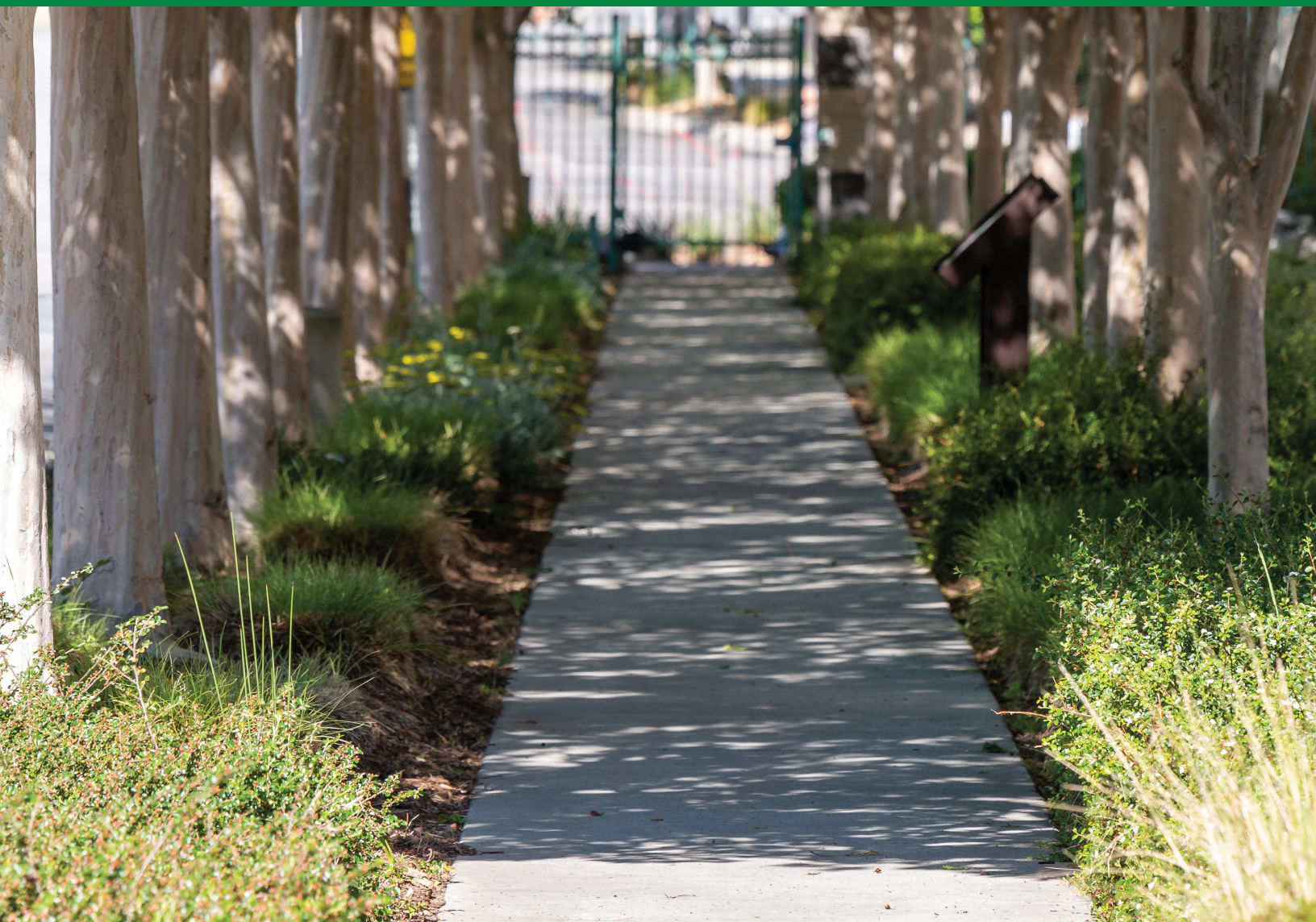
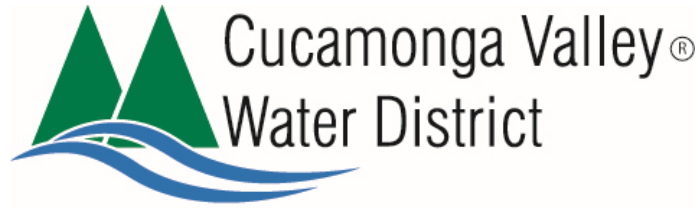


Cucamonga Valley®
Water District

Service Beyond Expectation

ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDING JUNE 30, 2022
RANCHO CUCAMONGA, CA





Service Beyond Expectation

Annual Comprehensive Financial Report

Fiscal Year Ending

June 30, 2022

CUCAMONGA VALLEY WATER DISTRICT

10440 Ashford Street
Rancho Cucamonga, CA 91730

General Manager/CEO
John Bosler

Assistant General Manager
Eduardo Espinoza, PE

Director of Human Resources &
Risk Management
Roberta Perez

Director of Finance &
Technology Services
Chad Brantley, CPA

Director of Operations
Robert Hills

Prepared by Finance Department:

Finance Manager
Agnes Boros, CPA

Accounting Supervisor
Jennifer Fillinger, CPA

Senior Accountant
Andrea Dutton

**Cucamonga Valley Water District
Annual Comprehensive Financial Report
Fiscal Year Ending June 30, 2022**

Table of Contents

	<u>Page No.</u>
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, 2021	xi
District Boundary	xii
Financial Section	
Independent Auditors’ Report	1-3
Management’s Discussion and Analysis	4-10
Basic Financial Statements:	
Statement of Net Position	11
Statement of Revenues, Expenses and Changes in Net Position	12
Statement of Cash Flows	13-14
Notes to the Basic Financial Statements	15-52
Required Supplementary Information:	
Net Pension Liability and Related Ratios (CalPERS)	53-54
Schedule of Plan Contributions (CalPERS)	55
Net Pension Liability and Related Ratios, Retirement Enhancement Plan (PARS)	56-57
Schedule of Plan Contributions, Retirement Enhancement Plan (PARS)	58
Net Pension Liability and Related Ratios, Excess Benefit Pension Plan	59-60
Schedule of Plan Contributions, Excess Benefit Pension Plan	61
Schedule of Changes in Net OPEB Liability and Related Ratios	62
Schedule of Plan Contributions, OPEB	63
Statistical Section	
Financial Trends:	
Changes in Net Position and Net Position by Component	64-66
Operating Revenue by Source	67
Operating Expenses by Activity	68
Revenue Capacity:	
Water Production in Acre Feet	69
Water Rate History	70
Water Service Accounts	71
Principal Water Customers	72
Debt Capacity:	
Ratio of Outstanding Debt	73
Debt Coverage	74
Demographic Information:	
Demographic and Economic Statistics	75
Principal Employers	76
Operating Indicators:	
Personnel Trends	77
Other Operating and Capacity Indicators	78

Introductory Section

John Bosler
Secretary/General Manager/CEO

November 2, 2022

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, 2022.

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.

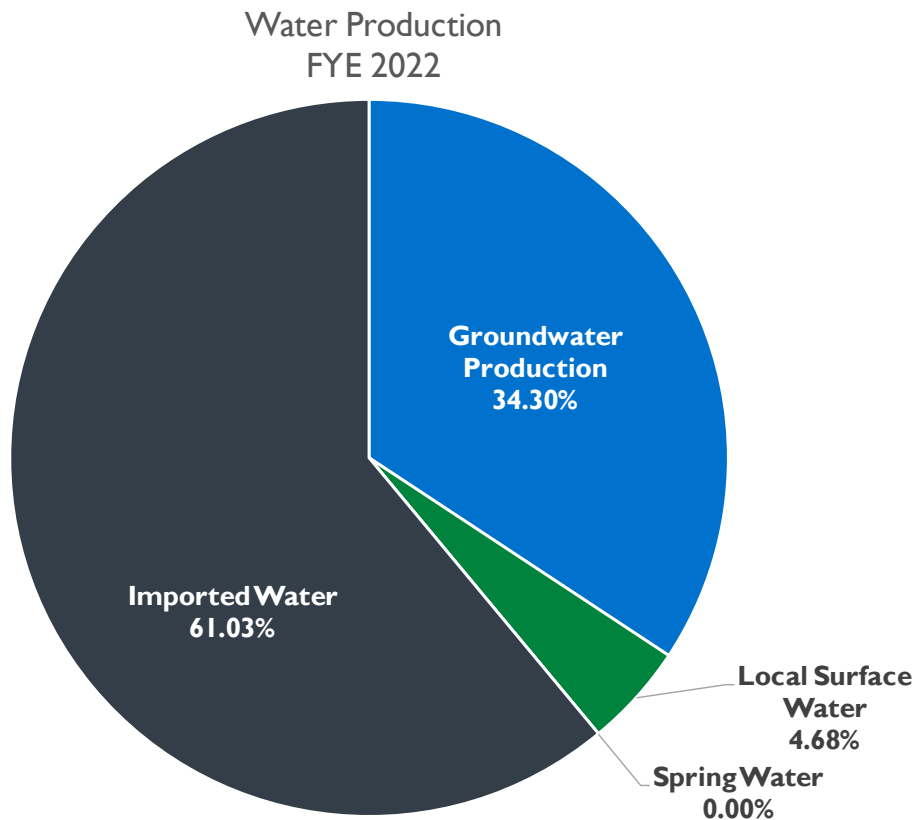
Davis Farr LLP has issued an unmodified (“clean”) opinion on the District’s financial statements for the year ended June 30, 2022. The independent auditor’s report is located at the front of the financial section of this report.

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 174,484 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 87% of the District’s customer base and consume approximately 56% of the water produced annually by the District. The District currently has a total of 30 groundwater wells, of which 17 are in service with a maximum production capacity of approximately 28,771 gallons per minute (or an annual production equivalent of 46,408 acre-feet). In addition, the District has surface and subsurface water rights in four local canyon watersheds with an annual production in 2022 of 2,136 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 2022, the District purchased 27,880 acre-feet of imported water. The following chart illustrates the water production sources.



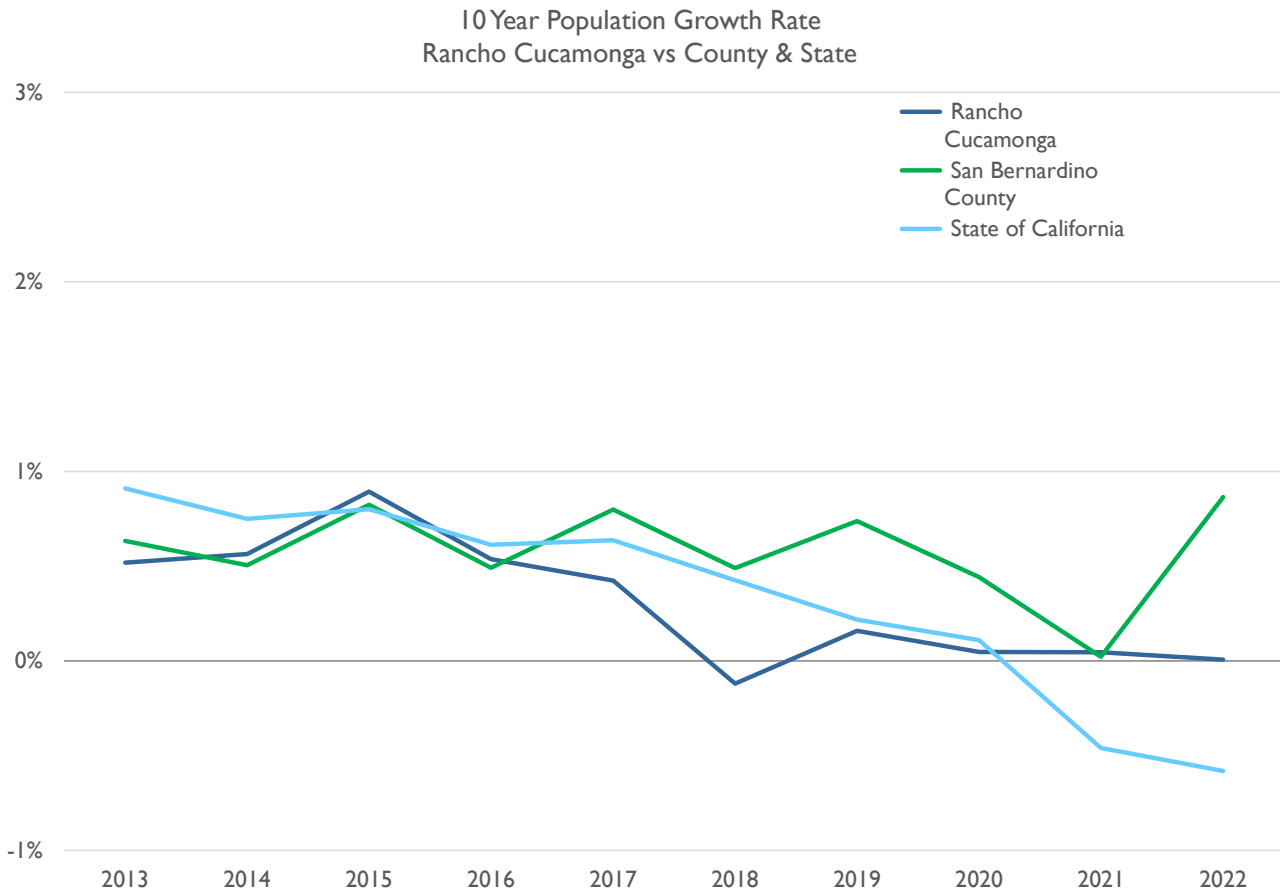
Greater availability of imported water and local surface water during FY2018 through FY2022 has allowed the District to transition away from the high levels of groundwater production. This flexibility in the sources of water supply is a reflection of the District’s ongoing effort to enhance and maximize these sources. During FY2022 the District participated in the Dry Year Yield Program (DYYP) of the Metropolitan Water District of Southern California (MWD or Metropolitan). The DYYP allowed the District to produce groundwater from the Chino Basin storage account that belongs to MWD instead of the storage account of the District. The District purchased this water from MWD and received a credit to offset the operational costs associated with producing the water using the District’s Chino Basin wells. The District produced approximately 17,929 acre feet in the DYYP during FY2022 which represents 64 percent of the Imported Water purchased that year. As of May 2022, the DYYP no longer has any water available in the MWD storage account.

Fiscal Management

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

Local Economy

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



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

The Inland Empire consists of 52 cities within the counties of Riverside and San Bernardino. As far as the number of customers served by the District the top two cities are Rancho Cucamonga and Fontana. In 2022, the California Department of Finance released population data that indicates that the City of Fontana is second largest in the region followed by the City of Rancho Cucamonga as fourth. The San Bernardino County Assessor’s office reported that the City of Rancho Cucamonga has the second highest assessed valuation in the region followed by Fontana as the third highest. Clearly, these two cities served by CVWD are strong contributors to the economic engine of the Inland Empire.

Service Beyond Expectation

According to the State of California Employment Development Department unemployment rates in Rancho Cucamonga fell to a low of 2.5% in 2019. Unemployment rose rapidly in the wake of the pandemic shutdown to as high as 12.7% in May 2020, but has since recovered to a rate of 3.0% in June 2022. These unemployment rates in Rancho Cucamonga remain lower than other areas in the region as well as the State of California.

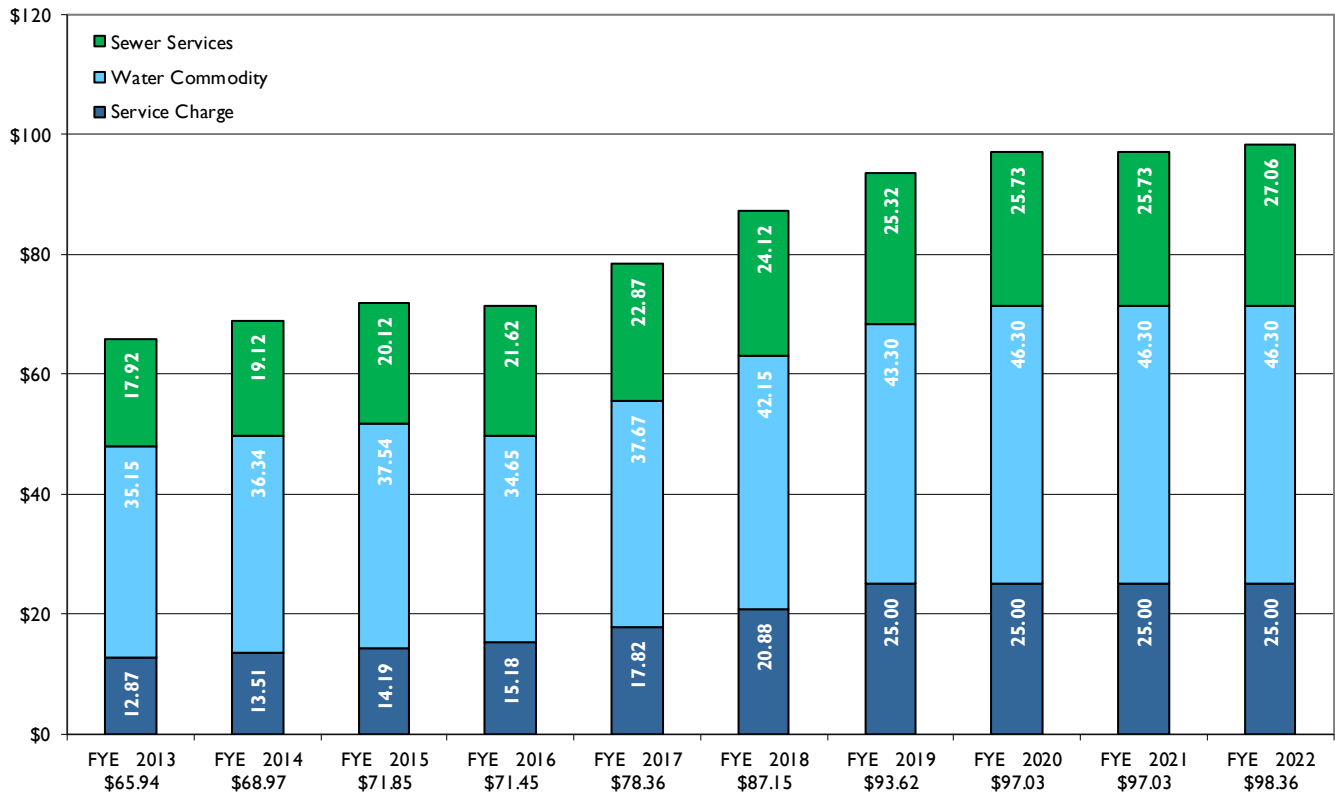
California's water supply continues to be a concern due to past droughts and projected population increases. This concern has increased interest in recycled water for groundwater replenishment purposes. The District has expanded and will continue to expand its conservation efforts and the availability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

During the past ten fiscal years, the District's customer base has grown slowly at around 0.29% per year, however in the last year at a slower rate of .05%. Water consumption volume has been influenced primarily by weather conditions and the associated government actions during this decade. Consumption peaked in 2014 which was a very dry year. However, consumption was reduced by statewide water conservation messaging in 2015 and then reduced further by the statewide conservation mandate that was in place during 2016. The drought was alleviated by extremely high precipitation in 2017 which also resulted in lower than average water consumption levels. Similarly low levels of consumption were seen in 2019, which was also a wet year. Fiscal year 2020 water consumption continued to track weather conditions and did not show any impacts as a result of the emergency response to the COVID-19 pandemic. In 2021, water consumption was influenced by low levels of precipitation leading to the highest fiscal year total consumption since 2014. In 2022, water consumption was lower than in 2021 due to weather conditions but were higher than projected for the year. In October 2021, the Governor of California declared a statewide drought emergency and in June 2022, statewide water conservation requirements went into effect. On May 24, 2022, the District implemented Stage 3 of the Water Supply Shortage Contingency Plan which imposes certain restrictions on water use for outdoor irrigation.

Water sales revenues have been impacted by rate changes as well as by the changes in consumption mentioned above. Non-drought rates were increased by approximately 5% per year from 2011-2014 and approximately 6% per year from 2015-2018. Stage 6 Drought Rates were used during fiscal year 2016 in compliance with the conservation target mandated by the State Water Resources Control Board. The Drought Rates represented a 58% increase over Stage 1 rates, however, the District was able to self-certify its water supply and return to Stage 1 rates in fiscal years 2017 through 2020. The District began a rate study process in fiscal year 2019. However, the process was delayed due to the COVID-19 pandemic. The rate study was completed and approved in September, 2021. The rate study set a 5-year rate series for calendar years 2022 through 2026. Annual rate adjustments in the 5-year series amount to 2.8% increases per year. Pass-through rates were also authorized in order to recover increases in MWD and Inland Empire Utilities Agency (IEUA) charges.

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

Average Residential Monthly Bill by Year



Long-term Financial Planning

The District’s financial plan includes the establishment of reserve funds in accordance with the District’s Reserve and Benchmark Policy. Reserve funds are set to ensure the continued orderly operation of the District’s water, recycled water and sewer systems, the provision of services to customers at established levels, and the continued stability of the District’s rate structure. The District has committed to the following funds and objectives in the Reserve Policy as of June 30, 2022:

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

Debt Administration

In the process of issuing the 2021 Revenue Bonds, the District earned a rating upgrade of “AA+” from Standard and Poor’s on the 2021 Revenue Bonds as well as the previously issued Revenue Bonds. In early 2022, Fitch Ratings also upgraded their rating of the Districts Revenue Bonds to “AA+”.

