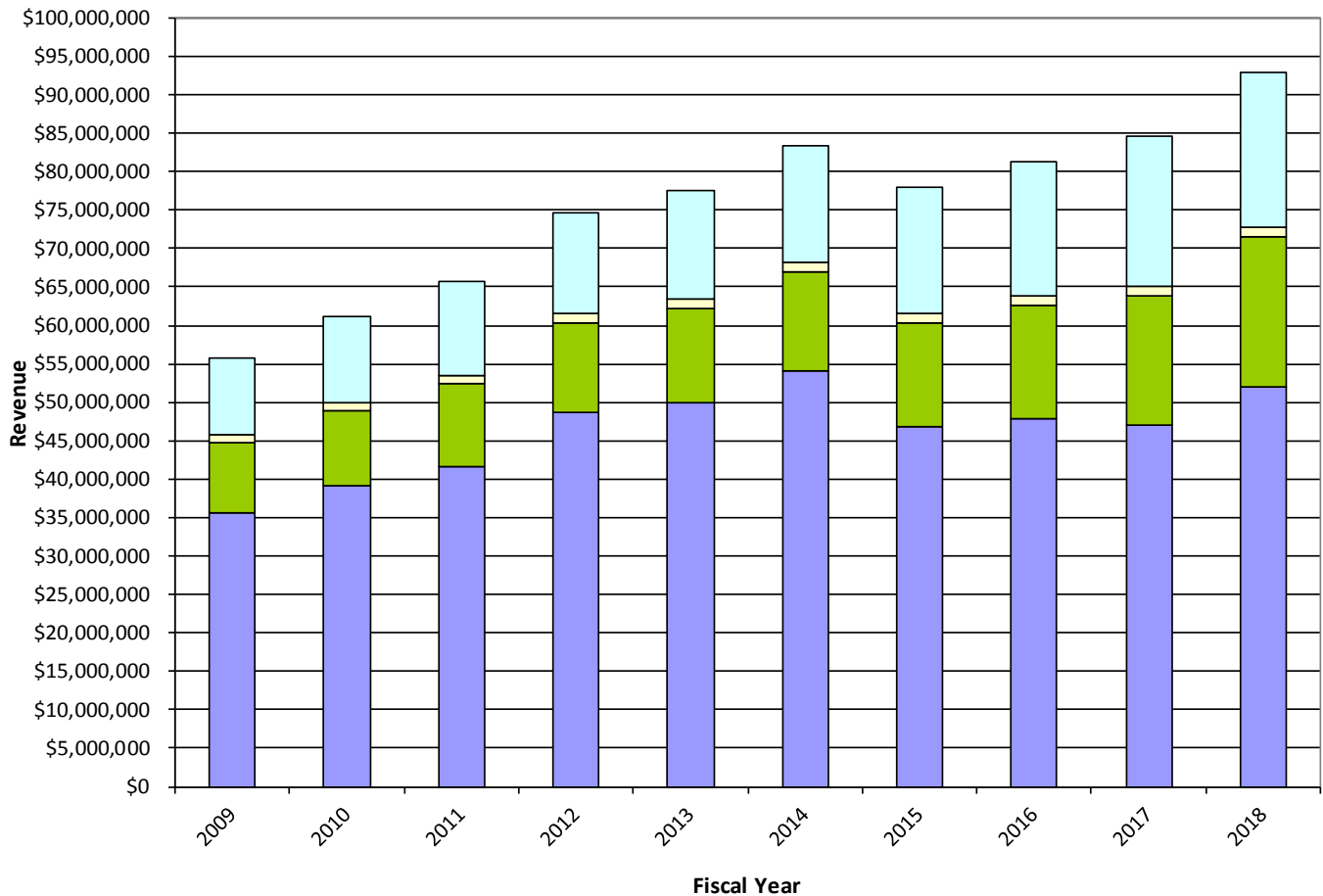
# CUCAMONGA VALLEY WATER DISTRICT

## Operating Revenue by Source

Last Ten Fiscal Years

Schedule 2

Fiscal Year	Water Sales	Meter Charges	Water Services	Sewer Services	Total Operating Revenue
2009	\$ 35,682,801	\$ 9,051,765	\$ 1,026,873	\$ 9,911,465	\$ 55,672,904
2010	39,134,526	9,809,685	1,047,195	11,117,587	61,108,993
2011	41,676,752	10,647,664	1,154,225	12,302,450	65,781,091
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



