Annual Financial Report

For the Fiscal Year Ended December 31, 2015

Beaumont-Cherry Valley

Water District

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Beaumont-Cherry Valley Water District

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

Board of Directors as of December 31, 2015

Director	Title	Division	Current Term
Jeffrey Cottrell	President	1	11/2014 – 12/2016
Nathan Douglass	Treasurer	2	12/2012 – 12/2016
Daniel Slawson	Secretary	3	12/2014 – 12/2018
John Covington	Director	4	12/2014 – 12/2018
David Hoffman	Vice-President	5	12/2014 – 12/2018

Eric Fraser, P.E.
General Manager

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Introductory

Beaumont-Cherry Valley Water District

Phone: (909) 845-9581 Fax: (951) 845-0159
Email info@bcvwd.org

http://www.bcvwd.org

July 13, 2016

Honorable Board of Directors
Beaumont-Cherry Valley Water District

Introduction

It is our pleasure to submit the Annual Financial Report for the Beaumont-Cherry Valley Water District for the year ended December 31, 2015, following guidelines set forth by the Government Accounting Standards Board (GASB). District staff prepared this financial report. District management is ultimately responsible for both the accuracy of the data and the completeness and fairness of presentation, including all disclosures in this financial report. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The District's financial statements have been audited by Vavrinek, Trine, Day and Company, LLP, a firm of licensed certified public accountants. The purpose of their independent audit was to provide reasonable assurance that the financial statements of the District, for the year ended December 31, 2015, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used; and evaluating the overall financial statement presentation. The audit included obtaining an understanding of the District and its environment, including internal controls, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures.

The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the District's financial statements for the year ended December 31, 2015, are fairly presented, in all material respects, in conformity with Generally Accepted Accounting Principles (GAAP). The independent auditors' report is presented as the first component of the financial section of this report, beginning on page 8.

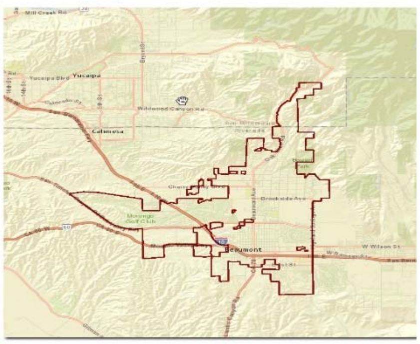
GAAP requires management to provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditor, beginning on page 10.

District Profile

The goal of the District is to provide for a healthy, safe and enriched quality of life throughout the District boundaries through watershed stewardship and thorough management of water resources in a practical, cost-effective, and environmentally sensitive manner for current and future generations.

The origin of the Beaumont-Cherry Valley Water District dates back to the latter part of the 1800's when the Southern California Investment Company was the owner of the land that currently is the City of Beaumont and the community of Cherry Valley. The Company intended to build a system of water lines for the purpose of developing subdivisions throughout the Beaumont and Cherry Valley areas. The District also owns 575 acres of watershed land in Edgar Canyon in San Bernardino County. Edgar Canyon is named after Dr. William F. Edgar, a military doctor who was in charge of a number of hospitals during the Civil War. Dr. Edgar appreciated the beauty of the land and purchased it in 1859, he planted fruits and vineyards and later established the first winery.

Over many decades, the water system of the Beaumont-Cherry Valley Water District has evolved from a small privately owned company that was started to support development in the District's service area, to the system today that serves over 48,000 people in both the City of Beaumont and the community of Cherry Valley.



The District's present service area covers approximately 28 square miles, virtually all of which is in Riverside County, and includes the City of Beaumont, the community of Cherry Valley, and some small areas of Calimesa. As previously stated, the District owns 575 acres of watershed land in Edgar Canyon in San Bernardino County, located just north of the Riverside-San Bernardino County line where the District operates a number of wells and several reservoirs.