The District’s outstanding debt as of June 30, 2022 consists of six Revenue Bonds, as follows:

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

Relevant Financial Policies

Internal Control Structure

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

Major Initiatives

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

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

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

Award for Excellence in Financial Reporting

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Cucamonga Valley Water District for its annual comprehensive financial report (ACFR) for the fiscal year ended June 30, 2021. This was the Twentieth consecutive year that the District has received this prestigious award. In order to be awarded a Certificate of Achievement, the District published an easily readable and efficiently organized ACFR. This report satisfied both generally accepted accounting principles (GAAP) and applicable legal requirements.

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

Acknowledgements

Preparation of this report was accomplished by the combined efforts of District staff. We appreciate the dedicated efforts and professionalism that these staff members contribute to the service of the District's customers. The contributions made by Agnes Boros, Finance Manager, Jennifer Fillinger, Accounting Supervisor, Andrea Dutton, Senior Accountant, and Brandon Koh, 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,



John Bosler
General Manager/CEO



Chad Brantley, CPA
Director of Finance & Technology Services

Cucamonga Valley Water District Board of Directors and Executive Staff

As of November 2, 2022



Randall James Reed, *President*



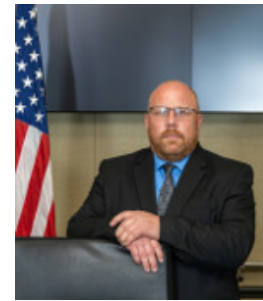
Luis Cetina, *Vice President*



James V. Curatalo, Jr., *Director*



Mark Gibboney, *Director*



Kevin Kenley, *Director*



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



**Eduardo Espinoza
*Assistant General Manager***



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



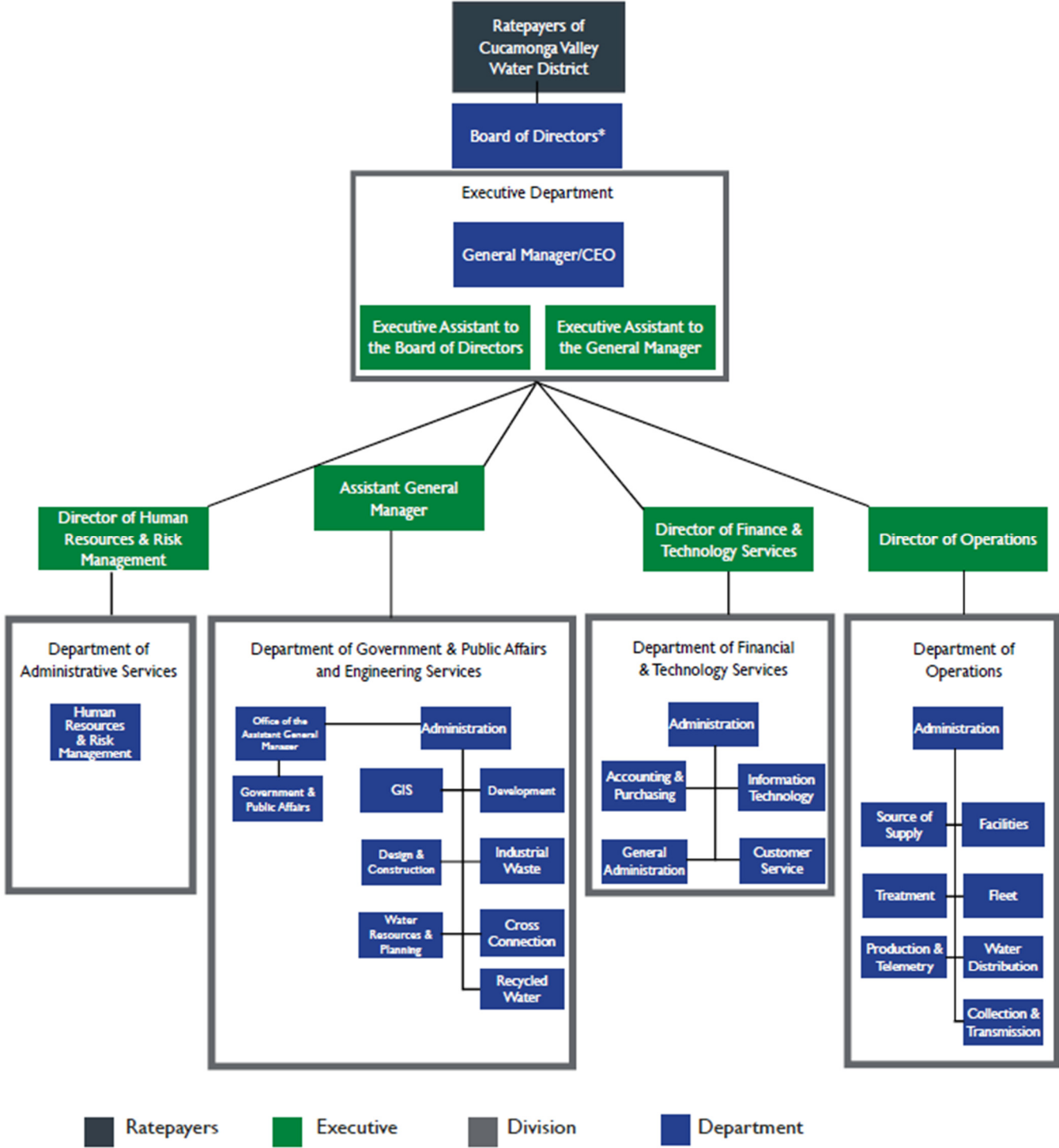
**Chad Brantley
*Director of Finance &
Technology Services***



**Robert Hills
*Director of Operations***

ORGANIZATIONAL STRUCTURE

Presented below is an overview of the District's organizational structure.



*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
People – 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"> • Innovative • Purposeful • Empowered • Well-informed • Invested
Service – We are a servant-oriented organization and provide “Service Beyond Expectation” to our internal and external customers.	<ul style="list-style-type: none"> • Dependable • Responsive • Pride in Quality and Standards • Concierge Model of Service • Value
Water – 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"> • Cost-Effective • High Quality • Sustainable • Reliable and diversified • Stewardship



Culture & Values

Description	Key Characteristics
Accountability – 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"> • Ownership • Solution based thinking • Innovation • Shared responsibility
Communication – 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"> • Timely, fluid messaging • Two-way communication • Listening • Focused and personalized • Technology driven
Customer Service – Our internal and external customer service is provided with a cooperative and collaborative approach, exceeding customer expectations.	<ul style="list-style-type: none"> • Internal/External • Cooperative and collaborative • Responsive team approach • Service Beyond Expectation



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Cucamonga Valley Water District
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

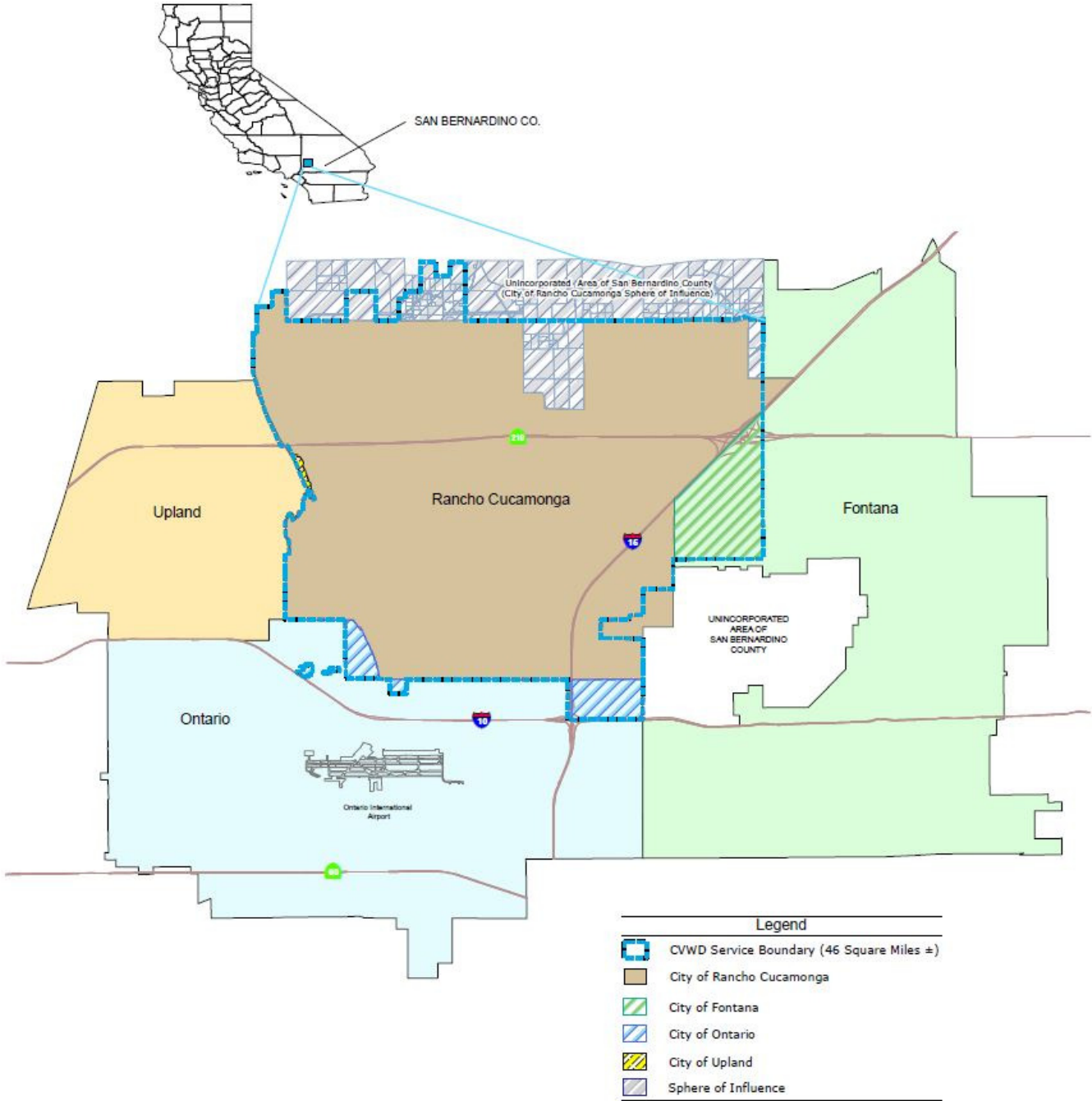
June 30, 2021

Christopher P. Morill

Executive Director/CEO



Cucamonga Valley Water District District Boundary



Financial Section

Independent Auditor's Report

Board of Directors
Cucamonga Valley Water District
Rancho Cucamonga, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of Cucamonga Valley Water District (District), as of and for the year June 30, 2022, and the related notes to the financial statements, which collectively comprise Cucamonga Valley Water District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the District as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

During the year ended June 30, 2022, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 87: Leases. Our opinion is not modified with respect to this matter.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

The District's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, 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.

Report on Summarized Comparative Information

We have previously audited the District's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 8, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Information

Management is responsible for the other information included in the Annual Comprehensive Financial Report. The other information comprises the *introductory section* and *statistical section* but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

Davis Farr LLP

Irvine, California
November 2, 2022

CUCAMONGA VALLEY WATER DISTRICT

Management's Discussion and Analysis

For the Year Ended June 30, 2022

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, 2022. Please read it in conjunction with the basic financial statements, which follow this section.

Financial Highlights

- The District's net position increased by \$18,838 thousand or 5.56 percent.
- During the year the District's revenues decreased 0.58 percent to \$107,182 thousand, while expenses decreased 3.85 percent to \$93,778 thousand.
- Capital contributions to the District amounted to \$5,434 thousand.

Overview of the Financial Statements

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

Required Financial Statements

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

Financial Analysis of the District

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

CUCAMONGA VALLEY WATER DISTRICT

Management's Discussion and Analysis

As of June 30, 2022

Condensed Statement of Net Position

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

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

	Fiscal Year 2022	Fiscal Year 2021	Dollar Change	Total Percent Change
Current and Noncurrent Assets	\$ 161,931	\$ 157,992	\$ 3,939	2.49%
Capital Assets	413,231	409,361	3,870	0.95%
Total Assets	575,162	567,353	7,809	1.38%
Deferred Outflows of Resources	12,384	12,745	(361)	(2.83)%
Long-term Liabilities	164,651	193,527	(28,876)	(14.92)%
Other Liabilities	45,374	45,707	(333)	(0.73)%
Total Liabilities	210,025	239,234	(29,209)	(12.21)%
Deferred Inflows of Resources	19,977	2,157	17,820	826.15%
Net Investment in Capital Assets	264,458	251,415	13,043	5.19%
Restricted for Capital Projects	11,909	13,793	(1,884)	(13.66)%
Unrestricted	81,178	73,499	7,679	10.45%
Total Net Position	\$ 357,545	\$ 338,707	\$ 18,838	5.56%

Total current and noncurrent assets increased by approximately \$3.9 million due to new lease receivable which began July 1, 2021 with the implementation of GASB 87. There was an increase in investments of \$9.9 million and an increase in water in storage of \$2.7 million. Current assets additions exceed capital asset depreciation resulting in a \$3.8 million increase in capital assets, net of depreciation. There was a decrease in cash and restricted cash of \$10.5 million. The changes in deferred outflows are related to pension liability changes in PERS, PARS and OPEB.

Long-term liabilities decreased due primarily to annual principal payments of debt obligations. As well as decrease in pension net liabilities. While deferred inflows of resources increased by about \$18 million due to deferred inflows related to pension plan investment and lease related deferred inflows related to the implementation of GASB 87.

As can be seen from the table above, net position increased \$18,838 thousand to \$357,545 thousand in fiscal year 2022, up from \$338,707 thousand in fiscal year 2021.

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

As of June 30, 2022

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 2022	Fiscal Year 2021	Dollar Change	Total Percent Change
Operating Revenues:				
Water Sales	\$ 57,991	\$ 61,464	\$ (3,473)	(5.65)%
Meter Charges	24,233	23,160	1,073	4.63%
Water Services	651	716	(65)	(9.08)%
Sewer Services	22,316	21,084	1,232	5.84%
Nonoperating Revenues:				
Investment Income	-	219	(219)	(100.00)%
Rent and Lease Revenue	478	513	(35)	(6.82)%
Gain on Disposal of Assets	233	-	233	100.00%
Other Nonoperating Revenue	<u>1,280</u>	<u>653</u>	<u>627</u>	96.02%
Total Revenues	<u>107,182</u>	<u>107,809</u>	<u>(627)</u>	(0.58)%
Operating Expenses:				
Source of Supply	28,103	31,142	(3,039)	(9.76)%
Pumping Operations	3,811	2,315	1,496	64.62%
Water Treatment	3,761	4,799	(1,038)	(21.63)%
Transmission and Distribution	3,491	3,545	(54)	(1.52)%
Collection and Transmission	18,466	18,269	197	1.08%
Customer Accounts	3,636	3,648	(12)	(0.33)%
General and Administrative	12,205	13,880	(1,675)	(12.07)%
Depreciation and Amortization	13,422	13,308	114	0.86%
Nonoperating Expenses:				
Investment Loss	1,838	-	1,838	100.00%
Interest Expense	4,508	5,455	(947)	(17.36)%
Amortization of Deferred Bond Costs and Refunding	123	340	(217)	(63.82)%
Loss on Disposal of Assets	-	300	(300)	(100.00)%
Other Nonoperating Expenses	<u>414</u>	<u>532</u>	<u>(118)</u>	(22.18)%
Total Expenses	<u>93,778</u>	<u>97,533</u>	<u>(3,755)</u>	(3.85)%
Net Income/(Loss) Before				
Capital Contributions	13,404	10,276	3,128	30.44%
Capital Contributions	<u>5,434</u>	<u>3,186</u>	<u>2,248</u>	70.56%
Changes in Net Position	18,838	13,462	5,376	39.93%
Beginning Net Position	<u>338,707</u>	<u>325,245</u>	<u>13,462</u>	4.14%
Ending Net Position	<u>\$ 357,545</u>	<u>\$ 338,707</u>	<u>\$ 18,838</u>	5.56%

CUCAMONGA VALLEY WATER DISTRICT

Management's Discussion and Analysis

As of June 30, 2022

While the Statement of Net Position shows the change in financial position, the Statement of Revenues, Expenses and Changes in Net Position provides answers as to the nature and source of these changes. As can be seen in Table A-2 on page 5, net income before capital contributions of \$13,403 thousand and capital contributions of \$5,435 thousand were the sources of the increase in Net Position of \$18,838 thousand in fiscal year 2022.

A closer examination of the source of changes in net position reveals that the District's revenues decreased by \$627 thousand to \$107,182 thousand in fiscal year 2022 from \$107,809 thousand in fiscal year 2021 due primarily to a decrease in water sales, specifically domestic water with conservation efforts in summer of 2022. Meter charges increased \$1,073 thousand due to an increase of meter rate charges as of January 1, 2022. Non-operating revenue increased \$606 thousand mainly due to gain on the sale of capital assets. Operating expenses decreased \$3,769 thousand due to the Dry Yield Year program and the net effect of imported water purchases. Additionally, decrease in general administrative expenses such as outside services due to in-house expertise as well as less external events and conferences due to COVID-19 related changes. Nonoperating expenses increased by \$256 thousand, mostly due to the change in the fair market value of investments.

Operating Revenues – Water Sales

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

	<u>Fiscal Year 2022</u>	<u>Fiscal Year 2021</u>	<u>Dollar Change</u>	<u>Total Percent Change</u>
Customer Type:				
Domestic	\$ 25,492	\$ 29,358	\$ (3,865)	(13.17)%
Irrigation and Landscape	22,322	21,844	478	2.19%
Other Water Agencies	6,741	7,331	(590)	(8.05)%
Industrial	2,672	2,297	375	16.31%
Construction	437	321	116	36.14%
Canyon Source Water	<u>327</u>	<u>313</u>	<u>14</u>	4.47%
Total Water Sales	<u>\$ 57,991</u>	<u>\$ 61,464</u>	<u>\$ (3,473)</u>	(5.65)%

Water sales revenue to Irrigation and Landscape, Industrial customers, and Construction water for the fiscal year 2022 increased \$969 thousand combined due an increase in the volume of water consumed. Domestic sales and sales to other water agencies decreased by \$4,455 due to less water usage because of the drought conservation messaging from the State.

CUCAMONGA VALLEY WATER DISTRICT

Management's Discussion and Analysis

As of June 30, 2022

Capital Asset Administration

At June 30, 2022, the District invested \$12,323 thousand of new additions in a broad range of infrastructure as shown in Table A-3. Negative amounts represent the retirement of fully depreciated assets.

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

	Fiscal Year 2022	Fiscal Year 2021	Dollar Change	Total Percent Change
Non-Depreciable Assets:				
Land	\$ 9,002	\$ 9,300	\$ (298)	(3.20)%
Water Rights	92,756	92,754	2	0.00%
Construction in Progress	<u>20,502</u>	<u>15,625</u>	<u>4,877</u>	31.21%
Total Non-Depreciable Assets	<u>122,260</u>	<u>117,679</u>	<u>4,581</u>	3.89%
Depreciable Assets:				
Intangibles	557	557	-	0.00%
Source of Supply	25,201	25,201	-	0.00%
Pumping Plant	14,723	14,077	646	4.59%
Transmission and Distribution	229,679	224,070	5,609	2.50%
Treatment Plant	115,367	115,134	233	0.20%
General Water	42,627	42,401	226	0.53%
Wastewater Reclamation	5,608	5,608	-	0.00%
Collection and Transmission	78,933	73,185	5,748	7.85%
General Sewer	9,312	9,444	(132)	(1.40)%
General Frontier Project	<u>77</u>	<u>84</u>	<u>(7)</u>	(8.33)%
Total Depreciable Assets	522,084	509,761	12,323	2.42%
Less: Accumulated Depreciation	<u>(231,113)</u>	<u>(218,079)</u>	<u>(13,034)</u>	(5.98)%
Net Depreciable Assets	<u>290,971</u>	<u>291,682</u>	<u>(711)</u>	(0.24)%
Total Capital Assets, Net	<u>\$ 413,231</u>	<u>\$ 409,361</u>	<u>\$ 3,870</u>	0.95%

The following is a summary of some of the major improvements to the system during fiscal year 2022. This year's major capital asset additions include (in thousands of dollars):

Various sewer collection and transmission mains	\$ 5,748
Various water distribution mains	5,609
Pumps and pumping equipment	645
Buildings and equipment	475
Various water treatment facilities	233
Land purchase	122

CUCAMONGA VALLEY WATER DISTRICT

Management's Discussion and Analysis

As of June 30, 2022

In Table A-4, the District's fiscal year 2023 Capital Budget is \$14,248 thousand for capital projects, principally for groundwater treatment, pumps and pumping equipment, fleet vehicles, 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 2023 Budget
(In thousands of dollars)

Depreciable Assets:	
Source of Supply	\$ 500
Pumping Plant	4,150
Reservoirs	2,362
Transmission and Distribution	2,000
Treatment Plant	285
General Water	1,441
Recycled Water Distribution	125
Sewer Collection and Transmission	2,976
General Sewer	<u>409</u>
Total Depreciable Assets	<u>\$ 14,248</u>

Debt Administration

During the year, the District's long-term debt decreased by \$28,967 thousand which can be attributed mostly to the normal debt principal repayments and actuarially determined contributions and additional payments on pension obligations. Additional information on other long-term debt is presented in Note 6 of the Notes to Basic Financial Statements. The District earned a rating upgrade of "AA+" from Standard and Poor's on the 2021 Revenue Bonds as well as the previously issued Revenue Bonds. Fitch affirmed the rating of "AA" on the Revenue Bonds. The District is not subject to a legal debt margin.