SOURCE: Cucamonga Valley Water District – Accounting Division

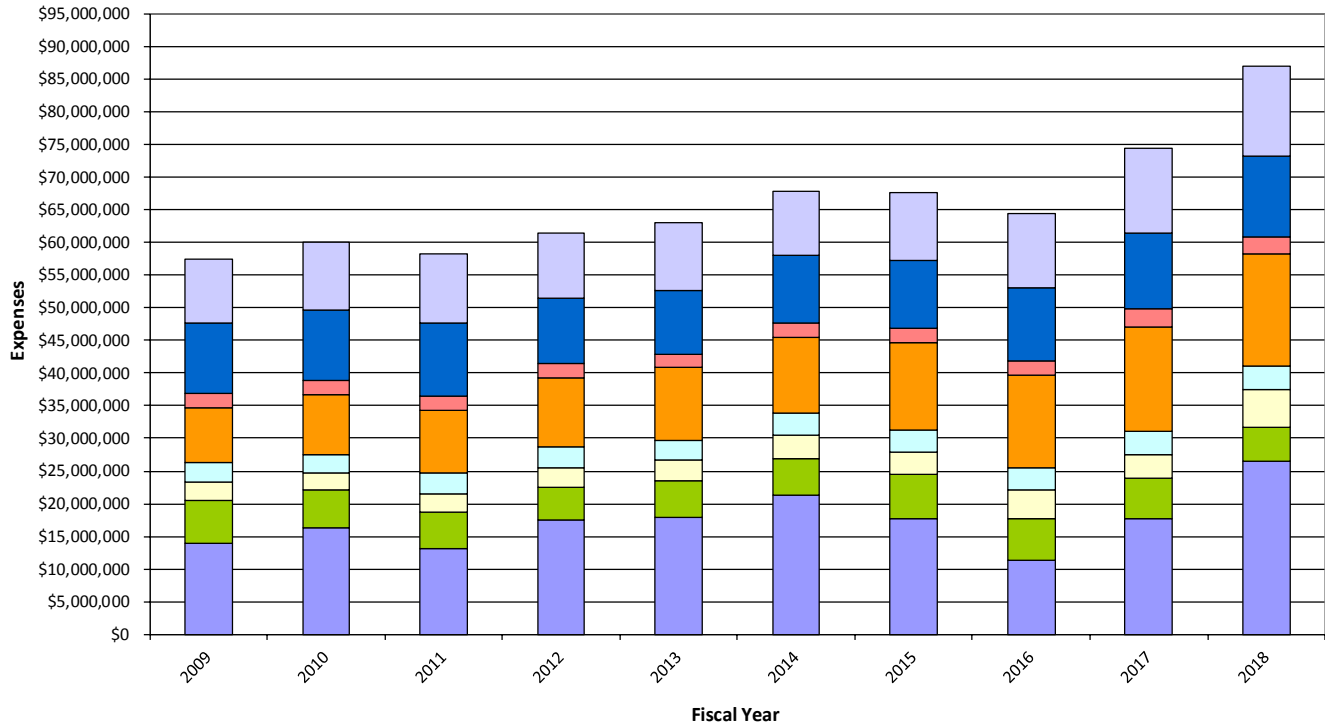
# CUCAMONGA VALLEY WATER DISTRICT

## 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
2009	\$ 13,999,196	\$ 6,426,333	\$ 2,900,825	\$ 2,928,555	\$ 8,344,368	\$ 2,301,799	\$ 10,776,455	\$ 9,708,720	\$ 57,386,251
2010	16,387,130	5,659,006	2,674,214	2,828,207	9,174,247	2,080,551	10,915,992	10,342,101	60,061,448
2011	13,188,936	5,625,091	2,733,477	3,125,140	9,679,819	2,071,599	11,213,478	10,554,945	58,192,485
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