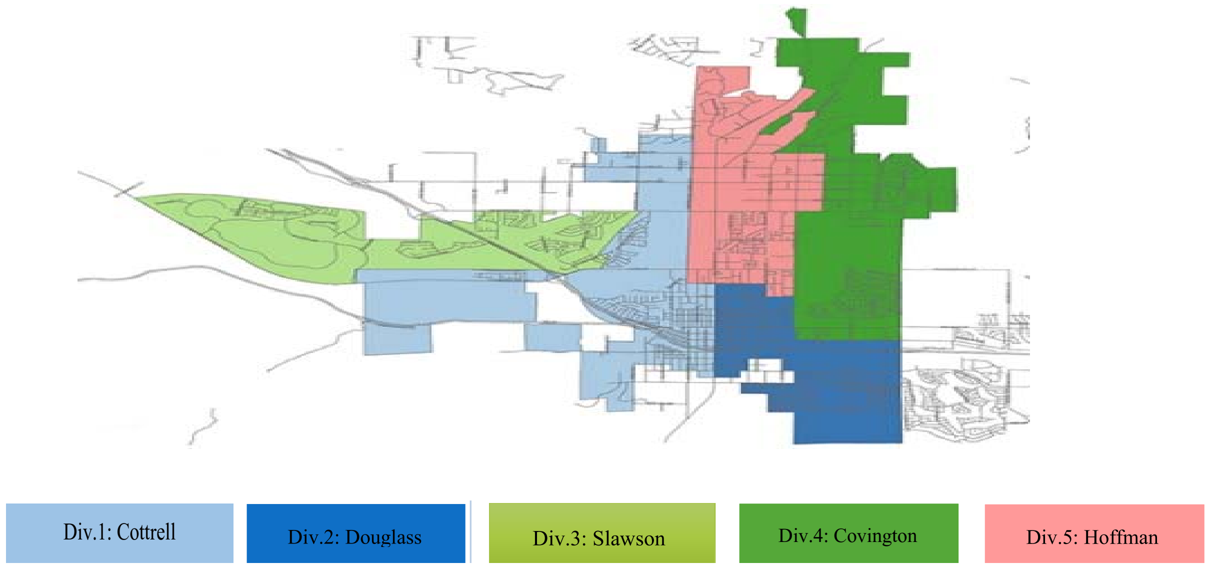
The District has both a potable and non-potable water distribution system. At the end of 2015, the District had a total of 16,990 connections, an increase of 455 connections over 2014. Approximately 321 of these total connections are landscape irrigation connections to the non-potable (recycled) water system and approximately 48 of these total connections are for agricultural irrigation which is connected to the potable water system. The number of connections increased from 5,600 in the year 2000 before the housing market boom that encompassed Western Riverside County and particularly Beaumont.

The District has a total of 24 wells and 15 reservoirs ranging in size from 0.5 million gallons (MG) to 5 MG. Total storage is approximately 22 MG.

Today, the Beaumont-Cherry Valley Water District continues to develop programs and policies that ensure a supply of water for the area's growing population and include recharge of local area storm water and imported water from the State Water Project.

Of significance to its programs and goals, the Board authorized the purchase of 78.8 acres of land, and eventually constructed the Noble Creek Recharge Facility for the recharge of imported water from the State Water Project. In the future, storm runoff and possibly highly treated recycled water will be recharged at the facility. These water sources are in the untreated state which means the water will be naturally treated as it recharges the groundwater much like rain and runoff, which are naturally treated as they seep into the ground to become groundwater.

The District is governed by a five-member Board of Directors representing five divisions.



The General Manager administers the day-to-day operations of the District in accordance with policies and procedures established by the Board of Directors. The District currently employs thirty-five employees. The District's Board of Directors meets on the second Wednesday of each month and the Finance & Audit Committee meets on the first Thursday of each month. Meetings are publically noticed and citizens are encouraged to attend.

Local Economy

The Inland Empire, east of Los Angeles, is projected to be one of the fastest growing large metropolitan area economies in the country over the next five years, according to a forecast from the United States Conference of Mayors.

Economic growth estimates in the Riverside/San Bernardino economy will be the highest in California, for an average of 4.2% through 2020.

Riverside County continues to be one of the fastest growing counties in California, trailing the County of San Joaquin. The Riverside population growth rate rose 1.3%, from 2,317,924 to 2,347,828, according to estimates from the California Department of Finance. The City of Beaumont ranked fourth in the state's top 10 fastest-growing cities with populations over 30,000, with the City of Eastvale ranking second, and the City of Lake Elsinore ranked fifth.

The City of Beaumont experienced very rapid growth from the year 2000 to 2010 and about two-thirds of this growth occurred between 2000 and 2005. The high rate of growth continued until mid-2008 when development slowed markedly following the economic downturn in the US and California.