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

	Fiscal Year 2022	Fiscal Year 2021	Dollar Change
Net Revenue Bonds	\$ 145,879	\$ 154,246	\$ (8,367)
Finance Purchase Agreement Payable	3,657	4,702	(1,045)
Loan Payable	277	312	(35)
Compensated Absences	<u>2,505</u>	<u>2,523</u>	<u>(18)</u>
Total Long-term debt	<u>\$ 152,318</u>	<u>\$ 161,783</u>	<u>\$ (9,465)</u>

Post-Employment Benefits & Obligations

Post-Employment related obligations include OPEB which is presented in Note 17, CalPERS presented in Note 14 and Excess Benefit in Note 16.

CUCAMONGA VALLEY WATER DISTRICT

Management's Discussion and Analysis

As of June 30, 2022

TABLE A-5a
Post-Employment Obligations
(In thousands of dollars)

	Fiscal Year 2022	Fiscal Year 2021	Dollar Change
Net OPEB Obligation	6,242	14,018	(7,776)
Net CalPERS Pension Plan Obligation	13,723	25,770	(12,047)
Total Excess Benefit Plan Obligation	<u>2,472</u>	<u>2,151</u>	<u>321</u>
Total Post-Employment Obligations	<u>\$ 22,437</u>	<u>\$ 41,939</u>	<u>\$ (19,502)</u>

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 2022 budget, user fees, and charges. These indicators were taken into consideration when adopting the District's budget for year 2023.

TABLE A-6
Fiscal Year 2022 Actual vs Fiscal Year 2023 Budget
(In thousands of dollars)

	Actual Fiscal Year 2022	Budget Fiscal Year 2023	Dollar Change	Total Percent Change
Operating Revenues	\$ 105,192	\$ 107,640	\$ 2,448	2.3%
Nonoperating Revenues	<u>1,991</u>	<u>2,040</u>	<u>49</u>	2.5%
Total Revenues	<u>107,183</u>	<u>109,680</u>	<u>2,497</u>	2.3%
Depreciation Expense	13,422	14,000	578	4.3%
Other Operating Expenses	73,715	84,708	10,993	14.9%
Nonoperating Expenses	<u>6,641</u>	<u>4,814</u>	<u>(1,827)</u>	(27.5)%
Total Expenses	<u>93,778</u>	<u>103,522</u>	<u>9,744</u>	10.4%
Net Income/(Loss) Before Capital Contributions	13,405	6,158	(7,247)	(54.1)%
Capital Contributions	<u>5,433</u>	<u>5,463</u>	<u>30</u>	0.6%
Changes in Net Position	18,838	11,621	(7,217)	(38.3)%
Beginning Net Position	<u>338,707</u>	<u>357,545</u>	<u>18,838</u>	5.6%
Total Net Position	<u>\$ 357,545</u>	<u>\$ 369,166</u>	<u>\$ 11,621</u>	3.3%

Contacting the District's Director of Finance & Technology Services

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

CUCAMONGA VALLEY WATER DISTRICT

Statement of Net Position

As of June 30, 2022

	Water Utility Fund	Sewer Utility Fund	Recycled Water Utility Fund	Frontier Project Foundation	Totals
CURRENT ASSETS:					
Cash and Cash Equivalents (note 2)	\$ 36,001,574	\$ 8,795,348	\$ 730,313	\$ 25,107	\$ 45,552,342
Investments (note 2)	22,900,066	26,037,248	-	-	48,937,314
Net Customer Receivables	10,217,290	1,477,225	207,652	-	11,902,167
Accounts Receivable	1,231,367	1,370,805	-	3,780	2,605,952
Accrued Interest	251,486	83,830	-	-	335,316
Lease Receivable (note 18)	3,093,007	-	-	-	3,093,007
Prepaid Expense and Deposits	60,896	20,299	-	3,080	84,275
Inventories	1,169,046	-	-	-	1,169,046
TOTAL CURRENT ASSETS	74,924,732	37,784,755	937,965	31,967	113,679,419
NONCURRENT ASSETS:					
Restricted Cash and Cash Equivalents (note 2 & 3)	56	14,039,076	-	-	14,039,132
Water in Storage (note 4)	33,276,026	-	-	-	33,276,026
Net Pension Asset (note 13 & 15)	769,799	151,673	15,400	-	936,872
Capital Assets (note 5):					
Non-Depreciable Capital Assets	122,014,705	173,141	72,512	-	122,260,358
Net Depreciable Capital Assets	241,756,926	44,964,005	4,249,875	-	290,970,806
TOTAL NONCURRENT ASSETS	397,817,512	59,327,895	4,337,787	-	461,483,194
TOTAL ASSETS	472,742,244	97,112,650	5,275,752	31,967	575,162,613
DEFERRED OUTFLOWS OF RESOURCES:					
Pension Plans Deferred Outflows	6,240,221	1,330,491	135,849	-	7,706,561
Other Postemployment Benefits Deferred Outflows	3,326,825	505,083	84,337	-	3,916,245
Deferred Charge on Refunding	761,460	-	-	-	761,460
TOTAL DEFERRED OUTFLOWS OF RESOURCES	10,328,506	1,835,574	220,186	-	12,384,266
CURRENT LIABILITIES:					
Current:					
Accounts Payable	9,334,033	3,054,592	103,684	7,633	12,499,942
Interest Payable	1,619,642	-	-	-	1,619,642
Accrued Expense Payable	1,888,396	977,314	80,939	1,135	2,947,784
Unearned Revenue	-	-	-	22,255	22,255
Customer Deposits	1,869,922	-	-	-	1,869,922
Intergovernmental Payable (note 7)	-	14,039,076	-	-	14,039,076
Water Held for Inland Empire Utilities Agency (note 8)	2,271,519	-	-	-	2,271,519
Finance Purchase Agreements (note 6)	983,953	-	-	-	983,953
Compensated Absences Payable (note 6)	1,104,284	248,464	27,607	-	1,380,355
Revenue Bonds (note 6)	7,705,000	-	-	-	7,705,000
Loans Payable (note 6)	-	-	34,588	-	34,588
TOTAL CURRENT LIABILITIES	26,776,749	18,319,446	246,818	31,023	45,374,036
NONCURRENT LIABILITIES:					
Net Other Postemployment Benefits Liability (notes 6 & 17)	4,623,532	1,561,209	57,625	-	6,242,366
Net Pension Liability (notes 6,13,14,16)	13,135,975	2,850,593	208,084	-	16,194,652
Finance Purchase Agreements (note 6)	2,673,498	-	-	-	2,673,498
Compensated Absences Payable (note 6)	911,361	190,191	23,571	-	1,125,123
Revenue Bonds (note 6)	138,172,240	-	-	-	138,172,240
Loans Payable (note 6)	-	-	242,833	-	242,833
TOTAL NONCURRENT LIABILITIES	159,516,606	4,601,993	532,113	-	164,650,712
TOTAL LIABILITIES	186,293,355	22,921,439	778,931	31,023	210,024,748
DEFERRED INFLOWS OF RESOURCES:					
Lease Related (note 18)	3,055,601	-	-	-	3,055,601
Pension Plans Deferred Inflows	8,291,100	1,779,044	166,269	-	10,236,413
Other Postemployment Benefits Deferred Inflows	5,760,992	784,108	140,309	-	6,685,409
TOTAL DEFERRED INFLOWS OF RESOURCES	17,107,693	2,563,152	306,578	-	19,977,423
NET POSITION:					
Net Investment in Capital Assets (note 9)	214,998,456	45,137,146	4,322,387	-	264,457,989
Restricted for Capital Projects	9,441,562	1,884,762	582,994	-	11,909,318
Unrestricted (note 10)	55,229,684	26,441,725	(494,952)	944	81,177,401
TOTAL NET POSITION	\$ 279,669,702	\$ 73,463,633	\$ 4,410,429	\$ 944	\$ 357,544,708

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, 2022

	Water Utility Fund	Sewer Utility Fund	Recycled Water Utility Fund	Frontier Project Foundation	Totals
OPERATING REVENUES:					
Water Sales	\$ 57,039,902	\$ -	\$ 951,442	\$ -	\$ 57,991,344
Meter Charges	24,070,428	-	162,878	-	24,233,306
Water Services	651,145	-	-	-	651,145
Sewer Services	-	22,316,484	-	-	22,316,484
TOTAL OPERATING REVENUES	<u>81,761,475</u>	<u>22,316,484</u>	<u>1,114,320</u>	<u>-</u>	<u>105,192,279</u>
OPERATING EXPENSES:					
Source of Supply	27,503,323	-	600,116	-	28,103,439
Pumping Operations	3,811,274	-	-	-	3,811,274
Water Treatment	3,761,497	-	-	-	3,761,497
Transmission and Distribution	3,383,444	-	107,641	-	3,491,085
Collection and Transmission	-	18,465,741	-	-	18,465,741
Customer Accounts	3,040,663	595,059	66,333	-	3,702,055
General and Administrative	10,085,583	1,919,770	83,229	50,815	12,139,397
Depreciation and Amortization	11,346,437	1,958,988	116,710	-	13,422,135
TOTAL OPERATING EXPENSES	<u>62,932,221</u>	<u>22,939,558</u>	<u>974,029</u>	<u>50,815</u>	<u>86,896,623</u>
NET OPERATING INCOME (LOSS)	<u>18,829,254</u>	<u>(623,074)</u>	<u>140,291</u>	<u>(50,815)</u>	<u>18,295,656</u>
NONOPERATING REVENUES (EXPENSES):					
Investment Income (loss)	(1,354,612)	(483,281)	-	-	(1,837,893)
Rent and Lease Revenue	477,754	-	-	-	477,754
Interest Expense	(4,507,548)	-	(231)	-	(4,507,779)
Amortization of Deferred Charge on Refunding	(122,585)	-	-	-	(122,585)
Gain (loss) on Disposal of Assets	210,844	22,000	-	-	232,844
Other Nonoperating Revenues	1,138,651	90,831	-	50,815	1,280,297
Other Nonoperating Expenses	(379,182)	(34,361)	-	-	(413,543)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(4,536,678)</u>	<u>(404,811)</u>	<u>(231)</u>	<u>50,815</u>	<u>(4,890,905)</u>
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	14,292,576	(1,027,885)	140,060	-	13,404,751
Capital Contributions (note 11)	4,157,099	1,115,264	160,387	-	5,432,750
CHANGE IN NET POSITION	18,449,675	87,379	300,447	-	18,837,501
NET POSITION - BEGINNING	<u>261,220,027</u>	<u>73,376,254</u>	<u>4,109,982</u>	<u>944</u>	<u>338,707,207</u>
NET POSITION - ENDING	<u>\$ 279,669,702</u>	<u>\$ 73,463,633</u>	<u>\$ 4,410,429</u>	<u>\$ 944</u>	<u>\$ 357,544,708</u>

See accompanying notes to the basic financial statement

CUCAMONGA VALLEY WATER DISTRICT

Statement of Cash Flows

For the Year Ended June 30, 2022

	Water Utility Fund	Sewer Utility Fund	Recycled Water Utility Fund	Frontier Project Foundation	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from Customers	\$ 83,460,477	\$ 22,559,298	\$ 1,091,377	\$ -	\$107,111,152
Receipts From Others	1,138,651	90,831	-	25,689	1,255,171
Payment to Suppliers	(47,310,113)	(20,732,025)	(721,152)	(47,479)	(68,810,769)
Payment to Employees	(10,321,851)	(2,209,643)	(187,291)	-	(12,718,785)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>26,967,164</u>	<u>(291,539)</u>	<u>182,934</u>	<u>(21,790)</u>	<u>26,836,769</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Principal Payments - Certificates of Participation & Revenue Bonds	(7,810,000)	-	-	-	(7,810,000)
Principal Payments - Lease Payable	(1,044,178)	-	-	-	(1,044,178)
Principal Payments - Loan Payable	-	-	(34,562)	-	(34,562)
Interest	(4,755,526)	-	(231)	-	(4,755,757)
Proceeds From Sale of Equipment	630,844	22,000	-	-	652,844
Capital Fees Collected for Inland Empire Utilities Agency	-	8,865,591	-	-	8,865,591
Capital Fees Collected Paid to Inland Empire Utilities Agency	-	(6,404,545)	-	-	(6,404,545)
Additions to Utility Plant	(12,539,149)	(3,723,627)	(22,859)	-	(16,285,635)
Rent and Lease Revenue	477,754	-	-	-	477,754
Increase (Decrease) in Leases Receivable	(3,093,007)	-	-	-	(3,093,007)
Cash Contributions Received in Aid of Construction	3,337,099	508,264	160,387	-	4,005,750
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(24,796,163)</u>	<u>(732,317)</u>	<u>102,735</u>	<u>-</u>	<u>(125,425,746)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment Income	805,940	236,902	-	-	1,042,842
Purchases of Investments	(20,854,253)	(6,951,417)	-	-	(27,805,670)
Proceeds from Sales and Maturities of Investments	13,961,416	906,339	-	-	14,867,755
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(6,086,897)</u>	<u>(5,808,176)</u>	<u>-</u>	<u>-</u>	<u>(11,895,073)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(3,915,896)</u>	<u>(6,832,032)</u>	<u>285,669</u>	<u>(21,790)</u>	<u>(10,484,049)</u>
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>39,917,526</u>	<u>29,666,456</u>	<u>444,644</u>	<u>46,897</u>	<u>70,075,523</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 36,001,630</u>	<u>\$ 22,834,424</u>	<u>\$ 730,313</u>	<u>\$ 25,107</u>	<u>\$ 59,591,474</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:					
Cash and Cash Equivalents	\$ 36,001,574	\$ 8,795,348	\$ 730,313	\$ 25,107	\$ 45,552,342
Cash and Cash Equivalents - Restricted	56	14,039,076	-	-	14,039,132
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 36,001,630</u>	<u>\$ 22,834,424</u>	<u>\$ 730,313</u>	<u>\$ 25,107</u>	<u>\$ 59,591,474</u>

See accompanying notes to the basic financial statements

CUCAMONGA VALLEY WATER DISTRICT

Statement of Cash Flows, continued

For the Year Ended June 30, 2022

	Water Utility Fund	Sewer Utility Fund	Recycled Water Utility Fund	Frontier Project Foundation	Totals
RECONCILIATION OF OPERATING					
INCOME (LOSS) TO NET CASH PROVIDED (USED) BY					
OPERATING ACTIVITIES:					
Operating Income (Loss)	\$ 18,829,254	\$ (623,074)	\$ 140,291	\$ (50,815)	\$ 18,295,656
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:					
Depreciation and Amortization	11,346,437	1,958,988	116,710	-	13,422,135
Other Nonoperating Revenues	1,138,651	90,831	-	50,815	1,280,297
Other Nonoperating Expense	(379,182)	(34,361)	-	-	(413,543)
(Increase) Decrease in Net Customer Receivables	1,959,121	279,823	(22,943)	-	2,216,001
(Increase) Decrease in Accounts Receivable	(234,982)	(37,009)	-	(3,780)	(275,771)
(Increase) Decrease in Prepaid Expense and Deposits	(6,465)	(2,155)	-	(3,080)	(11,700)
(Increase) Decrease in Inventories	14,025	-	-	-	14,025
(Increase) Decrease in Water in Storage	(2,653,994)	-	-	-	(2,653,994)
(Increase) Decrease in Deferred Outflows	(42,026)	273,457	6,896	-	238,327
Increase (Decrease) in Accounts Payable	(1,998,359)	(241,909)	(15,708)	5,862	(2,250,114)
Increase (Decrease) in Accrued Expense Payable	138,618	(925,359)	72,181	554	(714,006)
Increase (Decrease) in Unearned Revenue	-	-	-	(21,346)	(21,346)
Increase (Decrease) in Customer Deposit	(25,137)	-	-	-	(25,137)
Increase (Decrease) in Compensated Absences Payable	14,747	(20,468)	(11,882)	-	(17,603)
Increase (Decrease) in Net Other Postemployment Benefits Liability	(6,580,564)	(1,031,083)	(164,474)	-	(7,776,121)
Increase (Decrease) in Net Pension Liability	(9,883,684)	(2,194,309)	(213,082)	-	(12,291,075)
Increase (Decrease) in Deferred Inflows	15,330,704	2,215,089	274,945	-	17,820,738
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 26,967,164</u>	<u>\$ (291,539)</u>	<u>\$ 182,934</u>	<u>\$ (21,790)</u>	<u>\$ 26,836,769</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:					
Contributions in Aid of Construction	\$ 820,000	\$ 607,000	\$ -	\$ -	\$ 1,427,000
Changes in Fair Value of Investments	(2,229,843)	(743,281)	-	-	(2,973,124)
NET NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES	<u>\$ (1,409,843)</u>	<u>\$ (136,281)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,546,124)</u>

See accompanying notes to the basic financial statements

CUCAMONGA VALLEY WATER DISTRICT

Notes to the Basic Financial Statements

June 30, 2022

(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. All C.O.P.’s were refinanced by 2021 Revenue Bonds. 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 \$145,877,240 in interfund receivable/payable on the statement of net position, \$4,399,501 in interest expense and \$10 in investment income on the statement of revenues, expenses and changes in net position, and \$559,019 in interest expense on the statement of cash flows. Separate financial statements are not available.

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

CUCAMONGA VALLEY WATER DISTRICT

Notes to the Basic Financial Statements, continued

June 30, 2022

(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 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 or the Financing Authority. The separate financial statements of the Foundation may be obtained from the District's office.

B. Basis of Accounting and Measurement Focus

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

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

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

The funds of the District are described below:

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

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

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

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

C. Operating and Nonoperating Revenues and Expenses

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

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

D. Assets, Liabilities and Net Position

1. Use of Estimates

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

2. Cash and Cash Equivalents

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

3. Investments and Investment Policy

Investments are stated at their fair value which represents the quoted or stated fair value. Investments that are 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:

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

D. Assets, Liabilities and Net Position, continued

7. Capital Assets, continued

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

8. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets 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 three 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. The deferred inflow of resources in lease related deferred inflows, are initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources in recognized as revenue over the life of the lease term.

9. Leases

The District is a lessor for a noncancellable lease of a building, and twelve cellular towers. The District recognizes a lease receivable and a deferred inflow of resources in the statement of net position. At the commencement of the lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received.

Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The District uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

CUCAMONGA VALLEY WATER DISTRICT

Notes to the Basic Financial Statements, continued

June 30, 2022

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

D. Assets, Liabilities and Net Position

9. Leases, continued

The District monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

10. 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.

11. 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.

12. 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, 2020
Measurement Date (MD)	June 30, 2021
Measurement Period (MP)	June 30, 2020 to June 30, 2021

CUCAMONGA VALLEY WATER DISTRICT

Notes to the Basic Financial Statements, continued

June 30, 2022

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

D. Assets, Liabilities and Net Position, continued

13. 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, 2020
Measurement Date (MD)	June 30, 2021
Measurement Period (MP)	June 30, 2020 to June 30, 2021

14. 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.

15. 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.
- **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*

16. 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.

17. Water Sales

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

CUCAMONGA VALLEY WATER DISTRICT

Notes to the Basic Financial Statements, continued

June 30, 2022

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

D. Assets, Liabilities and Net Position, continued

18. 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 \$9,949 to \$795,888 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	\$ 45,552,342
Investments	48,937,314
Restricted:	
Cash and cash equivalents with fiscal agent	<u>14,039,132</u>
Total cash and investments	<u>\$ 108,528,788</u>

Cash and investments at June 30, 2022 consisted of the following:

Cash on hand	\$ 3,800
Deposits with financial institutions	4,269,584
Investments	<u>104,255,404</u>
	<u>\$ 108,528,788</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.

CUCAMONGA VALLEY WATER DISTRICT

Notes to the Basic Financial Statements, continued

June 30, 2022

(2) Cash and Investments, continued

Investments Authorized by the California Government Code and the District's Investment Policy, continued

<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%	No limit
U.S. Agency Securities	5 years	100%	No limit
State and Local Agencies Notes or Bonds	5 years	30%	10%
Medium-Term Corporate Notes	5 years	30%	10%
Negotiable Certificates of Deposits	5 years	30%	10%
Time Certificates of Deposits	1 year	30%	10%
Bank Deposits	N/A	100%	No limit
Commercial Paper	270 days	25%	10%
Banker's Acceptances	180 days	25%	10%
Local Agency Investment Fund (LAIF)	N/A	100%	\$75,000,000
Local Government Investment Pools (LGIP)	N/A	50%	10%
Money Market Funds	N/A	20%	10%
Repurchase Agreements	90 days	10%	10%
Supranational	5 years	30%	10%
Asset Backed Securities	5 years	20%	10%

Investments Authorized by Debt Agreement

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 a year.

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).

CUCAMONGA VALLEY WATER DISTRICT

Notes to the Basic Financial Statements, continued

June 30, 2022

(2) Cash and Investments, continued

Custodial Credit Risk, continued

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 \$6,561,527 as of June 30, 2022. Of the bank balance, up to \$250,000 is federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name. The District's Director of Finance & Technology Services may waive the collateral requirement for deposits that are fully insured up to \$250,000 by the FDIC.