SOURCE: Cucamonga Valley Water District – Accounting Division

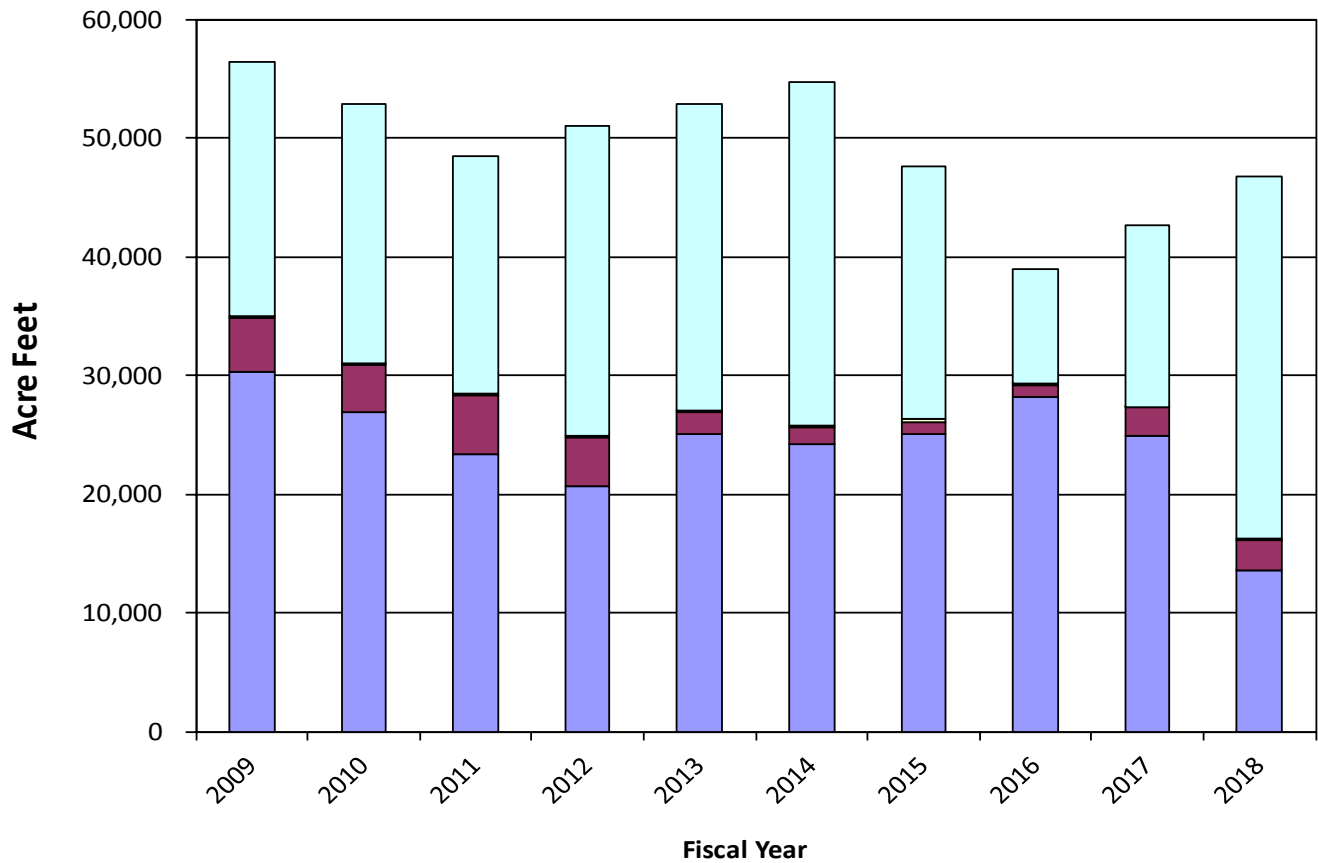
**CUCAMONGA VALLEY WATER DISTRICT**

*Water Production in Acre Feet*

Last Ten Fiscal Years

Schedule 4

Fiscal Year	Source				Total Production
	Groundwater	Local Surface Water	Spring Water	Imported Water	
2009	30,359	4,479	102	21,465	56,405
2010	26,864	4,034	170	21,782	52,850
2011	23,415	4,902	188	19,994	48,499
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