The historic growth of the local economy is set forth by the recent population and household data for the District's service area as follows:

City of Beaumont	1990	2000	2010	2015
Population	9,685	11,407	36,837	42,481
Households	3,718	3,887	11,801	13,309
People/Household	2.60	2.93	3.12	3.19

The population in Cherry Valley has remained relatively constant since 1980.

In 2015, the District continued to experience increased interest from land developers in completing tract developments that were put on hold during the economic slowdown and beginning new developments that were previously delayed.

The future growth anticipated for the local economy is reflected in the planned construction by area land developers of approximately 14,282 housing units of which approximately 11,304 of these planned housing units are approved.

The District staff anticipates that in 2016 the growth within the District's service area related to residential, commercial and industrial development will again increase incrementally.

Relevant Financial Policies

Budgetary Controls

The District maintains budgetary controls, the objectives of which are to ensure compliance with legal provisions, embodied in the annually appropriated budget approved by the Board of Directors.

The year 2015 was another progressive year for the District in many regards, and continued with operating revenues being in line with operating expenses and a balanced budget.

Major Initiatives

Major goals for the District continue to be the conservation and efficient use of urban water supplies, providing the means to meet increasing demands for water, and providing an accurate accounting of all business operations including District infrastructure. The following paragraphs summarize the status of the District's completed and on-going initiatives identified in the 2015 Annual Financial Report as well as briefly describing new projects initiated to meet those goals.

Developing the facilities to provide water for future growth continues to be a priority and therefore District staff continued the expansion of the District's Noble Creek Recharge Facility. Specifically, in the year 2000, the District began investigating a 78.8 acre site as a location for a facility to recharge captured storm flow and other water sources. The District eventually purchased the site and developed Phase 1 of the Noble Creek Recharge Facility to enable the District to meet current and near-future demand through groundwater recharge. Phase 1 facilities were completed and went on line in late summer of 2006 for recharging storm flow and imported water from the State Water Project. Phase 2 of the Noble Creek Recharge Facility project was placed on line in 2015 and is designed to enable the District to meet ultimate development and overall community demand for additional water via groundwater recharge. Final completion of Phase 2 construction is expected in 2016.

The District completed the cross-connection testing of the non-potable (recycled) distribution system and converted approximately 90% of the current landscape irrigation customers to the non-potable supply, which meant large customers and newly developed communities are now being irrigated with non-potable supplies. The 2800 Zone reservoir, located at the north end of Noble Creek Recharge Phase II Facility was activated in May of 2015 and is being supplied by water pumped from District Well No. 26. Moving forward the District will continue with the development of the recycled/non-potable water system by constructing additional facilities necessary to complete the conversion of the remaining 10% of landscape irrigation users. In 2016 the District will complete the rehabilitation of four wells in Edgar Canyon (Canyon). This project is necessary to maintain maximum pumping capacity in the Canyon watershed and in addition take advantage of water captured from storm flows whenever it's available.

During 2015 the District requested Proposition 84 Grant funding for the Grand Avenue Storm Drain Project. This project, which is being developed in conjunction with Riverside County Flood Control and Water Conservation District, will capture storm water and recharge it at the Noble Creek Recharge Facility Phase II Ponds.

Upon completion of the Urban Water Management Plan in 2013, the District directed its efforts to the much needed Potable Water System Master Plan update. The Potable Water System Master Plan provides:

- An overview of present, planned and probable future development trends.
- A review of:
    - Development densities.
    - The City of Beaumont's General Plan.
    - The County of Riverside's General Plan.
    - Historical supply and demand of potable water, present trends, projected future trends and water requirements.
    - Plans and system capacities for imported water
- Projected demands that could be met with recycled water.
- The development of water resource and supply scenarios for dry, average and wet years.
- Projects, facilities and related costs needed to meet future demands.

The District's Potable Water System Master Plan was completed in early 2016.

The District recognized the need to upgrade its main accounting system in order to improve the efficiency of day-to-day operations and provide an accurate accounting of all business operations. The District implemented the new "Springbrook" accounting system during the period of April through June 2013. The initial implementation included system modules for utility billing, payroll, and general accounting tasks. System modules for capital assets, inventory, accounts receivable and work order processing were deployed in 2014 to enhance staff efficiencies. In 2015, Springbrook was purchased by Accela, and District staff directed its focus to enhanced reporting and internal controls. The District will be directing its efforts towards enhancing system reporting even further with "dashboard" development as well as the remaining system modules for Project Costing & Tracking, and Remote Time Entry in 2016.