Investment in State Investment Pool

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

The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. LAIF is not rated by a nationally recognized statistical rating organization, but, as stated previously, it is regulated by the California Government Code, and is therefore exempt from rating requirements.

Interest Rate Risk

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

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:

CUCAMONGA VALLEY WATER DISTRICT

Notes to the Basic Financial Statements, continued

June 30, 2022

(2) Cash and Investments, continued

Interest Rate Risk, continued

Investment Type	Remaining Maturity (in Months)			Total	Level		
	12 Months or Less	13 - 24 Months	25 - 60 Months		1	2	3
Investments:							
U.S. Agency Securities:							
Federal National Mortgage Association	\$ -	\$ 1,092,201	\$ -	\$ 1,092,201	\$ -	\$ 1,092,201	\$ -
Federal Home Loan Mortgage Corporation	-	1,697,431	-	1,697,431	-	1,697,431	-
U.S. Treasuries	-	15,409,044	11,126,195	26,535,239	26,535,239	-	-
Medium-term Corporate Notes	2,595,059	3,495,680	12,735,965	18,826,704	-	18,826,704	-
Total Securities Classified	2,595,059	21,694,356	23,862,160	48,151,575	\$ 26,535,239	\$ 21,616,336	\$ -
Local Agency Investment Fund (LAIF)	55,304,830	-	-	55,304,830	-	-	-
Money Market Funds	785,739	-	-	785,739	-	-	-
Cash with fiscal agent:							
Money Market Funds	13,260	-	-	13,260	-	-	-
	<u>\$ 58,698,888</u>	<u>\$ 21,694,356</u>	<u>\$ 23,862,160</u>	<u>\$ 104,255,404</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, 2022

(2) Cash and Investments, continued

Credit Risk, continued

<u>Investment Type</u>	<u>Minimum Legal Rating</u>	<u>Rating</u>	<u>June 30, 2022</u>
U.S. Agency Securities:			
Federal National Mortgage Association	AA+	AA+	\$ 1,092,201
Federal Home Loan Mortgage Corporation	AA+	AA+	1,697,431
U.S. Treasuries	AA+	AA+	26,535,239
Medium-term Corporate Notes	A	AA	1,874,785
		AA-	979,775
		A+	3,541,809
		A	5,656,750
		A-	4,868,090
		BBB+	1,905,495
Local Agency Investment Fund (LAIF)	N/A	N/A	55,304,830
Money Market Funds	A	AAA	785,739
Cash with Fiscal Agent:			
Money Market Funds	A	AAA	<u>13,260</u>
			<u>\$ 104,255,404</u>

Concentration of Credit Risk

The investment policy of the District has set a limitation of 10% that can be invested in any one issuer. The District does not have any investments in any one issuer (other than for U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District's investments.

(3) Restricted Assets

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

<u>Funding Source</u>	<u>Use</u>	<u>Amount</u>
Sewer Facility Fees	Construction of Sewer Treatment Facility (Note 7)	\$ 14,039,076
Debt Proceeds	Construction of specific assets outlined in issues	<u>56</u>
		<u>\$ 14,039,132</u>

(4) Water in Storage

The District is entitled to water in the Chino Basin. To accommodate future growth, the District has purchased additional water from other purveyors within the Basin, which is stored in the Basin. The water is intended for use in future years. As of June 30, 2022, the District's unsold water purchases amounted to \$33,276,026.

CUCAMONGA VALLEY WATER DISTRICT

Notes to the Basic Financial Statements, continued

June 30, 2022

(5) Capital Assets

Changes in capital assets for the year were as follows:

	<u>Balance July 1, 2021</u>	<u>Additions/ Transfers</u>	<u>Retirements/ Transfers</u>	<u>Balance June 30, 2022</u>
Non-Depreciable Assets:				
Water:				
Land	\$ 9,299,816	\$ 122,227	\$ (420,000)	\$ 9,002,043
Water Rights	92,754,207	2,000	-	92,756,207
Construction in Progress	13,906,132	10,092,721	(3,742,398)	20,256,455
Sewer:				
Construction in Progress	1,667,492	3,523,127	(5,017,478)	173,141
Recycled Water:				
Construction in Progress	49,653	22,859	-	72,512
Total Non-Depreciable Assets	<u>117,677,300</u>	<u>13,762,934</u>	<u>(9,179,876)</u>	<u>122,260,358</u>
Depreciable Assets:				
Water:				
Intangibles	247,708	-	-	247,708
Source of Supply	25,200,697	-	-	25,200,697
Pumping Plant	14,077,467	645,437	-	14,722,904
Transmission and Distribution	224,069,622	5,608,822	-	229,678,444
Treatment Plant	115,134,309	232,625	-	115,366,934
General Water	42,400,853	397,718	(171,363)	42,627,208
Sewer:				
Intangibles	127,819	-	-	127,819
Collection and Transmission	73,185,075	5,747,730	-	78,932,805
General Sewer	9,444,365	77,247	(209,451)	9,312,161
Recycled Water:				
Intangibles	181,682	-	-	181,682
Wastewater Reclamation	5,608,270	-	-	5,608,270
Frontier Project Foundation:				
Office Equipment	84,364	-	(6,867)	77,497
Total Depreciable Assets	<u>509,762,231</u>	<u>12,709,579</u>	<u>(387,681)</u>	<u>522,084,129</u>
Less: Accumulated Depreciation				
Water:				
Intangibles	(183,715)	(5,702)	-	(189,417)
Source of Supply	(9,467,340)	(500,289)	-	(9,967,629)
Pumping Plant	(6,129,294)	(912,613)	-	(7,041,907)
Transmission and Distribution	(92,068,255)	(5,094,813)	-	(97,163,068)
Treatment Plant	(48,705,072)	(3,195,678)	-	(51,900,750)
General Water	(18,358,218)	(1,637,343)	171,363	(19,824,198)
Sewer:				
Intangibles	(83,900)	(3,193)	-	(87,093)
Collection and Transmission	(36,328,298)	(1,503,702)	-	(37,832,000)
General Sewer	(5,247,046)	(452,092)	209,451	(5,489,687)
Recycled Water:				
Intangibles	(71,781)	(4,542)	-	(76,323)
Wastewater Reclamation	(1,351,586)	(112,168)	-	(1,463,754)
Frontier Project Foundation:				
Office Equipment	(84,364)	-	6,867	(77,497)
Total Accumulated Depreciation	<u>(218,078,869)</u>	<u>(13,422,135)</u>	<u>387,681</u>	<u>(231,113,323)</u>
Total Net Depreciable Assets	<u>291,683,362</u>	<u>(712,556)</u>	<u>-</u>	<u>290,970,806</u>
Total Net Capital Assets	<u>\$ 409,360,662</u>	<u>\$ 13,050,378</u>	<u>\$ (9,179,876)</u>	<u>\$ 413,231,164</u>

CUCAMONGA VALLEY WATER DISTRICT

Notes to the Basic Financial Statements, continued

June 30, 2022

(6) Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2022, are as follows:

	Balance July 1, 2021	Additions	Retirements	Balance June 30, 2022	Current Portion
Revenue Bonds	\$ 146,420,000	\$ -	\$ (7,810,000)	\$ 138,610,000	\$ 7,705,000
Deferred Bond Premium	7,826,259	-	(559,019)	7,267,240	-
Net Revenue Bonds	154,246,259	-	(8,369,019)	145,877,240	7,705,000
Finance Purchase Agreements	4,701,629	-	(1,044,178)	3,657,451	983,953
Loan Payable	311,983	-	(34,562)	277,421	34,588
Compensated Absences	2,523,081	1,362,752	(1,380,355)	2,505,478	1,380,355
	<u>\$ 161,782,952</u>	<u>\$ 1,362,752</u>	<u>\$(10,828,114)</u>	<u>\$ 152,317,590</u>	<u>\$ 10,103,896</u>

Revenue Bond principal balances for the year ended June 30, 2022 are as follows:

2014 Revenue Bonds	\$ 7,340,000
2016 Revenue Bonds	15,780,000
2018A Revenue Bonds	9,710,000
2018B Revenue Bonds	52,920,000
2021A Revenue Bonds	32,395,000
2021B Revenue Bonds	20,465,000
	<u>\$ 138,610,000</u>

Finance Purchase Agreements principal balances for the year ended June 30, 2022 are as follows:

2010 Fixed Network Meter Replacement	\$ 582,326
2016 Fixed Network Meter Replacement	3,075,125
	<u>\$ 3,657,451</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, 2022 to September 1, 2030 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%.

CUCAMONGA VALLEY WATER DISTRICT

Notes to the Basic Financial Statements, continued

June 30, 2022

(6) Long-term Liabilities, continued

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 810,000	\$ 305,837	\$ 1,115,837
2024	1,575,000	246,213	1,821,213
2025	740,000	188,337	928,337
2026	780,000	150,338	930,338
2027	810,000	114,638	924,638
2028-2030	2,625,000	150,057	2,775,057
	<u>\$ 7,340,000</u>	<u>\$ 1,155,420</u>	<u>\$ 8,495,420</u>

2016 Revenue Bonds

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

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 2,515,000	\$ 502,637	\$ 3,017,637
2024	-	439,763	439,763
2025	-	439,762	439,762
2026	-	439,763	439,763
2027	-	439,762	439,762
2028-2032	-	2,198,813	2,198,813
2033-2037	13,265,000	1,614,831	14,879,831
	<u>\$ 15,780,000</u>	<u>\$ 6,075,331</u>	<u>\$ 21,855,331</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%.

CUCAMONGA VALLEY WATER DISTRICT

Notes to the Basic Financial Statements, continued

June 30, 2022

(6) Long-term Liabilities, continued

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>
2023	\$ -	\$ 401,175	\$ 401,175
2024	-	401,175	401,175
2025	-	401,175	401,175
2026	-	401,175	401,175
2027	-	401,175	401,175
2028-2032	-	2,005,875	2,005,875
2033-2036	9,710,000	912,450	10,622,450
	<u>\$ 9,710,000</u>	<u>\$ 4,924,200</u>	<u>\$ 14,634,200</u>

2018B Revenue Bonds (Federally Taxable)

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

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 2,705,000	\$ 1,847,967	\$ 4,552,967
2024	4,465,000	1,735,921	6,200,921
2025	5,315,000	1,577,185	6,892,185
2026	5,505,000	1,395,902	6,900,902
2027	5,685,000	1,201,409	6,886,409
2028-2032	29,245,000	2,697,498	31,942,498
	<u>\$ 52,920,000</u>	<u>\$ 10,455,882</u>	<u>\$ 63,375,882</u>

2021A Revenue Bonds (Federally Taxable)

In April 2021, the Cucamonga Valley Water District Financing Authority issued Federally Taxable Revenue Bonds in the amount of \$33,785,000. The proceeds were used to pay off the remaining portion of the outstanding Cucamonga Valley Water District Financing Authority Water Revenue Bonds, Series 2012, and to pay costs incurred in connection with the issuance of the bonds. The 2021A Revenue Bonds are scheduled to mature annually on September 1, 2021 to September 1, 2042 in amounts ranging from \$1,295,000 to \$1,970,000. Interest is payable semiannually on March 1 and September 1 of each year with interest rates ranging from 0.17% to 2.67%.

CUCAMONGA VALLEY WATER DISTRICT

Notes to the Basic Financial Statements, continued

June 30, 2022

(6) Long-term Liabilities, continued

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 1,295,000	\$ 708,226	\$ 2,003,226
2024	1,300,000	704,397	2,004,397
2025	1,305,000	697,620	2,002,620
2026	1,320,000	686,714	2,006,714
2027	1,330,000	671,934	2,001,934
2028-2032	7,005,000	3,011,178	10,016,178
2033-2037	7,845,000	2,174,006	10,019,006
2038-2042	9,025,000	992,171	10,017,171
2043	1,970,000	29,648	1,999,648
	<u>\$ 32,395,000</u>	<u>\$ 9,675,894</u>	<u>\$ 42,070,894</u>

2021B Revenue Bonds (Tax-Exempt)

In June 2021, the Cucamonga Valley Water District Financing Authority issued Federally Tax-Exempt Revenue Bonds in the amount of \$21,085,000. The proceeds were used to refund all of the outstanding Cucamonga Valley Water District Water Revenue Bonds, 2011 Series A, and to pay costs incurred in connection with the issuance of the bonds. The 2021B Revenue Bonds are scheduled to mature annually on September 1, 2021 to September 1, 2035 in amounts ranging from \$380,000 to \$1,935,000. Interest is payable semiannually on March 1 and September 1 of each year with interest rates ranging from 4% to 5%.

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 380,000	\$ 968,950	\$ 1,348,950
2024	1,055,000	933,075	1,988,075
2025	1,385,000	872,075	2,257,075
2026	1,445,000	801,325	2,246,325
2027	1,525,000	727,075	2,252,075
2028-2032	8,820,000	2,384,250	11,204,250
2033-2036	5,855,000	486,975	6,341,975
	<u>\$ 20,465,000</u>	<u>\$ 7,173,725</u>	<u>\$ 27,638,725</u>

2010 Fixed Network Meter Replacement Finance Purchase Agreement

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 finance purchase agreement requires quarterly payments of \$47,659 at an interest rate of 3.59%.

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

June 30, 2022

(6) Long-term Liabilities, continued

Debt service requirements on the 2010 fixed network meter replacement finance purchase agreement are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 128,443	\$ 14,533	\$ 142,976
2024	176,702	13,933	190,635
2025	183,131	7,504	190,635
2026	94,050	1,268	95,318
	<u>\$ 582,326</u>	<u>\$ 37,238</u>	<u>\$ 619,564</u>

2016 Fixed Network Meter Replacement Finance Purchase Agreement

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, 2022, equipment in the amount of \$7,224,441 had been purchased. The lease purchase agreement requires quarterly payments of \$228,483 at an interest rate of 2.12%.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 855,510	\$ 58,421	\$ 913,931
2024	873,792	40,140	913,932
2025	892,464	21,468	913,932
2026	453,359	3,607	456,966
	<u>\$ 3,075,125</u>	<u>\$ 123,636</u>	<u>\$ 3,198,761</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%.

CUCAMONGA VALLEY WATER DISTRICT

Notes to the Basic Financial Statements, continued

June 30, 2022

(6) Long-term Liabilities, continued

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

<u>Year</u>	<u>Principal</u>
2023	\$ 34,588
2024	34,614
2025	34,639
2026	34,665
2027	34,690
2028-2030	<u>104,225</u>
	<u>\$ 277,421</u>

(7) Intergovernmental Payable

The District, along with other agencies in the area, has an agreement with the Inland Empire Utilities Agency (IEUA) to share in construction costs of regional sewer treatment facilities. Construction costs are paid by tax increments each year by IEUA. If these tax increments do not cover the construction costs, the various agencies involved will be billed their allocated percentage. The District collects sewer facilities fees that by this agreement must be paid to IEUA when billed. The District is allowed to earn interest on any sewer facilities fees collected until remitted to IEUA. The District's liability for collected but unremitted sewer facilities fees at June 30, 2022 is \$14,039,076.

(8) Water Held for Inland Empire Utilities Agency

The District entered into an agreement dated March 1, 2016 with IEUA in which IEUA will pay for the purchase and delivery of Metropolitan Water District imported water to the District. The District in return will account for an equivalent volume of Chino Basin groundwater to IEUA within the District's existing Excess Carryover Storage Account. The District's liability for this water held for IEUA at June 30, 2022 is \$2,271,519.

(9) Net Investment in Capital Assets

Investment in capital assets, net of related debt, at June 30, 2022, consisted of the following:

Non-Depreciable Capital Assets	\$ 122,260,358
Net Depreciable Capital Assets	290,970,806
Finance Purchase Agreements - Current Portion	(1,026,008)
Revenue Bonds - Current Portion	(7,705,000)
Finance Purchase Agreements - Noncurrent Portion	(2,631,443)
Revenue Bonds - Noncurrent Portion	(138,172,184)
Deferred Charge - Refunding of Certificates of Participation	<u>761,460</u>
	<u>\$ 264,457,989</u>

CUCAMONGA VALLEY WATER DISTRICT

Notes to the Basic Financial Statements, continued

June 30, 2022

(10) Designation of Unrestricted Net Position

The District has adopted a Reserve Policy to establish designations of unrestricted net position. The designations established at June 30, 2022 are as follows:

Reserve Types	Fund		
	Water	Sewer	Recycled Water
Capital			
Facility & Equipment Replacement	\$ 14,000,000	\$ 19,000,000	\$ -
Emergency	3,638,000 ⁽¹⁾	838,000 ⁽¹⁾	-
Administrative	875,000	185,000	-
Local Water Resource Development	2,000,000	N/A	N/A
Liquidity			
Operating	14,960,130 ⁽²⁾	5,980,070 ⁽²⁾	-
Rate Stabilization	15,035,499 ⁽³⁾	N/A	N/A
Water Banking	2,500,000 ⁽⁴⁾	N/A	N/A
Customer Assistance Program Carry Over	205,410 ⁽⁵⁾	N/A	N/A
Compensated Absences	2,015,645 ⁽⁶⁾	438,655	-
Undesignated	-	-	(494,952)
Total Unrestricted Net Position	\$ 55,229,684	\$ 26,441,725	\$ (494,952)

Note (1) Emergency Reserve: The funding target is a minimum of 1% and a maximum of 4% 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.

Note (4) Water Banking Reserve: The funding target is a minimum of 3% of the budgeted water sales and a maximum equal to the cost of purchasing 5,000 acre feet of Metropolitan Water District Tier 2 imported water.

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

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

(11) Capital Contributions

Capital contributions for the fiscal year ending June 30, 2022 were as follows:

Developer fees	\$ 4,005,750
Developer donated assets	<u>1,427,000</u>
Total Contributed Capital	<u>\$ 5,432,750</u>

CUCAMONGA VALLEY WATER DISTRICT

Notes to the Basic Financial Statements, continued

June 30, 2022

(12) Deferred Compensation Savings Plan

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

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District's general creditors. Fair value of all plan assets held in trust by the District's three deferred compensation plans at June 30, 2022 amounted to \$6,874,647. Since the District has little administrative involvement and does not perform the investing function for this plan, the assets and related liabilities are not shown on the statement of net position.

(13) Defined Benefit Pension Plans

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

	<u>CalPERS</u> <u>(Note 14)</u>	<u>PARS</u> <u>(Note 15)</u>	<u>Excess Benefit</u> <u>(Note 16)</u>	<u>Total</u>
Net Pension Liability	\$ 13,722,680	\$ -	\$ 2,471,972	\$ 16,194,652
Net Pension Asset	-	936,872	-	936,872
Pension Plans Deferred Outflows	5,499,985	953,794	1,252,781	7,706,561
Pension Plans Deferred Inflows	8,667,663	892,517	676,232	10,236,412
Pension Expense	1,641,326	(63,176)	174,586	1,752,736

(14) CalPERS Pension Plan

Plan Description

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

Benefits Provided

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

CUCAMONGA VALLEY WATER DISTRICT

Notes to the Basic Financial Statements, continued

June 30, 2022

(14) CalPERS Pension Plan, continued

The Plans’ provisions and benefits in effect at June 30, 2022, are summarized as follows:

	Tier 1	Tier 2	Tier 3
		On or after 1/1/2011 but	
Hire date	Before 1/1/2011	before 1/1/2013	On or after 1/1/2013
Benefit formula	2.5% at 55	2% at 60	2% at 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	Minimum age 50	Minimum age 50	Minimum age 52
Required employer contribution rates	9.78%	9.78%	9.78%
Required employee contribution rates	8%	7%	6.50%
Employee contribution covered by the employer	0%	0%	0%

Employees Covered Table:

Inactive employees or beneficiaries current receiving benefits	111
Inactive employees entitled to but not yet receiving benefits	41
Active employees	<u>124</u>
Total	<u>276</u>

Contribution Description

Section 20814(c) of the California Public Employees’ Retirement Law (PERL) requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS’ annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

CUCAMONGA VALLEY WATER DISTRICT

Notes to the Basic Financial Statements, continued

June 30, 2022

(14) CalPERS Pension Plan, continued

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The June 30, 2020 valuation was rolled forward to determine the June 30, 2021 total pension liability, based on the following actuarial methods and assumptions:

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

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

Discount Rate

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

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The expected real rates of return by asset class are as followed:

CUCAMONGA VALLEY WATER DISTRICT

Notes to the Basic Financial Statements, continued

June 30, 2022

(14) CalPERS Pension Plan, continued

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

(1) In the System's ACFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

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

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

Pension Plan Fiduciary Net Position

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

Changes in the Net Pension Liability

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

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Assets)
	(a)	(b)	(c)=(a)-(b)
Balance at: 6/30/2020	\$ 99,206,205	\$ 73,435,766	\$ 25,770,439
Changes Recognized for the Measurement Period:			
Service Cost	1,867,039	-	1,867,039
Interest on the Total Pension Liability	7,057,652	-	7,057,652
Difference between Expected and Actual Experience	521,071	-	521,071
Contributions - Employer	-	3,823,185	(3,823,185)
Contributions - Employees	-	974,874	(974,874)
Net Investment Income	-	16,768,820	(16,768,820)
Benefit Payments, including Refunds of Employee Contributions	(3,904,772)	(3,904,772)	-
Administrative Expense	-	(73,358)	73,358
Net Changes During 2020-21	5,540,990	17,588,749	(12,047,759)
Balance at: 6/30/2021	\$ 104,747,195	\$ 91,024,515	\$ 13,722,680

CUCAMONGA VALLEY WATER DISTRICT

Notes to the Basic Financial Statements, continued

June 30, 2022

(14) CalPERS Pension Plan, continued

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

The following presents the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.15 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

	Discount Rate -1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
Plan's Net Pension Liability/(Assets)	\$29,336,086	\$13,722,680	\$968,690

Recognition of Gains and Losses

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

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

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired). The EARSL for the measurement period ending June 30, 2021 measurement period is 4.9 years, which was obtained by dividing the total service years of 1,470 (the sum of remaining service lifetimes of the active employees) by 297 (the total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

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

For the year ended June 30, 2022, the District incurred a pension expense of \$1,641,326 for the Plan. As of June 30, 2022, the District reported deferred outflows and inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in Assumptions	\$ -	\$ (183,378)
Difference between Expected and Actual Experience	1,419,105	(159,701)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	(8,324,584)
Contributions subsequent to the Measurement Date	4,080,880	-
Total	\$ 5,499,985	\$ (8,667,663)

CUCAMONGA VALLEY WATER DISTRICT

Notes to the Basic Financial Statements, continued

June 30, 2022

(14) CalPERS Pension Plan, continued

\$4,080,880 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
2022	\$ (1,668,838)
2023	(1,469,191)
2024	(1,905,795)
2025	(2,204,734)
2026	-
Thereafter	(7,248,558)

Subsequent Events

On July 12, 2021, CalPERS reported a preliminary 21.3% net return on investments for fiscal year 2020-21. Based on the thresholds specified in CalPERS Funding Risk Mitigation policy, the excess return of 14.3% prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate used for funding purposes of 0.20%, from 7.00% to 6.80%. Since CalPERS was in the final stages of the four-year Asset Liability Management (ALM) cycle, the board elected to defer any changes to the asset allocation until the ALM process concluded, and the board could make its final decision on the asset allocation in November 2021.