**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 <sup>(2)(3)</sup>				Non-Residential	Gov't Irrigation	Temp/Constr.
	Tier 1	Tier 2	Tier 3	Tier 4			
2009	1.33	1.40	1.45	1.50	1.41	1.269	2.82
2010	1.35	1.47	1.57	1.67	1.49	1.341	2.98
2011	1.40	1.60	1.80	2.00	N/A	N/A	3.34
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	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

	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	10 inch
Tier 1	1-10	1-17	1-33	1-53	1-100	1-167	1-333	1-533	1-800
Tier 2	11-40	18-67	34-133	54-213	101-400	168-667	334-1,333	534-2,133	801-3,200
Tier 3	41-100	68-167	134-333	214-533	401-1,000	668-1,667	1,334-3,333	2,134-5,333	3,201-8,000
Tier 4	> 100	> 167	> 333	> 533	> 1,000	> 1,667	> 3,333	> 5,333	> 8,000

Fiscal Year	Meter Charge Rates (bi-monthly)								
	3/4 inch	1 inch	1 1/2 inch	2 inch	3 inch	4 inch	6 inch	8 inch	10 inch
2009	20.60	34.40	68.60	109.80	206.00	343.40	686.60	1,098.60	1,648.00
2010	21.22	35.43	70.66	113.09	212.18	353.70	707.20	1,131.56	1,697.44
2011	23.34	38.98	77.73	124.41	233.42	389.11	777.99	1,244.83	1,867.36
2012	24.51	40.93	81.62	130.63	245.09	408.57	816.89	1,307.07	1,960.73
2013	25.73	42.98	85.70	137.17	257.35	429.00	857.73	1,372.42	2,058.76
2014	27.02	45.13	89.98	144.02	270.21	450.44	900.62	1,441.05	2,161.70
2015	28.37	47.38	94.48	151.22	283.72	472.97	945.65	1,513.10	2,269.79
2016	30.35	50.58	101.16	161.86	303.48	505.80	1,011.60	1,618.57	2,427.85
2017	35.64	59.39	118.79	190.06	356.36	593.93	1,187.87	1,900.59	2,850.88
2018	41.75	69.58	139.16	222.65	417.47	695.79	1,391.57	2,226.51	3,339.77

**Notes:**

(1) HCF = 100 Cubic Feet = 748 gallons

(2) In 2008, the District adopted a tiered rate structure for residential customers. Prior to 2008, residential customers were charged a uniform rate equal to non-residential customers. Usage is based on a bi-monthly billing period. Non-residential customers are charged a uniform rate based on the average rate paid by residential customers.

(3) In 2010, the District adopted a tiered rate structure for all customers except temporary/construction customers. The tier structure is based on meter sizes. From 2008 to 2010, only residential customers were billed on the tiered rate structure and the 3/4" tier allocation was used for all residential customers regardless of meter size.