The District continually strives to find ways to increase efficiency. During 2015 the District upgraded the District's phone system, increasing capacity and improving overall customer service. The District migrated to Virtual Server Infrastructure, thereby upgrading the District's

Information Technology server capability, storage efficiency and day-to-day operating systems to be more secure and available on a consistent basis. Additionally, the District initiated the upgrading of the District's manual meter reading system to an automated system. This project is ongoing.

Moving forward, the District will continue with: the automated water meter system upgrade; an upgrade to the District's Supervisory Control and Data Acquisition (SCADA) with automated controls to gain better visibility into and management of the District's water infrastructure, such as the tanks, wells, and transmission flows; implementation of a Disaster Recovery Plan; and deployment of both offline and offsite backup systems to increase data protection.

Water Restrictions

On January 17, 2014, Governor Brown issued a proclamation of a state of emergency under the California Emergency Services Act based on drought conditions. On April 25, 2014, Governor Brown issued a proclamation of a continued state of emergency based on the continued drought. As a result of two or more consecutive dry years, the State Water Resources Control Board implemented emergency regulations on July 15, 2014, effective July 29, 2014, intended to limit outdoor irrigation and other wasteful water practices for a period of 270 days.

As required by the actions of the Governor, the District's Board of Directors declared on August 13, 2014 that conditions exist to implement water usage restrictions in accordance with the Urban Water Management Plan adopted by the Board of Directors. Board declarations are available as part of Resolution 2014-04 and are available on the District's website.

On May 5, 2015, the State Water Resources Control Board adopted updated emergency water use regulations intended to safeguard urban water supplies in the event of continued drought, minimize the potential for waste and unreasonable use of water, and to achieve a 25 percent statewide potable water usage reduction ordered by Governor Brown in his April 1, 2015 executive order. On July 8, 2015, the Board of Directors adopted Resolution 2015-05 implementing updated water use restrictions and penalties for non-compliance.

According to the California State Water Board, the results for April 2016, Californians have saved more than 1.43 million acre-feet of water since June 2015; a 24.1 percent reduction in water use compared to the same months in 2013. Water saved during the 11 month period was enough to supply 7.2 million Californians for one year, or 18 percent of the state's population.

The District was categorized as needing to reduce water usage by 36 percent, and although the District did not meet the 36 percent in water conservation objective, the citizens within the area of influence achieved a significant change in water conservation by a 23.1 percent reduction.

On May 9, 2016, Governor Edmund G. Brown Jr. issued Executive Order B-37-16, requiring the Board to adjust its emergency water conservation regulations through the end of January 2017 in recognition of the differing water supply conditions across the state and separately, take action to make some of the requirements of the regulation permanent. The California State Water Board adopted the revised regulation on May 18. Outdoor water use restrictions shall be based on the District's specific circumstances as it relates to water supply and demands.

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 District. We would also like to thank the members of the Board of Directors for their continued support in planning and the implementation of the Beaumont-Cherry Valley Water District's financial and operating policies.

Eric Fraser **General Manager**	**Yolanda Rodriguez** **Director of Finance &** **Administrative Services**

Financial

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Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

Board of Directors
Beaumont-Cherry Valley Water District
Beaumont, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Beaumont-Cherry Valley Water District (District), California, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District, as of December 31, 2015, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

10681 Foothill Blvd., Suite 300 Rancho Cucamonga, CA 91730 Tel: 909.466.4410 www.vtdcpa.com Fax: 909.466.4431

Emphasis of Matter

As discussed in Note 1 to the financial statements, the District adopted Governmental Accounting Standards Board (GASB) Statements No. 68, *Accounting and Financial Reporting for Pensions —an amendment of GASB Statement No. 27* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*, as of January 1, 2015. This resulted in a restatement of beginning net position as disclosed in Note 17 to the financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 10 through 15, the Schedule of the District's Proportionate Share of the Net Pension Liability on page 41, the Schedule of Contributions on page 42 and the Schedule of Funding Progress – Other Post-Employment Benefits on page 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the District's basic financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 13, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co LLP

Rancho Cucamonga, California
July 13, 2016

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Management's Discussion & Analysis

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As management of the Beaumont-Cherry Valley Water District, we offer readers of the Beaumont-Cherry Valley Water District's financial statements this narrative overview and analysis of the financial activities of the Beaumont-Cherry Valley Water District for the fiscal year ended December 31, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our transmittal letter which can be found on pages 1-7.