On November 17, 2021, the board adopted a new strategic asset allocation. The new asset allocation along with the new capital market assumptions, economic assumptions and administrative expense assumption support a discount rate of 6.90% (net of investment expense but without a reduction for administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.50% to 2.30% as recommended in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study also recommended modifications to retirement rates, termination rates, mortality rates and rates of salary increases that were adopted by the board. These new assumptions will be reflected in the GASB 68 accounting valuation reports for the June 30, 2022, measurement date.

(15) PARS Retirement Enhancement Plan

Plan Description

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

Benefits Provided

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

CUCAMONGA VALLEY WATER DISTRICT

Notes to the Basic Financial Statements, continued

June 30, 2022

(15) 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:

Employees Covered Table:

Inactive employees or beneficiaries current receiving benefits	49
Inactive employees entitled to but not yet receiving benefits	17
Active employees	<u>65</u>
Total	131

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

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

Contribution Description

The District currently funds the Plan through the PARS trust. The contribution for the 2021-2022 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.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The June 30, 2020 valuation was rolled forward to determine the June 30, 2021 total pension liability, based on the following actuarial methods and assumptions:

CUCAMONGA VALLEY WATER DISTRICT

Notes to the Basic Financial Statements, continued

June 30, 2022

(15) PARS Retirement Enhancement Plan, continued

Actuarial Cost Method	The Entry Age Normal level percent of pay cost method
Actuarial Assumptions	
Discount Rate	6.00%
Inflation	2.25%
Salary Increases	Based on assumptions for Public Agency Miscellaneous members published in the December 2017 CalPERS Experience Study. Rates are based on a wage growth rate of 2.75% per year plus merit and promotion increases.
Investment Rate of Return	6.00%
Mortality Rate Table	Pub-2010 General above-median income Employee and Retiree mortality tables projected with generational mortality improvement using 80% of scale MP-2020
Post Retirement Benefit Increase	Assumed to increase 2% per year

Change of Assumptions

Since the previous valuation the discount rate decreased from 6.25% to 6.00% to reflect updated capital market assumptions. Inflation rate decreased from 2.50% to 2.25% based on an updated historical analysis of inflation rates and forward-looking market expectations.

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

Pension Plan Fiduciary Net Position

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

CUCAMONGA VALLEY WATER DISTRICT

Notes to the Basic Financial Statements, continued

June 30, 2022

(15) PARS Retirement Enhancement Plan, continued

Changes in the Net Pension Asset

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

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Assets)
	(a)	(b)	(c)=(a)-(b)
Balance at: 6/30/2020	\$ 6,475,188	\$ 6,848,217	\$ (373,029)
Changes Recognized for the Measurement Period:			
Service Cost	109,986	-	109,986
Interest on the Total Pension Liability	404,619	-	404,619
Difference between Expected and Actual Experience	195,163	-	195,163
Changes of Assumptions	349,202	-	349,202
Contribution from the Employer	-	180,000	(180,000)
Net Investment Income	-	1,474,348	(1,474,348)
Benefit Payments including Refunds of Employee Contributions	(222,529)	(222,529)	-
Administrative Expense	-	(31,535)	31,535
Net Changes During 2020-2021	836,441	1,400,284	(563,843)
Balance at: 6/30/2021	\$ 7,311,629	\$ 8,248,501	\$ (936,872)

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

The following presents the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 6.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.00%) or 1 percentage-point higher (7.00%) than the current rate:

	Discount Rate -1% (5.00%)	Current Discount Rate (6.00%)	Discount Rate +1% (7.00%)
Plan's Net Pension Liability/(Assets)	\$181,480	(\$936,872)	(\$1,846,640)

Recognition of Gains and Losses

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

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

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

June 30, 2022

(15) PARS Retirement Enhancement Plan, continued***Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions***

For the year ending June 30, 2022 the District incurred a pension income of \$63,176 for the Plan. As of June 30, 2022, 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	\$ 622,686	\$ (30,791)
Difference between Expected and Actual Liability	151,108	(38,931)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	(822,795)
Contributions subsequent to the Measurement Date	180,000	-
Total	\$ 953,794	\$ (892,517)

\$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
2022	\$ 18,529
2023	59,516
2024	(39,711)
2025	(157,057)
2026	-
Thereafter	-

Subsequent Events

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

CUCAMONGA VALLEY WATER DISTRICT

Notes to the Basic Financial Statements, continued

June 30, 2022

(16) Excess Benefit Plan

Plan Description

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

Benefits Provided

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

Employees Covered Table:

Inactive employees or beneficiaries current receiving benefits	3
Active employees	65
Total	68

Contribution Description

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

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The June 30, 2020 valuation was rolled forward to determine the June 30, 2021 total pension liability, based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 73
Actuarial Assumptions	
Discount Rate	1.92%
Inflation	2.25%
Salary Increases	2.75% per annum, in aggregate
Investment Rate of Return	N/A
Mortality Rate Table	Pub-2010 General above-median income Employee and Retiree mortality tables projected with generational mortality improvement using 80% of scale MP-2020
Post Retirement Benefit Increase	Assumed to increase 2% per year

Change of Assumptions

Since the previous valuation the discount rate decreased from 2.45% to 1.92%. Total Pension Liability increased from \$2,151,445 to \$2,471,972.

CUCAMONGA VALLEY WATER DISTRICT

Notes to the Basic Financial Statements, continued

June 30, 2022

(16) Excess Benefit Plan, continued

Changes in Total Pension Liability

The following table shows the changes in total 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: 6/30/2020	\$ 2,151,445	\$ -	\$ 2,151,445
Changes Recognized for the Measurement Period:			
Service Cost	28,232	-	28,232
Interest on the Total Pension Liability	52,559	-	52,559
Difference between Expected and Actual Experience	(53,788)	-	(53,788)
Changes of Assumptions	362,382	-	362,382
Contribution from the Employer	-	68,858	(68,858)
Benefit Payments including Refunds of Employee Contributions	(68,858)	(68,858)	-
Net Changes During 2020-21	320,527	-	320,527
Balance at: 6/30/2021	\$ 2,471,972	\$ -	\$ 2,471,972

Sensitivity of the Total Pension Liability to Changes in the Discount Rate

The following presents the total pension liability of the Plan as of the measurement date, calculated using the discount rate of 1.92 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 (.92 percent) or 1 percentage-point higher (2.92 percent) than the current rate:

	Discount Rate -1% (.92%)	Current Discount Rate (1.92%)	Discount Rate +1% (2.92%)
Plan's Total Pension Liability/(Assets)	\$2,959,472	\$2,471,972	\$2,090,610

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

For the year ending June 30, 2022 the District incurred a pension expense of \$174,586 for the Plan. As of June 30, 2022, 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	\$ 628,902	\$ 42,440
Difference between Expected and Actual Experience	540,282	633,792
Contributions subsequent to the Measurement Date	83,597	-
Total	\$ 1,252,781	\$ 676,232

CUCAMONGA VALLEY WATER DISTRICT

Notes to the Basic Financial Statements, continued

June 30, 2022

(16) Excess Benefit Plan, continued

\$83,597 will be recognized as reduction to the total 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
2022	\$ 93,795
2023	93,795
2024	93,795
2025	85,950
2026	37,412
Thereafter	88,205

Subsequent Events

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

Plan Description

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

Benefits Provided

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

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

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

Active employees	52
Active employees waiving coverage	11
Inactive employees or beneficiaries current receiving benefits	52
Inactive employees with only non-medical OPEB coverage	3
Total	118

CUCAMONGA VALLEY WATER DISTRICT

Notes to the Basic Financial Statements, continued

June 30, 2022

(17) Other Postemployment Benefits (OPEB)

Contribution Description

Retirees must pay the portion of the coverage, if any, not covered by their benefits. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the District’s Board of Directors. District assets designated for OPEB are invested in California Employers’ Retiree Benefits Trust (CERBT) Strategy 1, which is a qualified irrevocable trust under IRC Section 115 and administered by CalPERS. Annual contributions by the District are equal to at least 75 percent of the Annual Required Contribution (ARC). Benefit payments equal to the annual direct plus implicit subsidy are paid from the trust. For fiscal year 2022, the District contributed \$2,443,620 to the plan, including \$586,267 for current premiums and an additional \$1,857,353 to prefund. Plan members receiving benefits contributed \$113,753.

Actuarial Methods and Assumptions Used to Determine Total OPEB Liability

The June 30, 2021 valuation was rolled forward to determine the June 30, 2022 total net OPEB liability, based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions	
Discount Rate	6.00%
Inflation	2.25%
Salary Increases	2.75%
Investment Rate of Return	6.00%, assuming actuarially determined contributions funded into CERBT Investment Strategy 1
Mortality Rate	Healthy Mortality: Pub-2010 General above median income Employee and Retiree mortality tables projected with generational mortality improvement using 80% of scale MP-2020. Disabled Mortality: Pub-2010 General Disabled mortality tables projected with generational mortality improvement using 80% of scale MP-2020.
Healthcare Trend Rate	Annual increases in per capita claims costs and plan premiums are as follows:

Fiscal Year Ending	Medical Coverage	
	Not Medicare Eligible	Medicare Eligible
2022	6.7%	4.7%
2023	6.2%	4.7%
2024	5.7%	4.7%
2025	5.2%	4.7%
2026-2038	4.7%	4.7%
2039-2074	Transition to ultimate rate	Transition to ultimate rate
2075+	3.7%	3.7%

- Medicare Part B premiums are assumed to increase 5.5% annually through fiscal year ending 2025 and then increase with the above trend rates annually thereafter.
- Dental and vision premiums are assumed to increase 3.25% and 2.00% annually, respectively.

Change of Assumptions

Since the previous valuation, the discount rate was decreased from 6.50 percent to 6.00 percent and healthcare trends rates were reset to reflect updated cost increase expectations, including the repeal of the Affordable Care Act’s Excise Tax on high-cost health insurance plans.

CUCAMONGA VALLEY WATER DISTRICT

Notes to the Basic Financial Statements, continued

June 30, 2022

(17) Other Postemployment Benefits, continued

Discount Rate

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

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

The discount rate used to measure the total OPEB liability was 6.00 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

OPEB Plan Fiduciary Net Position

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

Changes in the Net OPEB Liability

The changes in the net OPEB liability are as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Assets) (c)=(a)-(b)
Balance at: 6/30/2020	\$ 23,444,759	\$ 9,426,272	\$ 14,018,487
Changes Recognized for the Measurement Period:			
Service Cost	473,415	-	473,415
Interest	1,525,952	-	1,525,952
Difference between Expected and Actual Experience	(6,022,185)	-	(6,022,185)
Changes of Assumptions	1,217,489	-	1,217,489
Contribution from the Employer	-	2,201,838	(2,201,838)
Net Investment Income	-	2,772,786	(2,772,786)
Benefit Payments	(883,965)	(883,965)	-
Administrative Expense	-	(3,832)	3,832
Net Changes	(3,689,294)	4,086,827	(7,776,121)
Balance at: 6/30/2021	\$ 19,755,465	\$ 13,513,099	\$ 6,242,366

CUCAMONGA VALLEY WATER DISTRICT

Notes to the Basic Financial Statements, continued

June 30, 2022

(17) Other Postemployment Benefits, continued

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

The following presents the net OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2021:

	Discount Rate - 1% (5.0%)	Current Discount Rate (6.0%)	Discount Rate +1% (7.0%)
Net OPEB Liability	\$ 8,774,561	\$ 6,242,366	\$ 4,120,969

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

The following presents the net OPEB liability of the District if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2021:

	Trend Rates - 1% (4.5%)	Current Trend Rates (5.5%)	Trend Rates +1% (6.5%)
Net OPEB Liability	\$ 3,921,548	\$ 6,242,366	\$ 9,071,422

Recognition of Gains and Losses

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

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

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

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

For the fiscal year ended June 30, 2022, the District recognized OPEB income of \$28,368. As of fiscal year ended June 30, 2022, the District reported deferred outflows of resources related to OPEB from the following sources:

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

June 30, 2022

(17) Other Postemployment Benefits, continued

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in Assumptions	\$ 1,057,387	\$ 350,956
Difference between Expected and Actual Experience	415,237	4,808,035
Net Difference between Projected and Actual Earnings on Investments	-	1,526,418
Contributions subsequent to the Measurement Date	2,443,621	-
Total	<u>\$ 3,916,245</u>	<u>\$ 6,685,409</u>

\$2,443,620, the contributions made after the measurement date of the net pension/OPEB liability/collective net pension/OPEB liability but before the end of the employer's or governmental non-employer contributing entity's reporting period will be recognized as a reduction of the net pension/OPEB liability or collective net pension/OPEB liability in the subsequent fiscal period rather than in the current fiscal period. The remaining amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in future expense as follows:

Measurement Period ended June 30:	Deferred Outflows/(Inflows) of Resources
2023	\$ (1,335,751)
2024	(1,328,652)
2025	(1,195,659)
2026	(1,352,723)
2027	-
Thereafter	-

(18) Leases

During the current fiscal year, the District implemented GASB 87 for thirteen lease agreements in which the District is the lessor – one building lease, and twelve cellular towers. The leases vary in length, but all are received monthly. The District recognized \$367,426 in lease revenue and \$95,209 in interest revenue during the current fiscal year related to these leases. As of June 30, 2022, the District's receivable for lease payments was \$3,093,007. Also, the District has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease terms. As of June 30, 2022, the balance of the deferred inflow of resources was \$3,055,601.

CUCAMONGA VALLEY WATER DISTRICT

Notes to the Basic Financial Statements, continued

June 30, 2022

(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 is a member of the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA or Authority). The ACWA/JPIA is a risk-pooling, self-insurance authority, created under California Government Code Sections 6500 et. seq. The purpose of the ACWA/JPIA is to arrange and administer programs of self-insured losses and purchases excess insurance coverage for its members. The District has purchased various insurance policies to manage the potential liabilities from the previously named sources. As of June 30, 2022, the District participates in the liability and property programs of the Authority as follows:

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

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

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

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

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

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

Workers Compensation: The District is insured to statutory requirements.

CUCAMONGA VALLEY WATER DISTRICT

Notes to the Basic Financial Statements, continued

June 30, 2022

(19) Risk Management, continued

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

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

Settled claims have not exceeded any of the coverage amounts in the last three fiscal years, and there were no reductions in the District's insurance coverage during the years ending June 30, 2022, 2021, and 2020. Liabilities are recorded when it is probable that a loss has been incurred, and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2022, 2021, and 2020.

(20) Jointly Governed Organizations

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

(21) Commitments and Contingencies

Grant Awards

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

Construction Commitments

The following schedule lists the major contractual commitments as of June 30, 2022:

<u>Project</u>	<u>Vendor</u>	<u>Amount</u>
LWMWTP GAC Supply Reactivation & Related Services	Calgon Carbon Corporation	\$ 2,868,100
New Cucamonga Basin Well 49	Layne Christensen Company	1,298,579

Litigation

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

Required Supplementary Information

CUCAMONGA VALLEY WATER DISTRICT

Defined Benefit Pension Plan (PERS)

Schedule of Changes In Net Pension Liability and Related Ratios

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

MEASUREMENT PERIOD	2014	2015	2016	2017
TOTAL PENSION LIABILITY				
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 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)
Net Change in Total Pension Liability	\$ 3,896,377	\$ 3,384,451	\$ 3,638,768	\$ 9,949,117
Total Pension Liability - Beginning	62,827,983	66,724,360	70,108,811	73,747,579
Total Pension Liability - Ending (a)	\$ 66,724,360	\$ 70,108,811	\$ 73,747,579	\$ 83,696,696
PLAN FIDUCIARY NET POSITION				
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)
Net Plan to Plan Resource Movement	-	-	-	-
Other Miscellaneous Income/(Expenses)	-	-	-	-
Net Change in Fiduciary Net Position	\$ 7,517,880	\$ 1,270,706	\$ 245,354	\$ 6,804,430
Plan Fiduciary Net Position - Beginning	43,321,632	50,839,512	52,110,218	52,355,572
Plan Fiduciary Net Position - Ending (b)	\$ 50,839,512	\$ 52,110,218	\$ 52,355,572	\$ 59,160,002
Plan Net Pension Liability/(Assets) - Ending (a) - (b)	\$ 15,884,848	\$ 17,998,593	\$ 21,392,007	\$ 24,536,694
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.19%	74.33%	70.99%	70.68%
Covered Payroll	\$ 9,088,151	\$ 9,381,625	\$ 9,867,521	\$ 10,315,083
Plan Net Pension Liability/(Asset) as a Percentage of Covered Payroll	174.79%	191.85%	216.79%	237.87%

(Continued on following page)

CUCAMONGA VALLEY WATER DISTRICT

Defined Benefit Pension Plan (PERS)

Schedule of Changes In Net Pension Liability and Related Ratios

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

MEASUREMENT PERIOD	2018	2019	2020	2021
TOTAL PENSION LIABILITY				
Service Cost	\$ 1,866,288	\$ 1,745,718	\$ 1,765,434	\$ 1,867,039
Interest	5,921,045	6,380,628	6,682,850	7,057,652
Changes in Assumptions	(794,630)	-	-	-
Difference Between Expected and Actual Experience	575,309	2,116,769	(266,167)	521,071
Benefit Payments, Including Refunds of Employee Contributions	(3,197,422)	(3,634,711)	(3,651,602)	(3,904,772)
Net Change in Total Pension Liability	\$ 4,370,590	\$ 6,608,404	\$ 4,530,515	\$ 5,540,990
Total Pension Liability - Beginning	83,696,696	88,067,286	94,675,690	99,206,205
Total Pension Liability - Ending (a)	\$ 88,067,286	\$ 94,675,690	\$ 99,206,205	\$ 104,747,195
PLAN FIDUCIARY NET POSITION				
Contribution - Employer	\$ 3,038,475	\$ 3,259,552	\$ 3,575,721	\$ 3,823,185
Contribution - Employee	847,496	798,807	844,963	974,874
Net Investment Income	5,068,060	4,268,816	3,468,688	16,768,820
Benefit Payments, Including Refunds of Employee Contributions	(3,197,422)	(3,634,711)	(3,651,602)	(3,904,772)
Administrative Expense	(92,188)	(46,135)	(97,690)	(73,358)
Net Plan to Plan Resource Movement	(149)	-	-	-
Other Miscellaneous Income/(Expenses)	(175,066)	149	-	-
Net Change in Fiduciary Net Position	\$ 5,489,206	\$ 4,646,478	\$ 4,140,080	\$ 17,588,749
Plan Fiduciary Net Position - Beginning	59,160,002	64,649,208	69,295,686	73,435,766
Plan Fiduciary Net Position - Ending (b)	\$ 64,649,208	\$ 69,295,686	\$ 73,435,766	\$ 91,024,515
Plan Net Pension Liability/(Assets) - Ending (a) - (b)	\$ 23,418,078	\$ 25,380,004	\$ 25,770,439	\$ 13,722,680
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.41%	73.19%	74.02%	86.90%
Covered Payroll	\$ 10,475,082	\$ 10,612,655	11,021,207	\$ 11,573,492
Plan Net Pension Liability/(Asset) as a Percentage of Covered Payroll	223.56%	239.15%	233.83%	118.57%

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

(2) Net of administrative expenses.