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

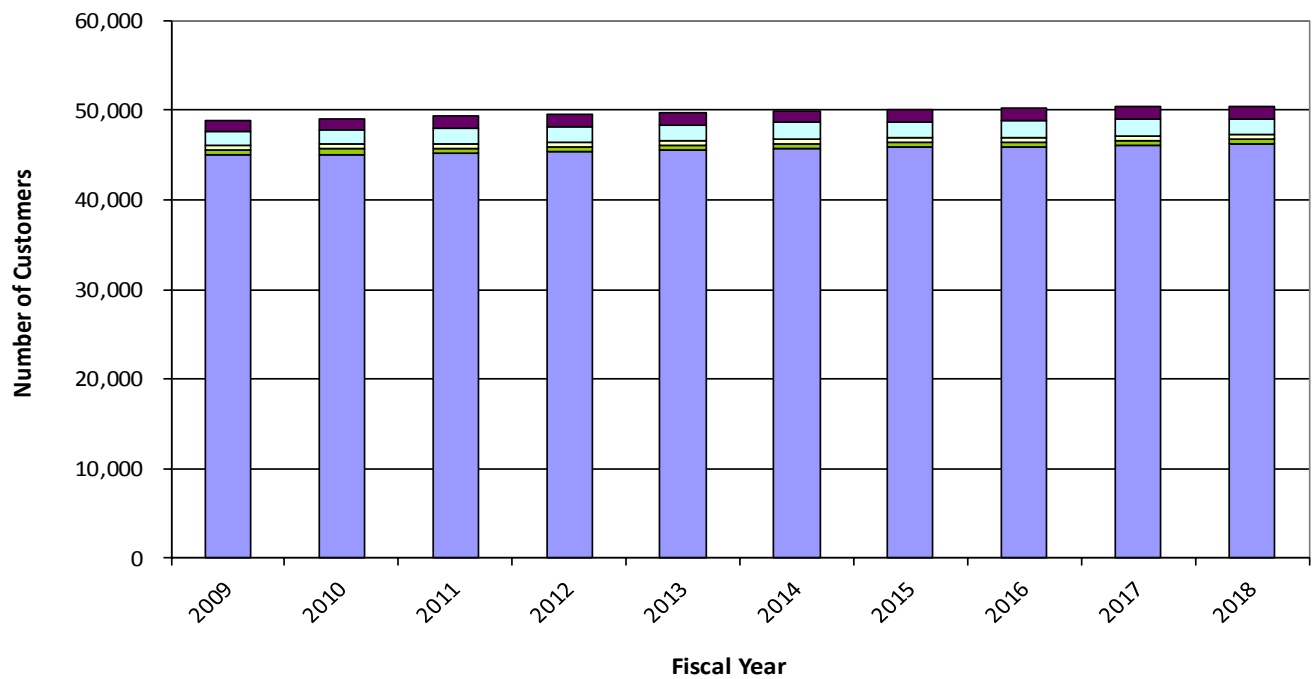
# CUCAMONGA VALLEY WATER DISTRICT

## Water Service Accounts

Last Ten Fiscal Years

Schedule 6

Fiscal Year	Customer Type					Total
	Domestic	Industrial	Government Irrigation	Landscape/Parkway	Fire Lines	
2009	44,987	538	551	1,570	1,145	48,791
2010	45,114	536	532	1,629	1,299	49,110
2011	45,164	536	514	1,777	1,315	49,306
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



**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	2018			2009		
	Annual Usage (HCF)	Percentage of Total	Rank	Annual Usage (HCF)	Percentage of Total	Rank
City of Rancho Cucamonga	742,291	3.86%	1	1,264,913	5.25%	1
City of Fontana	257,207	1.34%	2	509,094	2.11%	2
Etiwanda School District	252,360	1.31%	3	206,406	0.86%	7
County of San Bernardino	209,720	1.09%	4	230,297	0.96%	4
Geradu Ameristeel (Tamco)	134,961	0.70%	5	N/A	N/A	N/A
Frito Lay	132,283	0.69%	6	141,875	0.59%	8
Chaffey College	115,673	0.60%	7	213,548	0.89%	6
Alta Loma School District	106,776	0.56%	8	N/A	N/A	N/A
Evolution Fresh	94,853	0.49%	9	N/A	N/A	N/A
Deer Creek Company	94,319	0.49%	10	N/A	N/A	N/A
Lewis Management Corporation	N/A	N/A	N/A	416,862	1.73%	3
Caltrans District 8	N/A	N/A	N/A	214,903	0.89%	5
Ironwood Apartments	N/A	N/A	N/A	124,296	0.52%	9
Chaffey Union High School District	N/A	N/A	N/A	119,804	0.50%	10
<b>Total</b>	<b>2,140,443</b>	<b>11.13%</b>		<b>3,441,998</b>	<b>14.30%</b>	
<b>Total Water Consumed (HCF)</b>	<b>19,236,245</b>	<b>100.00%</b>		<b>24,109,996</b>	<b>100.00%</b>	