Financial Highlights

Based on the financial information for the year ended December 31, 2015, the following financial highlights are noted for the Beaumont-Cherry Valley Water District:

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at year end by $138,810,597 (net position). Of this amount, $14,338,676 represents unrestricted net position, which may be used to meet the District's ongoing obligations to customers and creditors and maintain designated reserves approved by the District's Board of Directors.
- The District's total net position increased $8,639,909 from the prior fiscal year. The increase is a result of the combined effects of decreased operating expenses of $459,614 and capital contributions from developer activities of $7,389,402, which is comprised of $1,092,505 in donated capital assets and $6,296,897 in capacity charges.

Overview of Required Financial Statements

This discussion and analysis is intended to serve as an introduction to the Beaumont-Cherry Valley Water District's annual financial report. The annual financial report is comprised of the following:

- Transmittal Letter;
- Independent Auditors' Report;
- Management's Discussion and Analysis;
- Basic Financial Statements:
    - Statement of Net Position;
    - Statement of Revenues, Expenses and Changes in Net Position;
    - Statement of Cash Flows;
- Notes to the Basic Financial Statements;
- Required Supplementary Information; and
- Report on Internal Controls & Compliance.

The *Statement of Net Position* presents financial information on all of the Beaumont-Cherry Valley Water District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Beaumont-Cherry Valley Water District is improving or deteriorating. Beaumont-Cherry Valley Water District's net position as of December 31, 2015 was $138,810,597, an increase of $8,639,909 from the restated amount of $130,170,688 reported in 2014. The *Statement of Net Position* can be found on page 16.

The *Statement of Revenues, Expenses and Changes in Net Position* presents information illustrating how net position changed during the fiscal year. This *Statement* measures the success of the District's operations over the past reporting period and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges. More succinctly, this *Statement* can be used to evaluate the District's financial condition over the last year. It can also be used as a basis for determining credit worthiness. The *Statement of Revenues, Expenses and Changes in Net Position* can be found on page 17.

The *Statement of Cash Flows* presents information relating to the District's cash receipts and cash disbursements during the year. When used with related disclosures and information in the other financial statements, the information in this *Statement* should help readers assess the District's ability to generate future net cash flows, its ability to meet its obligations as they come due, and its need for external financing. It also provides insight into the reasons for differences between operating income and associated cash receipts and payments; and the effects of the District's financial position of its cash and non-cash investing for capital and related transactions during the year. This *Statement* answers questions such as sources of cash, uses of cash, and the change in the cash balance during the reporting period. The *Statement of Cash Flows* can be found on page 18.

Notes to the Basic Financial Statements. The notes provide additional information that is necessary to understand the data provided in the basic financial statements. The notes to the financial statements are included immediately following the *Basic Financial Statements* and can be found on pages 19-40 of this report.

In addition to the *Basic Financial Statements* and accompanying notes, this report also presents *Required Supplementary Information* which includes the schedule of the District's proportionate share of the net pension liability, schedule of pension contributions, and the schedule of funding progress on the other post-employment benefit (OPEB) plan. *Required Supplementary Information* can be found on pages 41-43 of this report.

Financial Analysis

The following condensed schedules contain a summary of financial information that was taken from the *Basic Financial Statements,* to assist readers in assessing the District's overall financial position and operating results.

Statement of Net Position

As noted earlier, net position over time, may serve as a useful indicator of whether a government's financial position is improving or deteriorating. Beaumont-Cherry Valley Water District's assets exceeded liabilities by $138,810,597 for the fiscal year ending December 31, 2015.