Notes to Schedule:

Benefit Changes: The figures above generally include any liability impact that may have resulted from voluntary benefit changes that occurred on or before the Measurement Date. However, offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes) that occurred after Valuation Date are not included in the figures above, unless liability impact is deemed to be material by the plan actuary.

Changes of Assumptions: None in 2019 - 2021. In 2018 demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Assumptions December 2017. There were no changes in the discount rate. In 2017, the discount rate reduced from 7.65% to 7.15%. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.50% (net of administrative expense) to 7.65% (without a reduction for pension plan administrative expense.) In 2014, amounts reported were based on the 7.50% discount rate.

CUCAMONGA VALLEY WATER DISTRICT

Defined Benefit Pension Plan (PERS)

Schedule of Plan Contributions

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

2014-2018

	<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%

2019-2022

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Actuarially Determined Contribution	\$ 2,309,234	\$ 2,638,119	\$ 2,894,521	\$ 3,080,880
Contribution in Relation to the Actuarially Determined Contribution	<u>(3,309,234)</u>	<u>(3,638,119)</u>	<u>(3,894,521)</u>	<u>(4,080,880)</u>
Contribution Deficiency (Excess)	<u>\$ (1,000,000)</u>	<u>\$ (1,000,000)</u>	<u>\$ (1,000,000)</u>	<u>\$ (1,000,000)</u>
Covered Payroll	10,612,655	11,021,207	11,573,492	13,173,592
Contributions as a Percentage of Covered Payroll	31.18%	33.01%	33.65%	30.98%

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

Note to Schedule:

Valuation Date:	June 30, 2019
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB 68
Amortization method	Level percentage of payroll, closed
Assets valuation method	Market Value
Inflation	2.63%
Salary Increases	Varies by Entry Age and Service
Payroll growth	2.875% compounded annually
Investment rate of return	7.25% Net of Pension Plan Investment and Administrative Expenses; includes Inflation.
Retirement age	The probabilities of retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.
Mortality	The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries.

CUCAMONGA VALLEY WATER DISTRICT

Defined Benefit 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
TOTAL PENSION LIABILITY				
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
Benefit Payments, Including Refunds of Employee Contributions	(128,070)	(128,012)	(142,508)	(156,761)
Net Change in Total Pension Liability	\$ 302,947	\$ (1,196,139)	\$ 260,633	\$ 179,170
Total Pension Liability - Beginning	5,413,524	5,716,471	4,520,332	4,780,965
Total Pension Liability - Ending (a)	\$ 5,716,471	\$ 4,520,332	\$ 4,780,965	\$ 4,960,135
PLAN FIDUCIARY NET POSITION				
Contribution - Employer	\$ -	\$ 181,815	\$ 229,000	\$ 180,000
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)
Net Change in Fiduciary Net Position	\$ 485,405	\$ 141,670	\$ 129,849	\$ 451,447
Plan Fiduciary Net Position - Beginning	4,633,256	5,118,661	5,260,331	5,390,180
Plan Fiduciary Net Position - Ending (b)	\$ 5,118,661	\$ 5,260,331	\$ 5,390,180	\$ 5,841,627
Plan Net Pension Liability/(Assets) - Ending (a) - (b)	\$ 597,810	\$ (739,999)	\$ (609,215)	\$ (881,492)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	89.54%	116.37%	112.74%	117.77%
Covered Payroll	\$ 8,257,925	\$ 8,237,008	\$ 8,060,799	\$ 7,785,307
Plan Net Pension Liability/(Asset) as a Percentage of Covered Payroll	7.24%	-8.98%	-7.56%	-11.32%

(Continued on following page)

CUCAMONGA VALLEY WATER DISTRICT

Defined Benefit 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	2018	2019	2020	2021
TOTAL PENSION LIABILITY				
Service Cost	\$ 91,496	\$ 94,241	\$ 107,042	\$ 109,986
Interest	334,808	350,617	387,118	404,619
Difference Between expected and Actual Experience	-	(42,960)	-	195,163
Changes in Assumptions	-	794,012	-	349,202
Benefit Payments, Including Refunds of Employee Contributions	(183,021)	(206,668)	(211,632)	(222,529)
Net Change in Total Pension Liability	\$ 243,283	\$ 989,242	\$ 282,528	\$ 836,441
Total Pension Liability - Beginning	4,960,135	5,203,418	6,192,660	6,475,188
Total Pension Liability - Ending (a)	\$ 5,203,418	\$ 6,192,660	\$ 6,475,188	\$ 7,311,629
PLAN FIDUCIARY NET POSITION				
Contribution - Employer	\$ 180,000	\$ 180,000	\$ 180,000	\$ 180,000
Net Investment Income	368,766	389,948	400,069	1,474,348
Benefit Payments, Including Refunds of Employee Contributions	(183,021)	(206,668)	(211,632)	(222,529)
Administrative Expense	(30,086)	(30,195)	(30,591)	(31,535)
Net Change in Fiduciary Net Position	\$ 335,659	\$ 333,085	\$ 337,846	\$ 1,400,284
Plan Fiduciary Net Position - Beginning	5,841,627	6,177,286	6,510,371	6,848,217
Plan Fiduciary Net Position - Ending (b)	\$ 6,177,286	\$ 6,510,371	\$ 6,848,217	\$ 8,248,501
Plan Net Pension Liability/(Assets) - Ending (a) - (b)	\$ (973,868)	\$ (317,711)	\$ (373,029)	\$ (936,872)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	118.72%	105.13%	105.76%	112.81%
Covered Payroll	\$ 7,606,373	\$ 6,781,265	\$ 7,078,754	\$ 7,214,300
Plan Net Pension Liability/(Asset) as a Percentage of Covered Payroll	-12.80%	-4.69%	-5.27%	-12.99%

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

(2) Net of administrative expenses.

Notes to Schedule:

Benefit Changes: There were no changes in benefits

Changes of Assumptions:

Salary scale, mortality, withdrawal and retirement rates were updated from the rates used in the 6/30/2016 CalPERS Public Agency Miscellaneous actuarial valuation to the rates based on the December 2017 CalPERS experience study. The expected investment return and discount rate decreased from 6.25% to 6.00% to reflect updated capital market assumptions. The inflation assumption was changed from 2.50% to 2.25% based on an updated historical analysis of inflation rates and forward-looking market expectations. The aggregate wage inflation assumption stayed the same at 2.75% based on the 2017 CalPERS experience study. The form of payment assumption for vested terminated participants was refined to be consistent for all future retirees. The IRS §415 limit calculations were refined to reflect annual dollar limit updates and plan operations.

CUCAMONGA VALLEY WATER DISTRICT

Defined Benefit Pension Plan (PARS)

Schedule of Plan Contributions

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

2014-2018

	<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%

2019-2022

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Actuarially Determined Contribution	\$ 180,000	\$ 180,000	\$ 180,000	\$ 180,000
Contribution in Relation to the Actuarially Determined Contribution	(180,000)	(180,000)	(180,000)	(180,000)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	6,781,265	7,078,754	7,214,300	7,783,939
Contributions as a Percentage of Covered Payroll	2.65%	2.54%	2.50%	2.31%

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

Note to Schedule:

Valuation Date:	June 30, 2021
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	The Entry Age Normal level percent of pay cost method
Amortization method	Level percentage of payroll, closed
Remaining amortization period	10 years
Assets valuation method	5-year
Inflation	2.25%
	Based on assumptions for Public Agency Miscellaneous members published in the December 2017 CalPERS Experience Study. Rates are based on a wage growth rate of 2.75% per year plus merit and promotion increases.
Salary Increases	
Investment rate of return	6.00%
Retirement age	Based on assumptions for Public Agency Miscellaneous members published in the December 2017 CalPERS Experience Study.
Mortality	Pub-2010 General above-median income Employee and Retiree mortality tables projected with generational mortality improvement using 80% of scale MP-2020

CUCAMONGA VALLEY WATER DISTRICT

Excess Benefit Pension Plan

Schedule of Changes In Total Pension Liability and Related

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

	2014	2015	2016	2017
TOTAL PENSION LIABILITY				
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)
Change in Total Pension Liability	\$ 90,073	\$ (258,777)	\$ 291,258	\$ 102,953
Total Pension Liability - Beginning	1,433,384	1,523,457	1,264,680	1,555,938
Total Pension Liability - Ending (a)	\$ 1,523,457	\$ 1,264,680	\$ 1,555,938	\$ 1,658,891
PLAN FIDUCIARY NET POSITION				
Contribution - Employer	\$ 22,330	\$ -	\$ -	\$ -
Net Investment Income	106	-	-	-
Benefit Payments, Including Refunds of Employee Contributions	(24,226)	-	-	-
Other Changes in Fiduciary Net Position	(48)	(3,403)	-	-
Net Change in Fiduciary Net Position	\$ (1,838)	\$ (3,403)	\$ -	\$ -
Plan Fiduciary Net Position - Beginning	5,241	3,403	-	-
Plan Fiduciary Net Position - Ending (b)	\$ 3,403	\$ -	\$ -	\$ -
Plan Net Pension Liability/(Assets) - Ending (a) - (b) (2)	\$ 1,520,054	\$ 1,264,680	\$ 1,555,938	\$ 1,658,891
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	0.22%	0.00%	0.00%	0.00%
Covered Payroll	\$ 8,257,925	\$ 8,237,008	\$ 8,060,799	\$ 7,785,307
Plan Net Pension Liability/(Asset) as a Percentage of Covered Payroll	18.41%	15.35%	19.30%	21.31%

(Continued on next page)

CUCAMONGA VALLEY WATER DISTRICT

Excess Benefit Pension Plan

Schedule of Changes in Total Pension Liability and Related Ratios As of June 30, for the Last Ten Fiscal Years (1)

	2018	2019	2020	2021
TOTAL PENSION LIABILITY				
Service Cost	\$ 46,967	\$ 48,376	\$ 22,372	\$ 28,232
Interest	60,070	62,756	59,591	52,559
Difference Between Expected and Actual Experience	-	622,043	-	(53,788)
Changes in Assumptions	(17,478)	(479,570)	219,076	362,382
Changes of Benefits Terms	-	-	-	-
Benefit Payments, Including Refunds of Employee Contributions	(37,013)	(52,435)	(62,201)	(68,858)
Change in Total Pension Liability	\$ 52,546	\$ 201,170	\$ 238,838	\$ 320,527
Total Pension Liability - Beginning	1,658,891	1,711,437	1,912,607	2,151,445
Total Pension Liability - Ending (a)	\$ 1,711,437	\$ 1,912,607	\$ 2,151,445	\$ 2,471,972
PLAN FIDUCIARY NET POSITION				
Contribution - Employer	\$ -	\$ -	\$ -	\$ -
Net Investment Income	-	-	-	-
Benefit Payments, Including Refunds of Employee Contributions	-	-	-	-
Other Changes in Fiduciary Net Position	-	-	-	-
Net Change in Fiduciary Net Position	\$ -	\$ -	\$ -	\$ -
Plan Fiduciary Net Position - Beginning	-	-	-	-
Plan Fiduciary Net Position - Ending (b)	\$ -	\$ -	\$ -	\$ -
Plan Net Pension Liability/(Assets) - Ending (a) - (b) (2)	\$ 1,711,437	\$ 1,912,607	\$ 2,151,445	\$ 2,471,972
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	0.00%	0.00%	0.00%	0.00%
Covered Payroll	\$ 7,606,373	\$ 6,781,265	\$ 7,078,754	7,214,300
Plan Net Pension Liability/(Asset) as a Percentage of Covered Payroll	22.50%	28.20%	30.39%	34.26%

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

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

Notes to Schedule:

Benefit Changes: There were no changes in benefits

Changes of Assumptions:

Salary scale, mortality, withdrawal and retirement rates were updated from the rates used in the 6/30/2016 CalPERS Public Agency Miscellaneous actuarial valuation to the rates based on the December 2017 CalPERS experience study. The discount rate decreased from 2.45% to 1.92% to reflect a change in the 20-year municipal bond rate. The inflation assumption was changed from 2.50% to 2.25% based on an updated historical analysis of inflation rates and forward-looking market expectations. The aggregate wage inflation assumption stayed the same at 2.75% based on the 2017 CalPERS experience study. The IRS §415 limit calculations were refined to reflect annual dollar limit updates and plan operations.

CUCAMONGA VALLEY WATER DISTRICT

Excess Benefit Pension Plan

Schedule of Plan Contributions

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

2014-2018

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Actuarially Determined Contribution	\$ 24,360	\$ 24,360	\$ 25,205	\$ 25,709	\$ 37,013
Contribution in Relation to the Actuarially Determined Contribution	<u>(24,360)</u>	<u>(24,360)</u>	<u>(25,205)</u>	<u>(25,709)</u>	<u>(37,013)</u>
Contribution Deficiency (Excess)	<u>\$ -</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	0.29%	0.30%	0.31%	0.33%	0.49%

2019-2022

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Actuarially Determined Contribution	\$ 52,435	\$ 62,201	\$ 68,858	\$ 83,597
Contribution in Relation to the Actuarially Determined Contribution	<u>(52,435)</u>	<u>(62,201)</u>	<u>(68,858)</u>	<u>(83,597)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	6,781,265	7,078,754	7,214,300	7,783,939
Contributions as a Percentage of Covered Payroll	0.77%	0.88%	0.95%	1.07%

Note to Schedule:

Valuation Date: June 30, 2021

Methods and assumptions used to determine contribution rates:

Actuarial cost method Entry age normal
 Amortization method Level percentage of payroll, closed
 Remaining amortization period 12 years
 Assets valuation method 5-year
 Inflation 2.25%
 Salary Increases Varies by entry age and service
 Investment rate of return N/A

Retirement age Based on assumptions for Public Agency Miscellaneous members published in the December 2017 CalPERS Experience Study.

Mortality Pub-2010 General above-median income Employee and Retiree mortality tables projected with generational mortality improvement using 80% of scale MP-2020

CUCAMONGA VALLEY WATER DISTRICT

Other Postemployment Benefits

Schedule of Changes in Net OPEB Liability and Related Ratios

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

MEASUREMENT PERIOD	2017	2018	2019	2020	2021
TOTAL OPEB LIABILITY					
Service Cost	\$ 432,544	\$ 452,441	\$ 447,776	\$ 456,216	\$ 473,415
Interest	1,384,413	1,469,710	1,477,009	1,457,921	1,525,952
Changes in Assumptions	-	(1,052,868)	176,487	-	1,217,489
Difference Between expected and Actual Experience	-	-	857,268	945	(6,022,185)
Benefit Payments	(566,374)	(764,013)	(764,690)	(887,328)	(883,965)
Net Change in Total OPEB Liability	\$ 1,250,583	\$ 105,270	\$ 2,193,850	\$ 1,027,754	\$ (3,689,294)
Total OPEB Liability - Beginning	18,867,302	20,117,885	20,223,155	22,417,005	23,444,759
Total OPEB Liability - Ending (a)	\$ 20,117,885	\$ 20,223,155	\$ 22,417,005	\$ 23,444,759	\$ 19,755,465
PLAN FIDUCIARY NET POSITION					
Contribution - Employer	\$ 984,000	\$ 1,311,239	\$ 1,520,000	\$ 1,457,643	\$ 2,201,838
Contribution - Employee	596,123	-	-	-	-
Net Investment Income	-	516,128	517,427	319,294	2,772,786
Other Additions	-	4,435	-	-	-
Other Deductions	-	(8,226)	-	-	-
Benefit Payments	(566,374)	(764,013)	(764,690)	(887,328)	(883,965)
Administrative Expense	(2,883)	(3,524)	(1,697)	(4,438)	(3,832)
Net Change in Fiduciary Net Position	\$ 1,010,866	\$ 1,056,039	\$ 1,271,040	\$ 885,171	\$ 4,086,827
Plan Fiduciary Net Position - Beginning	5,203,156	6,214,022	7,270,061	8,541,101	9,426,272
Plan Fiduciary Net Position - Ending (b)	\$ 6,214,022	\$ 7,270,061	\$ 8,541,101	\$ 9,426,272	\$ 13,513,099
Plan Net OPEB Liability/(Assets) - Ending (a) - (b)	\$ 13,903,863	\$ 12,953,094	\$ 13,875,904	\$ 14,018,487	\$ 6,242,366
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	30.89%	35.95%	38.10%	40.21%	68.40%
Covered Employee Payroll⁽²⁾	\$ 7,785,307	\$ 7,753,113	\$ 7,431,860	\$ 7,907,675	\$ 7,527,264
Plan Net OPEB Liability/(Asset) as a Percentage of Covered Employee Payroll	178.59%	167.07%	186.71%	177.28%	82.93%

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

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

Notes to Schedule:

Changes of Assumptions: The discount rate and long-term expected rate of return on OPEB plan investments was changed from 6.50% to 6.00% based on updated capital market assumptions.

CUCAMONGA VALLEY WATER DISTRICT

Other Postemployment Benefits

Schedule of Plan Contributions

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

	2018	2019	2020	2021	2022
Actuarially Determined Contribution	\$ 1,311,239	\$ 1,520,000	\$ 1,440,000	\$ 2,201,838	\$ 2,443,620
Contribution in Relation to the Actuarially Determined Contribution	(1,311,239)	(1,520,000)	(1,440,000)	(2,201,838)	(2,443,620)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	7,753,113	7,431,860	7,907,675	7,527,264	8,224,550
Contributions as a Percentage of Covered Employee Payroll	16.91%	20.45%	18.21%	29.25%	29.71%

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

Note to Schedule:

Actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2021 were from the June 30, 2020 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	2.25%
Payroll Growth	2.75%
Investment Rate of Return	6.00%, assuming actuarially determined contributions funded into CERBT Investment Strategy 1

Healthcare cost-trend rates Annual increases in per capita claims costs and plan premiums are as follows:

Medical Coverage	
Fiscal Year Ending	Not Medicare Eligible
2022	6.7%
2023	6.2%
2024	5.7%
2025	5.2%
2026-2038	4.7%
2039-2074	Transition to ultimate rate
2075+	3.7%

- Medicare Part B premiums are assumed to increase 5.5% annually through fiscal year ending 2025 and then increase with the above trend rates annually thereafter.
- Dental and vision premiums are assumed to increase 3.25% and 2.00% annually, respectively.

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

Mortality Healthy Mortality: Pub-2010 General above median income Employee and Retiree mortality tables projected with generational mortality improvement using 80% of scale MP-2020.
Disabled Mortality: Pub-2010 General Disabled mortality tables projected with generational mortality improvement using 80% of scale MP-2020.

Statistical Section

CUCAMONGA VALLEY WATER DISTRICT

Statistical Section

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

Table of Contents

	<u>Page No.</u>
Financial Trends	64-68
These schedules contain information to help the reader understand how the District’s financial performance and well-being have changed over time.	
Revenue Capacity	69-72
These schedules contain information to help the reader assess the District’s most significant own-source revenue, water sales.	
Debt Capacity	73-74
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	75-76
These schedules offer demographic indicators to help the reader understand the environment within which the District’s financial activities take place.	
Other Operating Information	77-78
These schedules contains service and infrastructure data to help the reader understand how the information in the District’s financial report relates to the service provided by the District.	