SOURCE: Cucamonga Valley Water District – Accounting Division

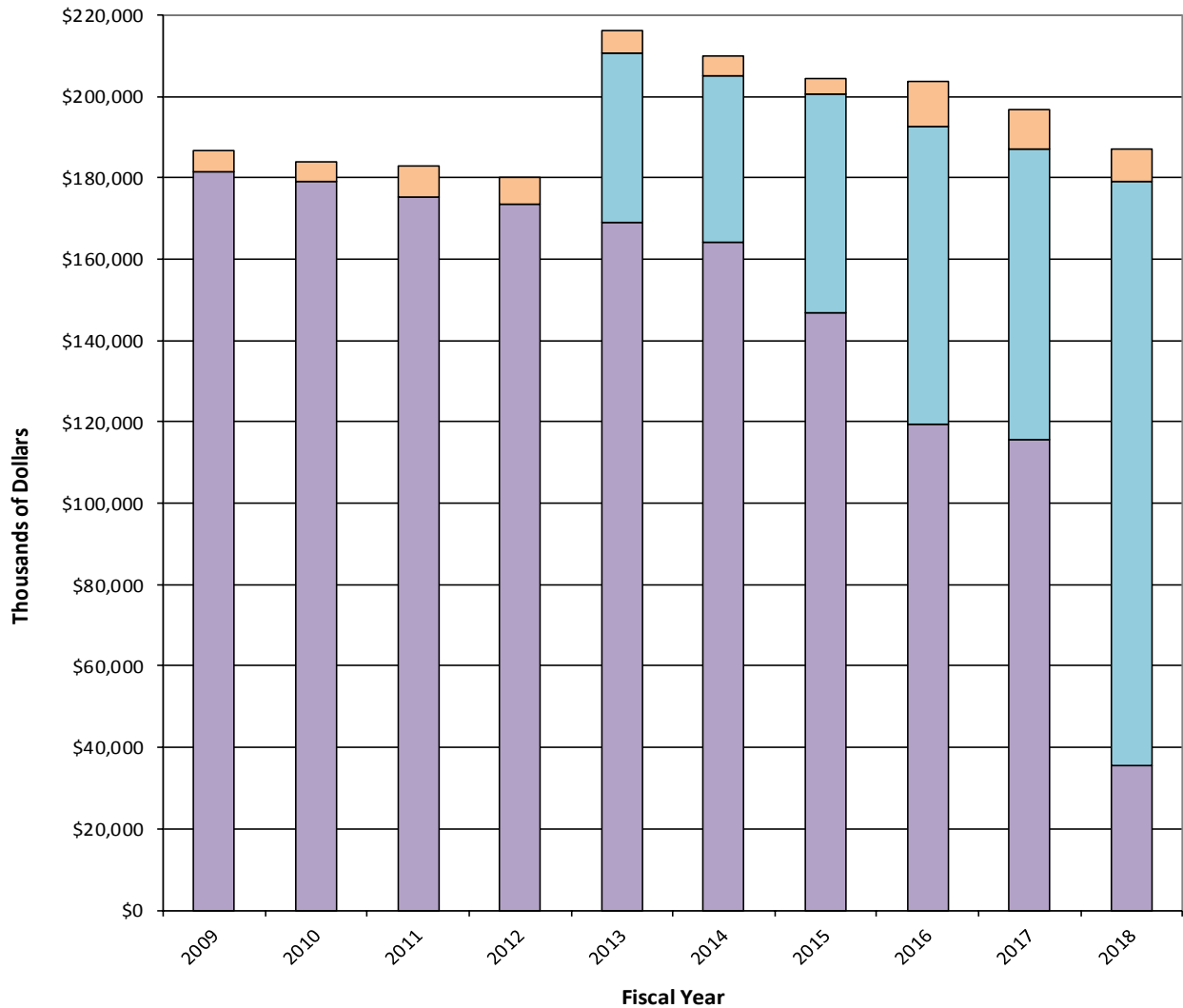
# CUCAMONGA VALLEY WATER DISTRICT

## 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
2009	181,325	-	5,383	186,708	1,133.18	3.81%
2010	179,006	-	4,775	183,781	1,112.01	3.73%
2011	175,171	-	7,663	182,834	1,086.67	3.47%
2012	173,498	-	6,425	179,923	1,062.31	3.34%
2013	168,860	41,615	5,535	216,010	1,266.07	3.91%
2014	164,184	40,797	4,756	209,737	1,218.37	3.60%
2015	146,875	53,506	3,976	204,357	1,175.16	3.29%
2016	119,533	73,203	11,018	203,754	1,159.80	3.15%
2017	115,620	71,531	9,471	196,622	1,108.83	N/A
2018	35,595	143,505	7,986	187,086	1,055.05	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	
2009	49,436,612	37,308,718	12,127,894	2,200,000	8,144,911	10,344,911	1.17
2010	58,356,424	38,754,710	19,601,714	2,319,286	8,602,555	10,921,841	1.79
2011	56,402,290	36,121,871	20,280,419	3,834,286	8,637,034	12,471,320	1.63
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

### 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

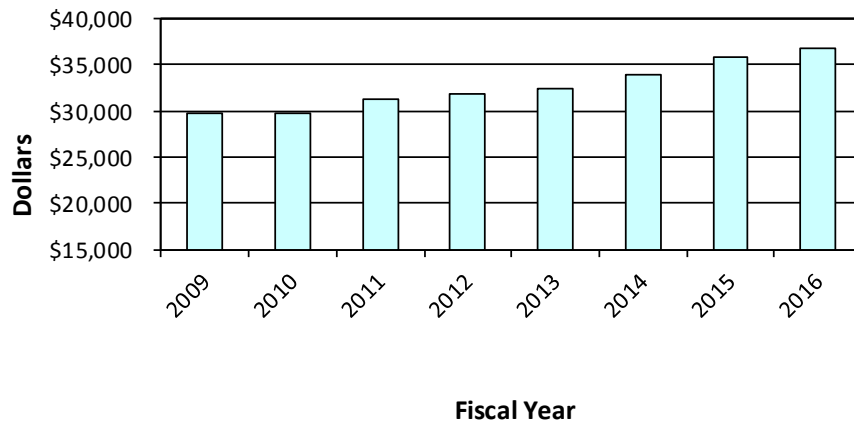
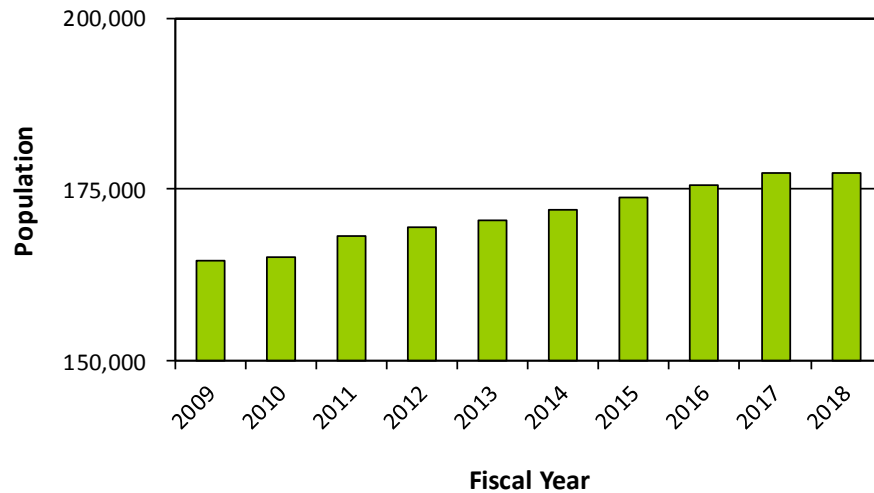
**CUCAMONGA VALLEY WATER DISTRICT**

*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
2009	8.6%	164,764	123,849	29,767
2010	10.3%	165,269	126,656	29,845
2011	10.2%	168,251	134,663	31,324
2012	9.2%	169,370	138,312	31,853
2013	7.8%	170,614	141,978	32,420
2014	6.2%	172,146	149,936	33,858
2015	5.0%	173,897	160,049	35,762
2016	4.9%	175,681	166,658	36,807
2017	4.0%	177,324	N/A	N/A
2018	3.4%	177,324	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>2017</u>			<u>2008</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 (IEHP)	2,200	2.46%	1	N/A	N/A	N/A
Chaffey Community College	2,064	2.31%	2	1,763	2.27%	1
Etiwanda School District	1,706	1.91%	3	1,198	1.54%	2
Amphastar Pharmaceutical	1,217	1.36%	4	880	1.13%	5
Alta Loma School District	941	1.05%	5	942	1.21%	4
City of Rancho Cucamonga	882	0.99%	6	954	1.23%	3
Southern California Edison	800	0.89%	7	800	1.03%	6
Big Lots Distribution Center	600	0.67%	8	N/A	N/A	N/A
Mercury Insurance Company	600	0.67%	9	606	0.78%	7
Central School District	554	0.62%	10	N/A	N/A	N/A
West Coast Liquidators	N/A	N/A	N/A	565	0.73%	8
Frito-Lay, Inc.	N/A	N/A	N/A	561	0.72%	9
CMC Steel Fabricators	N/A	N/A	N/A	517	0.67%	10