CUCAMONGA VALLEY WATER DISTRICT

Changes in Net Position and Net Position by Component

Last Ten Fiscal Years

Schedule 1

	Fiscal Year				
	2013	2014	2015	2016	2017
Changes in net position:					
Operating revenues (see Schedule 2)	\$ 77,575,410	\$ 83,426,225	\$ 77,904,102	\$ 81,198,764	\$ 84,522,917
Operating expenses (see Schedule 3)	(62,940,607)	(67,892,079)	(67,584,114)	(64,439,623)	(74,472,769)
Operating income(loss)	<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>
Non-operating revenues(expenses)					
Investment income	208,488	929,941	755,174	1,569,781	226,841
Taxes and assessments	10	12	35	35	13
Rent and lease revenue	278,934	375,700	405,027	437,184	450,838
Interest expense	(8,493,530)	(7,321,681)	(6,814,957)	(6,052,435)	(7,441,446)
Amortization of deferred charge on refunding	(8,643)	303,225	(150,560)	(225,345)	(309,984)
Gain (loss) on disposal of assets	31,565	(16,526)	84,155	(6,153)	(169,966)
Other nonoperating revenues	900,483	1,634,133	6,124,244	1,498,448	1,636,786
Other nonoperating expenses	(979,443)	(1,460,637)	(984,585)	(1,405,307)	(1,475,858)
Total non-operating revenues(expenses), net	<u>(8,062,136)</u>	<u>(5,555,833)</u>	<u>(581,467)</u>	<u>(4,183,792)</u>	<u>(7,082,776)</u>
Net income before capital contributions	6,572,667	9,978,313	9,738,521	12,575,349	2,967,372
Capital contributions	3,164,707	5,352,641	2,627,376	3,009,934	3,134,828
Special items	-	-	-	-	-
Changes in net position	<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>
Net position by component:					
Net investment in capital assets	\$ 248,304,834	\$ 212,123,526	\$ 219,737,010	\$ 230,275,675	\$ 230,199,134
Restricted for capital projects	4,569,657	8,528,546	10,483,922	8,923,356	6,090,965
Unrestricted	<u>41,328,761</u>	<u>88,882,134</u>	<u>71,283,528</u>	<u>70,845,073</u>	<u>79,856,205</u>
Total net position	<u>\$ 294,203,252</u> ⁽¹⁾	<u>\$ 309,534,206</u> ⁽²⁾	<u>\$ 301,504,460</u>	<u>\$ 310,044,104</u> ⁽³⁾	<u>\$ 316,146,304</u>

(Continued on next page)

CUCAMONGA VALLEY WATER DISTRICT

Changes in Net Position and Net Position by Component

Last Ten Fiscal Years

Schedule 1

	Fiscal Year				
	2018	2019	2020	2021	2022
Changes in net position:					
Operating revenues (see Schedule 2)	\$ 92,921,423	\$ 93,844,175	\$103,431,561	\$106,424,224	\$105,192,279
Operating expenses (see Schedule 3)	(86,904,795)	(86,527,748)	(93,473,452)	(90,905,761)	(87,137,263)
Operating income(loss)	6,016,628	7,316,427	9,958,109	15,518,463	18,295,656
Non-operating revenues(expenses)					
Investment income	522,782	3,348,754	3,573,731	219,154	(1,837,893)
Taxes and assessments	12	-	-	-	-
Rent and lease revenue	460,533	478,310	492,454	512,890	477,754
Interest expense	(7,379,979)	(6,445,695)	(6,138,065)	(5,455,126)	(4,507,779)
Amortization of deferred charge on refunding	(316,069)	(406,564)	(406,564)	(339,851)	(122,585)
Gain (loss) on disposal of assets	-	(57,166)	-	(300,363)	232,844
Other nonoperating revenues	1,228,196	3,128,989	757,886	653,102	1,280,297
Other nonoperating expenses	(2,178,033)	(2,058,894)	(462,047)	(532,397)	(413,543)
Total non-operating revenues(expenses), net	(7,662,558)	(2,012,266)	(2,182,605)	(5,242,591)	(4,890,905)
Net income before capital contributions	(1,645,930)	5,304,161	7,775,504	10,275,872	13,404,751
Capital contributions	3,655,449	5,077,406	1,399,852	3,186,105	5,432,750
Special items	-	(2,610,504)	-	-	-
Changes in net position	\$ 2,009,519	\$ 7,771,063	\$ 9,175,356	\$ 13,461,977	\$ 18,837,501
Net position by component:					
Net investment in capital assets	\$242,567,203	\$251,202,768	\$251,398,320	\$251,414,505	\$264,457,989
Restricted for capital projects	9,746,415	12,212,066	12,211,918	13,793,095	11,909,318
Unrestricted	55,985,193	52,655,040	61,634,992	73,499,607	81,177,401
Total net position	\$308,298,811 ⁽⁴⁾	\$316,069,874 ⁽⁴⁾	\$325,245,230	\$338,707,207	\$357,544,708

Notes:

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

SOURCE: Cucamonga Valley Water District – Accounting Division

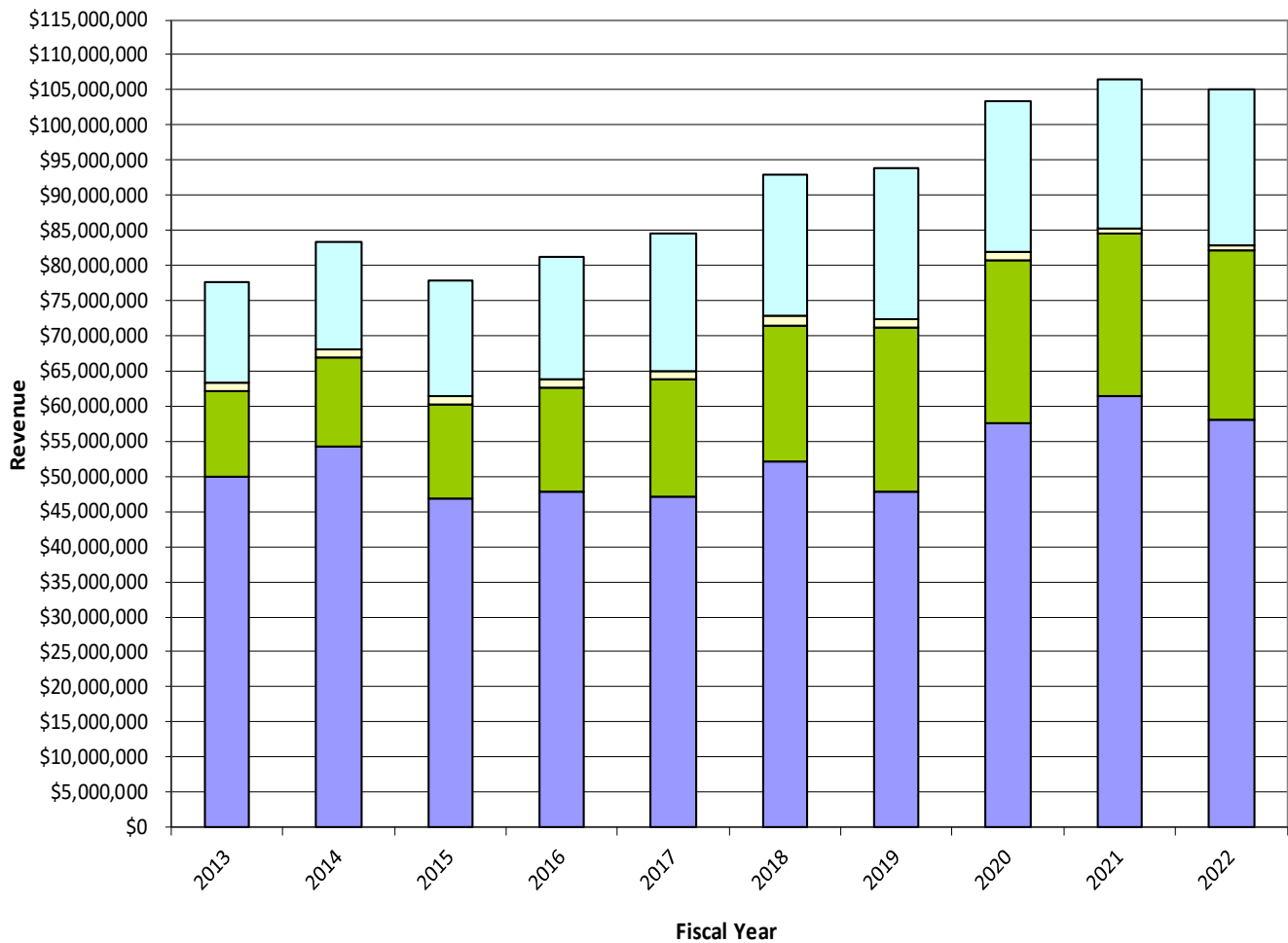
CUCAMONGA VALLEY WATER DISTRICT

Operating Revenue by Source

Last Ten Fiscal Years

Schedule 2

Fiscal Year	Water Sales	Meter Charges	Water Services	Sewer Services	Total Operating Revenue
2013	\$ 49,983,058	\$ 12,122,798	\$ 1,229,893	\$ 14,239,661	\$ 77,575,410
2014	54,134,874	12,814,590	1,248,185	15,228,576	83,426,225
2015	46,811,236	13,442,140	1,243,752	16,406,974	77,904,102
2016	47,914,302	14,595,971	1,266,664	17,421,827	81,198,764
2017	47,067,431	16,780,336	1,224,963	19,450,187	84,522,917
2018	51,977,882	19,558,598	1,253,034	20,131,909	92,921,423
2019	47,740,155	23,458,777	1,212,098	21,433,145	93,844,175
2020	57,520,807	23,299,147	1,078,989	21,532,618	103,431,561
2021	61,464,121	23,159,509	716,184	21,084,410	106,424,224
2022	57,991,344	24,233,306	651,145	22,316,484	105,192,279



SOURCE: Cucamonga Valley Water District – Accounting Division

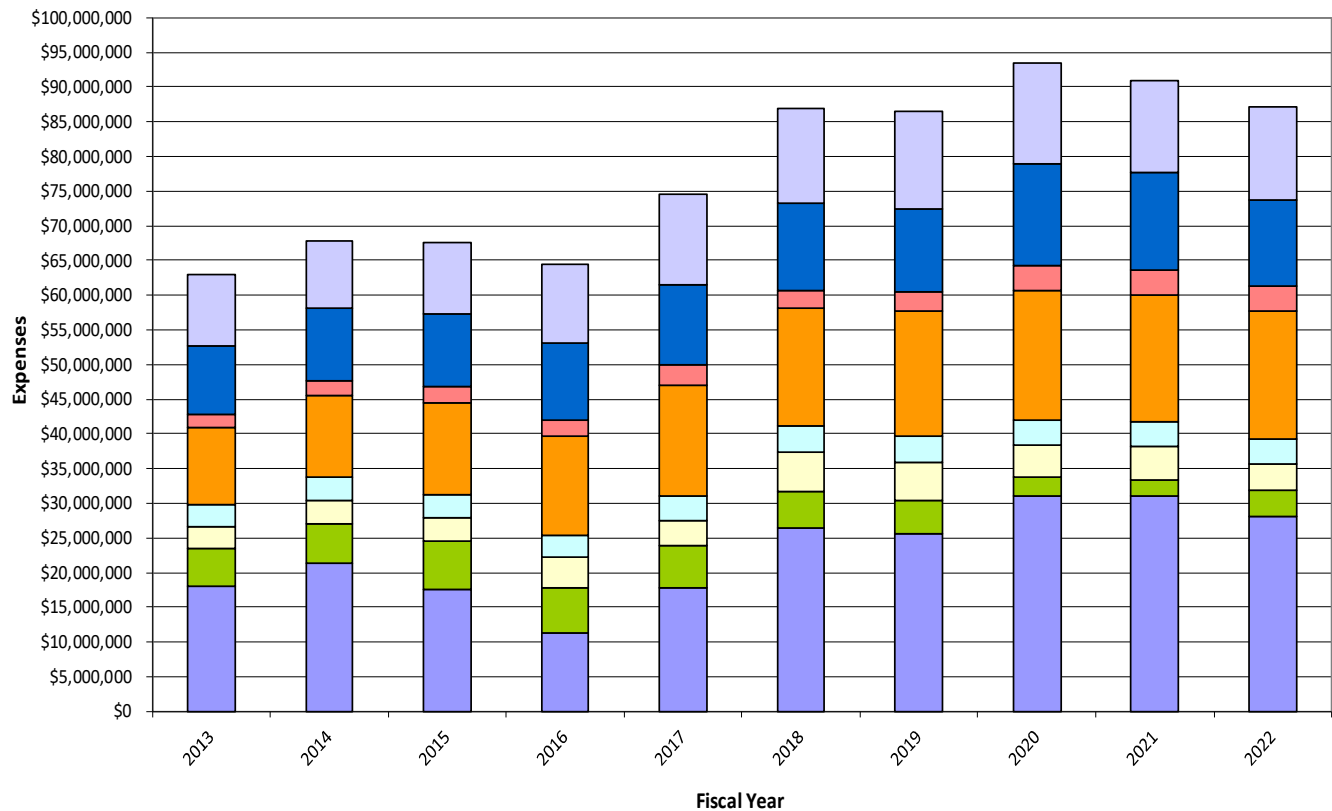
CUCAMONGA VALLEY WATER DISTRICT

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
2013	\$ 18,006,105	\$ 5,491,422	\$ 3,134,158	\$ 3,104,700	\$ 11,116,847	\$ 2,044,545	\$ 9,840,029	\$ 10,202,801	\$ 62,940,607
2014	21,286,846	5,707,682	3,431,498	3,436,889	11,622,712	2,115,655	10,479,755	9,811,042	67,892,079
2015	17,671,304	6,932,863	3,269,903	3,399,409	13,326,807	2,172,880	10,473,636	10,337,312	67,584,114
2016	11,286,663	6,485,127	4,380,765	3,284,484	14,240,864	2,266,296	11,134,118	11,361,306	64,439,623
2017	17,807,730	6,120,261	3,597,740	3,575,857	16,021,489	2,751,655	11,578,873	13,019,164	74,472,769
2018	26,482,669	5,188,325	5,756,539	3,729,021	17,039,642	2,540,184	12,497,711	13,670,704	86,904,795
2019	25,525,383	4,887,732	5,463,597	3,876,239	17,922,796	2,787,920	11,882,432	14,181,649	86,527,748
2020	31,007,851	2,859,490	4,477,073	3,614,004	18,790,682	3,523,499	14,731,324	14,469,529	93,473,452
2021	31,141,728	2,315,271	4,799,390	3,545,040	18,268,853	3,647,716	13,879,534	13,308,229	90,905,761
2022	28,103,439	3,811,274	3,761,497	3,491,085	18,465,741	3,702,055	12,139,397	13,422,135	87,896,623



SOURCE: Cucamonga Valley Water District – Accounting Division

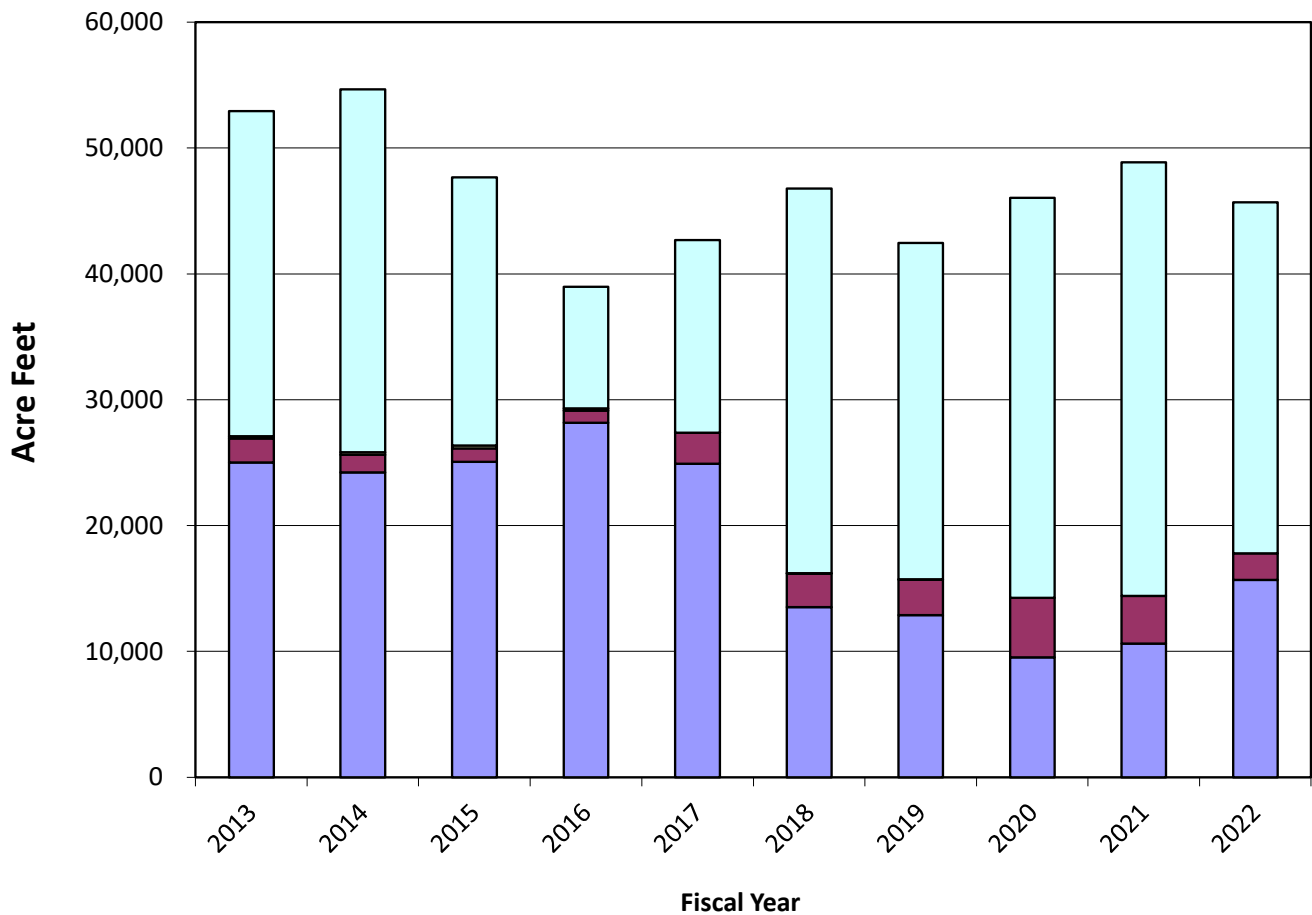
CUCAMONGA VALLEY WATER DISTRICT

Water Production in Acre Feet

Last Ten Fiscal Years

Schedule 4

Fiscal Year	Source				Total Production
	Groundwater	Local Surface Water	Spring Water	Imported Water	
2013	25,015	1,921	146	25,846	52,928
2014	24,230	1,388	216	28,825	54,659
2015	25,055	1,076	216	21,306	47,653
2016	28,151	990	156	9,682	38,979
2017	24,928	2,448	8	15,288	42,672
2018	13,527	2,662	30	30,559	46,778
2019	12,883	2,847	22	26,691	42,443
2020	9,537	4,744	-	31,738	46,019
2021	10,638	3,797	-	34,425	48,860
2022	15,668	2,136	-	27,880	45,684



Note: See Schedule 2 "Operating Revenue by Source" for information regarding water revenues.

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 ⁽¹⁾				Temp/ Constr.
	Tiered Water Rates				
	Tier 1	Tier 2	Tier 3	Tier 4	
2013 ^(A)	1.46	1.72	2.05	2.35	3.60
2014 ^(A)	1.49	1.78	2.19	2.54	3.78
2015 ^(A)	1.52	1.84	2.34	2.75	3.98
2016 ^{(2)(A)}	2.34	2.55	3.09	5.68	5.34
2017 ^(A)	1.60	2.13	2.66	3.03	4.63
2018 ^(A)	1.61	2.14	2.68	3.05	4.65
2019 ^(A)	1.62	2.16	2.71	3.07	4.70
2020 ^(A)	1.62	2.16	2.71	3.07	4.70
2021 ^(A)	1.62	2.16	2.71	3.07	4.70
2022 ^(B)	1.62	2.16	2.71	3.07	4.70
2022 ^(C)	1.67	2.07	3.55	3.76	3.76

Fiscal Year	MWD Surcharge Rate			
	Tier 1	Tier 2	Tier 3	Tier 4
	2021 ^(A)	0.29	0.29	0.29
2022 ^(B)	0.29	0.29	0.29	0.29
2022 ^(C)	N/A	N/A	0.05	0.05

Tier Allocation in HCF by Meter Size Effective July 2021 to December 2021										
	3/4 inch	1 inch	1 1/2 inch	2 inch	3 inch	4 inch	6 inch	8 inch	10 inch	12 inch
Tier 1	0-5	0-9	0-17	0-27	0-50	0-84	0-167	0-267	0-400	0-600
Tier 2	6-20	10-34	18-67	28-107	51-200	85-334	168-667	268-1,067	401-1,600	601-2,400
Tier 3	21-50	35-84	68-167	108-267	201-500	335-834	668-1,667	1,068-2,667	1,601-4,000	2401-6,000
Tier 4	> 50	> 84	> 167	> 267	> 500	> 834	> 1,667	> 2,667	> 4,000	> 6,000

Tier Allocation in HCF by Meter Size Effective January 2022 to June 2022										
	3/4 inch	1 inch	1 1/2 inch	2 inch	3 inch	4 inch	6 inch	8 inch	10 inch	12 inch
Tier 1	0-6	0-10	0-20	0-32	0-64	0-100	0-200	0-320	0-480	0-675
Tier 2	7-18	11-30	21-60	33-96	65-192	101-300	201-600	321-960	481-1,440	676-2,025
Tier 3	19-36	31-60	61-120	97-192	193-384	301-600	601-1200	961-1,920	1,441-2,880	2,026-4,050
Tier 4	> 36	> 60	> 120	> 192	> 384	> 600	> 1,200	> 1,920	> 2,880	> 4,050

Meter Charge Rates											
Fiscal Year	Billing Period	3/4 inch	1 inch	1 1/2 inch	2 inch	3 inch	4 inch	6 inch	8 inch	10 inch	12 inch
2013	Bi-monthly	25.73	42.98	85.70	137.17	257.35	429.00	857.73	1,372.42	2,058.76	25.30
2014	Bi-monthly	27.02	45.13	89.98	144.02	270.21	450.44	900.62	1,441.05	2,161.70	40.08
2015	Bi-monthly	28.37	47.38	94.48	151.22	283.72	472.97	945.65	1,513.10	2,269.79	77.02
2016	Bi-monthly	30.35	50.58	101.16	161.86	303.48	505.80	1,011.60	1,618.57	2,427.85	121.36
2017	Bi-monthly	35.64	59.39	118.79	190.06	356.36	593.93	1,187.87	1,900.59	2,850.88	239.59
2018	Bi-monthly	41.75	69.58	139.16	222.65	417.47	695.79	1,391.57	2,226.51	3,339.77	37.60
2019	Bi-monthly	50.00	83.33	166.67	266.67	500.00	833.33	1,666.67	2,666.67	4,000.00	742.08
2020	Monthly	25.00	41.66	83.33	133.33	250.00	416.66	833.33	1,333.33	2,000.00	1,185.44
2021	Monthly	25.00	41.66	83.33	133.33	250.00	416.66	833.33	1,333.33	2,000.00	1,776.59
2022 ^(B)	Monthly	25.00	41.66	83.33	133.33	250.00	416.66	833.33	1,333.33	2,000.00	1,776.59
2022 ^(C)	Monthly	25.30	40.08	77.02	121.36	239.59	372.60	742.08	1,185.44	1,776.59	2,497.07

IEUA Fixed Charges Rates											
Fiscal Year	Billing Period	3/4 inch	1 inch	1 1/2 inch	2 inch	3 inch	4 inch	6 inch	8 inch	10 inch	12 inch
2022 ^(C)	Monthly	3.52	3.52	5.87	11.70	18.72	37.43	116.91	187.04	280.55	394.52

- Notes:**
 (1) HCF = 100 Cubic Feet = 748 gallons
 (2) In fiscal year 2016, the District enacted Drought Stage 6 which increased tiered rates in accordance with the rate series approved in June 2015. This action was taken in order to comply with the California state-wide water conservation mandate issued by the Governor. The District returned to Drought Stage 1 rates in fiscal year 2017.
 (A) Effective July 1 to June 30
 (B) Effective July 1 to December 31
 (C) Effective January 1 to June 30

SOURCE: Cucamonga Valley Water District – Accounting Division

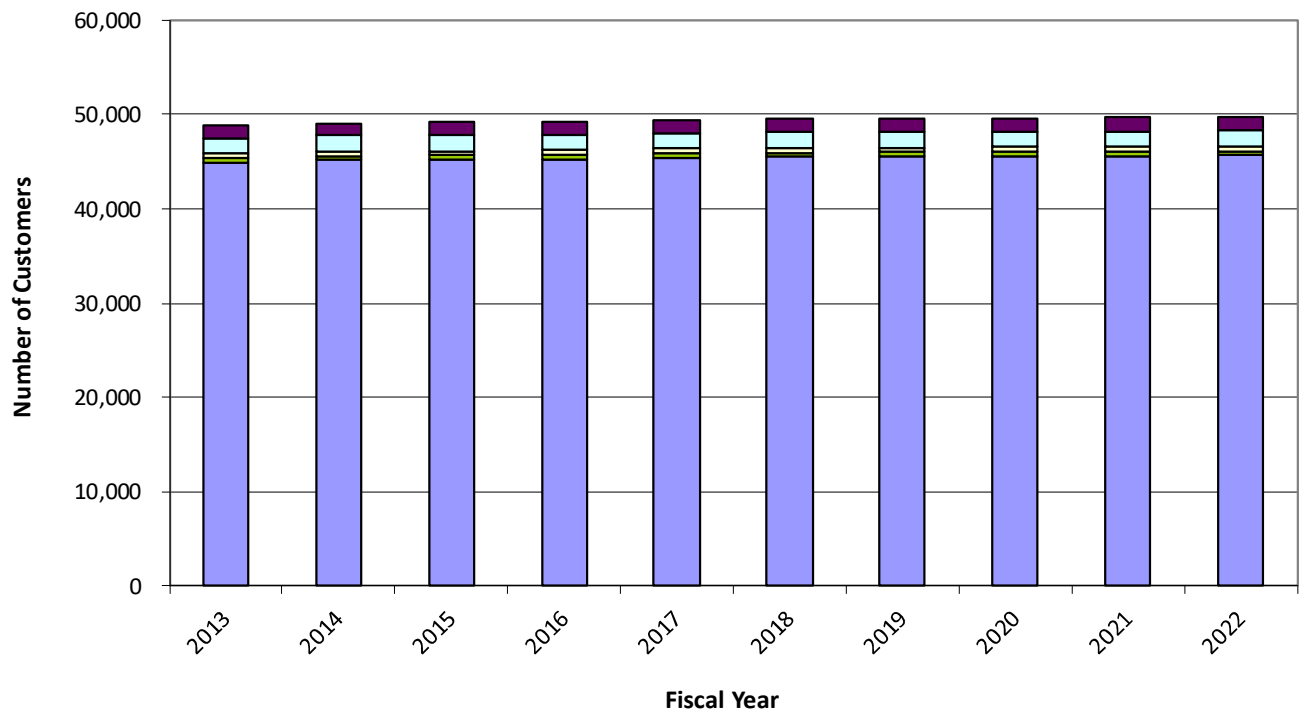
CUCAMONGA VALLEY WATER DISTRICT

Water Service Accounts

Last Ten Fiscal Years

Schedule 6

Fiscal Year	Customer Type					Total
	Domestic	Industrial	Government Irrigation	Landscape/Parkway	Fire Lines	
2013	44,923	500	447	1,615	1,311	48,796
2014	45,129	501	453	1,662	1,330	49,075
2015	45,201	501	456	1,636	1,340	49,134
2016	45,291	503	458	1,648	1,346	49,246
2017	45,463	503	458	1,648	1,356	49,428
2018	45,491	502	458	1,649	1,378	49,478
2019	45,540	506	458	1,654	1,403	49,561
2020	45,571	505	458	1,666	1,415	49,615
2021	45,599	503	457	1,678	1,427	49,664
2022	45,663	504	458	1,669	1,427	49,721



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	2022			2013		
	Annual Usage (HCF)	Percentage of Total	Rank	Annual Usage (HCF)	Percentage of Total	Rank
City of Rancho Cucamonga	913,649	4.74%	1	985,684	4.31%	1
City of Fontana	281,809	1.46%	2	368,737	1.61%	3
County of San Bernardino	176,007	0.91%	3	261,449	1.01%	5
Etiwanda School District	165,358	0.86%	4	231,435	1.14%	6
Homecoming I at Terra Vista LLC	113,379	0.59%	5	N/A	N/A	N/A
Frito Lay Inc	101,805	0.53%	6	114,815	0.50%	9
Alta Loma School District	102,540	0.53%	7	116,046	0.51%	8
Chaffey Union High School District	95,603	0.50%	8	N/A	N/A	N/A
Chaffey College	92,766	0.48%	9	148,219	0.65%	7
Deer Creek Co	85,552	0.44%	10	N/A	N/A	N/A
Total	2,128,468	11.04%		2,226,385	9.73%	
Total Water Consumed (HCF)	19,264,506	100.00%		20,453,266	100.00%	

HCF = 100 cubic feet

SOURCE: Cucamonga Valley Water District – Accounting Division

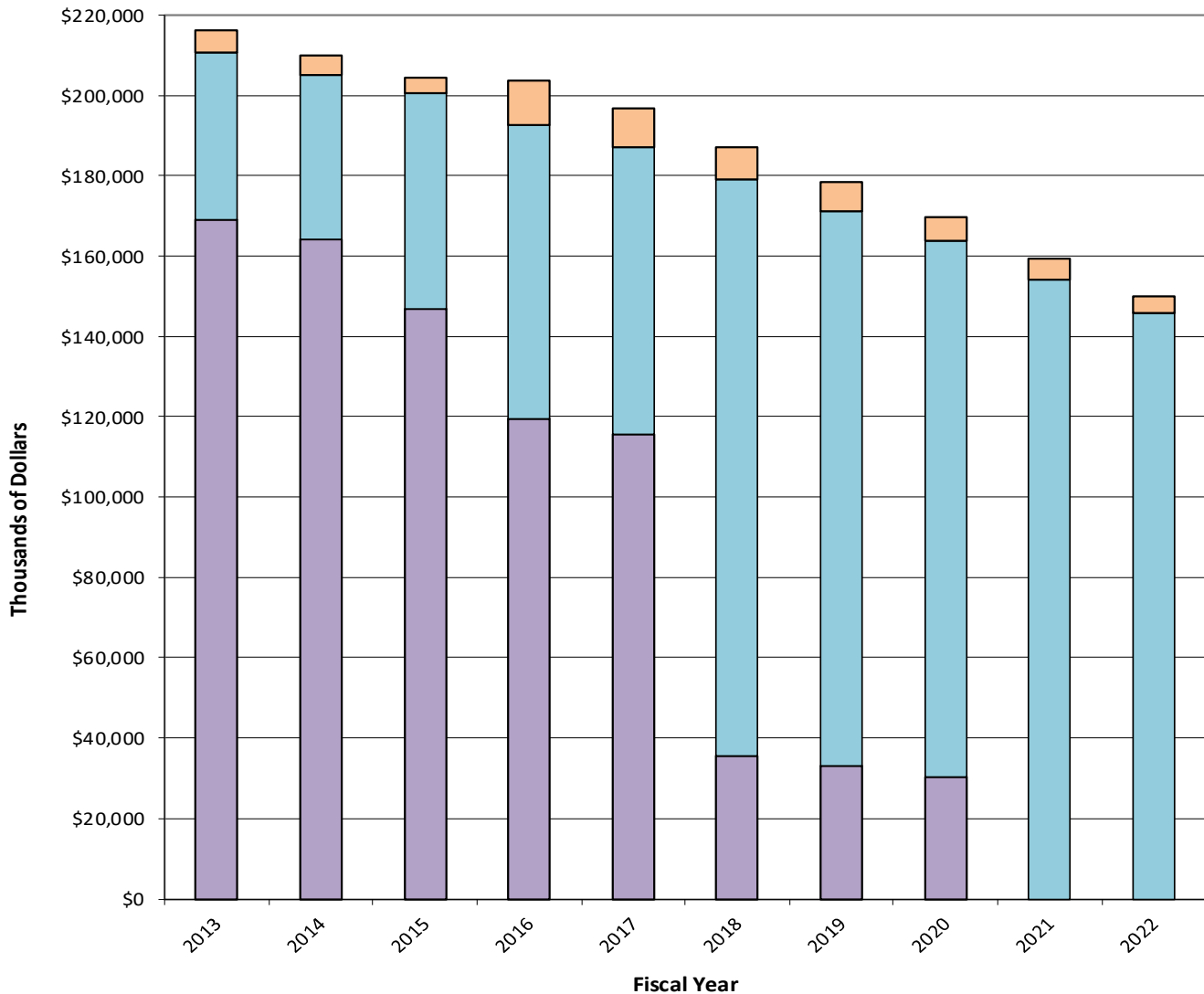
CUCAMONGA VALLEY WATER DISTRICT

Ratio of Outstanding Debt

Last Ten Fiscal Years

Schedule 8

Fiscal Year	Certificates of Participation (In Thousands)	Revenue Bonds (In Thousands)	Capital Lease and Loan (In Thousands)	Total		
				Debt (In Thousands)	\$ Per Capita	As a Share of Personal Income
2013	\$ 168,860	\$ 41,615	\$ 5,535	\$ 216,010	\$ 1,265.15	3.83%
2014	164,184	40,797	4,756	209,737	1,221.52	3.53%
2015	146,875	53,506	3,976	204,357	1,179.65	3.23%
2016	119,533	73,203	11,018	203,754	1,169.90	3.08%
2017	115,620	71,531	9,471	196,622	1,129.41	2.90%
2018	35,595	143,505	7,986	187,086	1,070.94	2.65%
2019	33,075	138,127	7,018	178,220	1,018.56	2.41%
2020	30,444	133,279	6,027	169,750	969.71	2.14%
2021	-	154,246	5,014	159,260	909.38	N/A
2022	-	145,877	3,935	149,812	858.64	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 ⁽¹⁾	Operating Expenses ⁽²⁾	Net Available Revenues	Debt Service			Coverage Ratio
				Principal	Interest	Total	
2013	\$ 67,141,954	\$ 40,232,688	\$ 26,909,266	\$ 4,159,286	\$ 8,256,101	\$ 12,415,387	2.17
2014	74,855,711	44,836,095	30,019,616	4,954,286	9,211,847	14,166,133	2.12
2015	70,788,304	42,148,489	28,639,815	5,104,286	9,106,864	14,211,150	2.02
2016	69,430,664	36,809,953	32,620,711	5,204,286	8,345,317	13,549,603	2.41
2017	68,905,223	42,633,687	26,271,536	4,904,286	8,279,270	13,183,556	1.99
2018	76,782,827	53,144,908	23,637,919	5,509,286	8,040,315	13,549,601	1.74
2019	79,088,317	51,544,252	27,544,065	7,444,286	6,083,156	13,527,442	2.04
2020	84,602,295	56,171,782	28,430,513	7,024,286	6,505,646	13,529,932	2.10
2021	87,931,434	55,386,719	32,544,715	7,347,857	6,234,706	13,582,563	2.40
2022	87,664,400	56,585,528	31,078,872	7,810,000	4,647,478	12,457,478	2.49

Notes:

(1) Gross revenues includes operating revenue, interest income, other nonoperating revenue (excluding taxes and assessments) and connection fees from the Water Utility Funds. As well as withdrawals from the Rate Stabilization Reserve.

(2) Operating expenses less depreciation and amortization for the Water Utility Funds. As well as deposits to the Rate Stabilization Reserve.

SOURCE: Cucamonga Valley Water District – Accounting Division

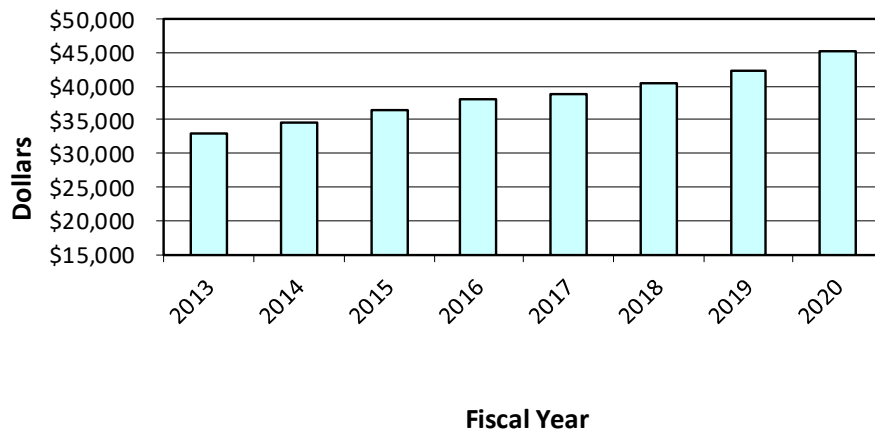
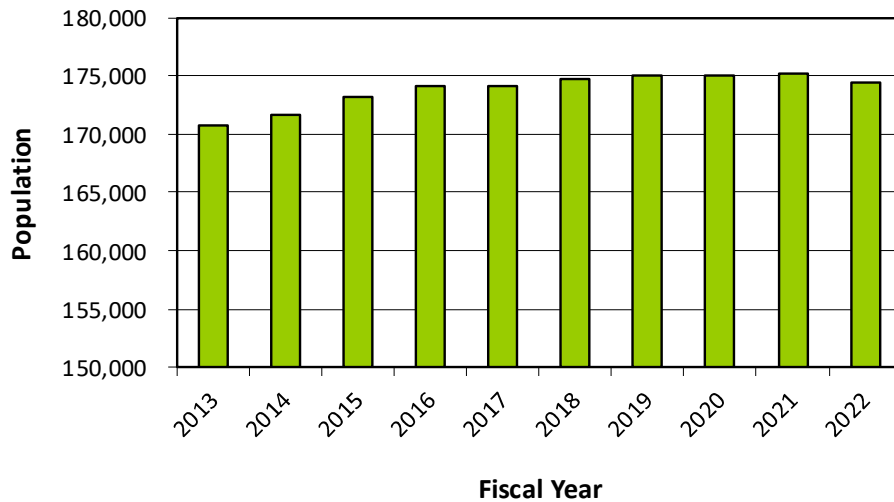
CUCAMONGA VALLEY WATER DISTRICT

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
2013	7.8%	170,739	144,258	33,015
2014	6.2%	171,701	152,895	34,628
2015	5.0%	173,235	163,116	36,563
2016	4.9%	174,164	171,115	37,924
2017	4.0%	174,093	177,944	38,972
2018	3.4%	174,694	186,262	40,382
2019	3.1%	174,972	196,453	42,242
2020	12.2%	175,052	212,234	45,365
2021	6.0%	175,131	N/A	N/A
2022	3.0%	174,476	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

Employer	2022			2013		
	Number of Employees	Percentage of Total	Rank	Number of Employees	Percentage of Total	Rank
Inland Empire Health Plan	2,450	2.71%	1	N/A	N/A	N/A
Chaffey Community College	1,335	1.48%	2	1,229	1.73%	1
Etiwanda School District	1,025	1.14%	3	1,058	1.49%	2
Amphastar Pharmaceutical	880	0.97%	4	880	1.24%	3
Alta Loma School District	660	0.73%	5	670	0.94%	6
Central School District	545	0.60%	6	527	0.74%	10
West Valley Detention Center	520	0.58%	7	509	0.95%	8
City of Rancho Cucamonga	491	0.54%	8	838	1.18%	4
Walmart	375	0.42%	9	N/A	N/A	N/A
Coca-Cola Bottling Co.	354	0.39%	10	N/A	N/A	N/A

NOTE: Data is from June 2021(latest available data).

SOURCE: City of Rancho Cucamonga

CUCAMONGA VALLEY WATER DISTRICT

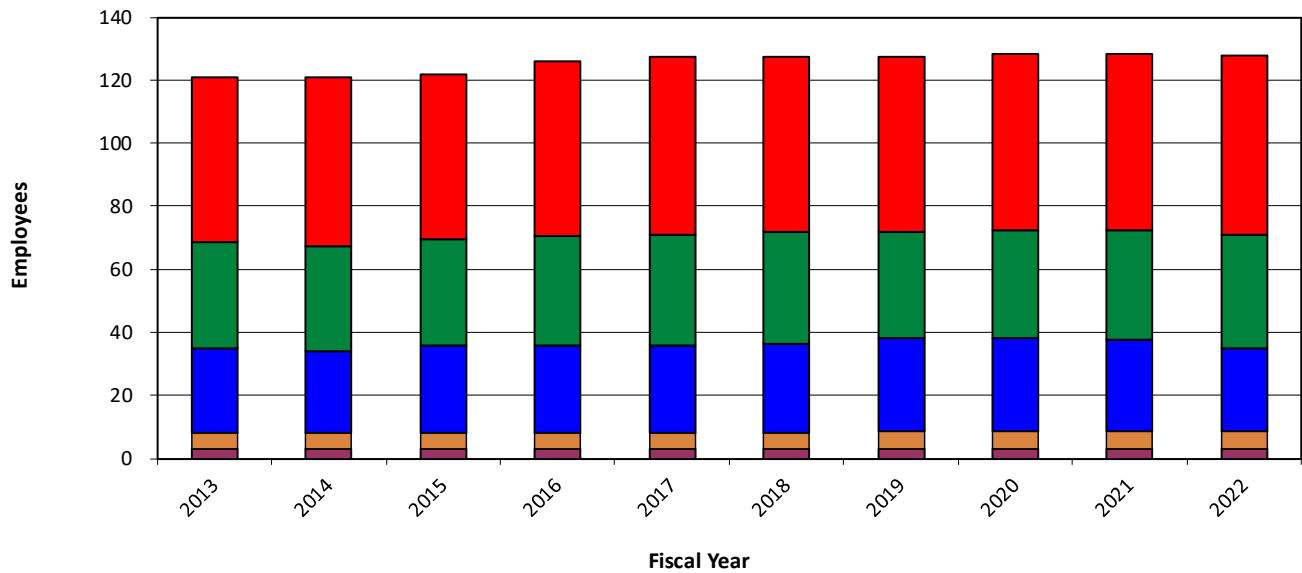
Personnel Trends

Current Fiscal Year and Nine Years Ago

Schedule 12

Full Time Equivalent Employees by Division

Fiscal Year	Division					Total
	Executive	Human Resources & Risk Management	Governmental and Public Affairs & Engineering Services	Finance & Technology Services	Operations	
2013	3.00	5.00	27.00	33.50	52.50	121.00
2014	3.00	5.00	26.00	33.50	53.50	121.00
2015	3.00	5.00	28.00	33.50	52.50	122.00
2016	3.00	5.00	28.00	34.50	55.50	126.00
2017	3.00	5.00	28.00	35.00	56.50	127.50
2018	3.00	5.00	28.50	35.50	55.50	127.50
2019	3.00	5.50	29.75	33.50	55.50	127.25
2020	3.00	5.50	29.50	34.50	56.00	128.50
2021	3.00	5.50	29.00	34.75	56.00	128.25
2022	3.00	5.50	26.50	36.00	57.00	128.00



SOURCE: Cucamonga Valley Water District – Human Resources Department

CUCAMONGA VALLEY WATER DISTRICT*Other Operating and Capacity Indicators*

Last Ten Fiscal Years

Schedule 13

Water System				
Fiscal Year	Miles of Water Mains	Number of Fire Hydrants	Annual Production (MG)	Average Production (MGD)
2013	710	8,315	17,245	47.2
2014	711	8,371	18,010	49.3
2015	711	8,323	16,006	43.9
2016	707	8,354	13,080	35.8
2017	707	8,374	14,232	39.0
2018	707	8,388	15,665	42.9
2019	708	8,413	14,155	38.8
2020	708	8,427	15,336	42.0
2021	709	8,441	16,314	44.7
2022	709	8,461	16,764	45.9

Sewer System				
Fiscal Year	Miles of Sewers	Service Connections	Annual Sewerage (MG)	Daily Sewerage (MGD)
2013	420	36,688	6,265	17.2
2014	421	36,884	6,645	18.2
2015	421	37,012	7,140	19.6
2016	421	37,061	6,799	18.6
2017	419	37,231	6,847	18.8
2018	419	37,338	6,729	18.4
2019	420	37,379	6,682	18.3
2020	420	37,461	6,342	17.4
2021	420	37,488	6,606	18.1
2022	420	37,506	6,399	17.5

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

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