**NOTE:** Data is from June 2017 (latest available data).

**SOURCE:** City of Rancho Cucamonga

# CUCAMONGA VALLEY WATER DISTRICT

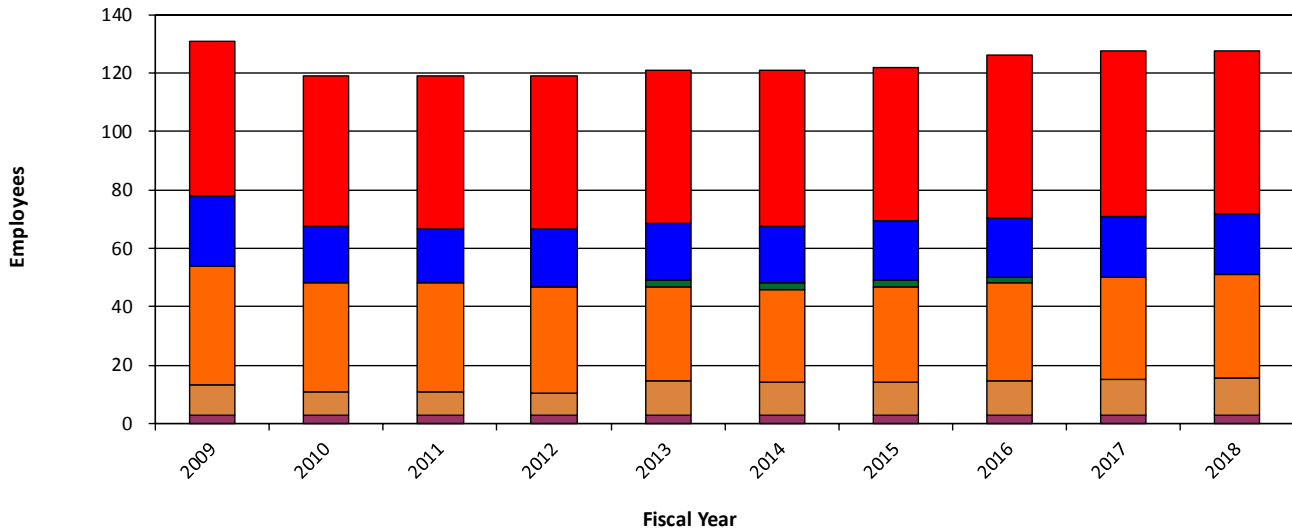
## Personnel Trends

Last Ten Fiscal Years

Schedule 12

Full Time Equivalent Employees by Department

Fiscal Year	Department						Total
	Executive	Administrative Services	Finance & Technology Services	General Services	Engineering	Operations	
2009	3.00	10.00	41.00	-	24.00	53.00	131.00
2010	3.00	8.00	37.00	-	19.50	51.50	119.00
2011	3.00	8.00	37.00	-	18.50	52.50	119.00
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	0.00	21.00	56.50	127.50
2018	3.00	12.50	35.50	0.00	21.00	55.50	127.50



SOURCE: Cucamonga Valley Water District – Human Resources Division

**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>
2009	708	8,227	18,380	50.4
2010	708	8,236	17,220	47.2
2011	710	8,245	15,804	43.3
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

<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>
2009	418	35,835	5,844	16.0
2010	418	36,025	5,358	14.7
2011	420	36,177	5,945	16.3
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

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

JONES

18K05