	2015	2014
Assets		
Current assets	$ 29,151,714	$ 18,781,794
Non-current assets	120,516	230,157
Capital assets	115,246,313	116,054,562
Total assets	$ 144,518,543	$ 135,066,513
Deferred outflows of resources	$ 824,839	$ -
Total assets and deferred outflows of resources	$ 145,343,382	$ 135,066,513
Liabilities		
Current liabilities	$ 3,088,212	$ 2,773,346
Non-current liabilities	2,126,138	601,023
Total liabilities	$ 5,214,350	$ 3,374,369
Deferred inflows of resources	$ 1,318,435	$ -
Net position		
Net investment in capital assets	115,246,313	116,054,562
Restricted	9,225,608	2,138,747
Unrestricted	14,338,676	13,498,835
Total net position	$ 138,810,597	$ 131,692,144
Total liabilities, deferred inflows of resources, and net position	$ 145,343,382	$ 135,066,513

The largest portion of the District's net position, $115,246,313 (83.0%) reflects its investment in capital assets (e.g., land, transmission and distribution systems, reservoirs, tanks, pumps, buildings and structures, equipment and vehicles) net of depreciation. The District uses its capital assets to provide water service to the residents of Beaumont, Cherry Valley and some portions of Calimesa. As such, these assets are not available for future spending.

The restricted net position of $9,225,608 (6.6%) represents funds to be used for future infrastructure construction. The remaining unrestricted net position of $14,338,676 (10.4%) is designated, according to Board policy, to meet the ongoing needs of the District. See Note 11 on page 34 for more details on the District's net position.

The District's net position increased $8,639,909 from the prior fiscal year, details of which were discussed in the Financial Highlights section on page 10.

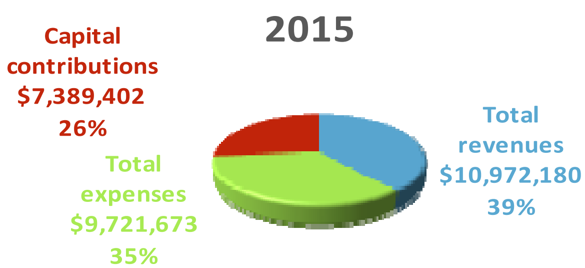
Statement of Revenues, Expenses and Changes in Net Position

The decrease in operating revenue was primarily attributable to a decrease in water consumption (9,293 acre feet sold in 2015 versus 11,922 acre feet sold in 2014) as a result of water conservation efforts made in response to state-mandated water conservation targets.

Operating expenses decreased in 2015 by $459,614 primarily due to a decrease in water purchases of $517,344. Capital contributions in 2015 of $7,389,402 increased from $2,677,180 in 2014 due to an increase in development activity and the resulting capacity charges and front footage fees paid by developers. Capital contributions from developers are expected to decrease slightly in 2016.

	2015	2014
Operating revenues	$ 10,832,295	$ 12,436,150
Non-operating revenues	139,885	371,585
Total revenues	10,972,180	12,807,735
Operating expenses	9,721,673	10,181,287
Non-operating expenses	-	300
Total expenses	9,721,673	10,181,587
Income (loss) before contributions & special item	1,250,507	2,626,148
Capital contributions	7,389,402	2,677,180
Special item	-	2,964,502
Change in net position	$ 8,639,909	$ 8,267,830

REVENUES BY SOURCE



Capital Assets

Capital Assets (Net of Accumulated Depreciation)

	Balance December 31, 2015	Balance December 31, 2014
Land	$ 7,721,730	$ 7,721,730
Construction in progress	1,941,074	1,791,723
Transmission and distribution system	64,403,958	64,322,496
Structures and improvements	13,490,201	13,863,814
Reservoirs and tanks	17,387,284	17,827,225
Pumping and telemetry equipment	9,629,051	9,832,997
Vehicles and equipment	673,015	694,577
Capital assets, net of depreciation	$ 115,246,313	$ 116,054,562

Beaumont-Cherry Valley Water District's investment in capital assets as of December 31, 2015 was $115,246,313, net of accumulated depreciation. This investment in capital assets includes land, transmission and distribution systems, reservoirs, tanks, pumps, buildings and structures, equipment and vehicles. Construction in progress increased by $149,351 due to work performed on the following projects: Water Master Plan Update, Recycled Water Connection, Noble Creek Recharge Facility Phase II, and GIS Software Project.

Direct capital asset additions of $1,559,784 were primarily due to contributed infrastructure of $1,092,505 and new meter installations amounting to $303,241. New meter installations include the cost of employee labor, as well as meter parts. Meters are currently replaced every 10-15 years as part of the District's meter change out program.

Information on the District's capital assets activity for the year ending December 31, 2015 can be found in Note 5 on page 30 of this report.

Long-term Debt

At December 31, 2015, the District had no long-term debt.

Economic Factors in the Conservation Environment

On January 17, 2014, Governor Brown issued a proclamation of a state of emergency under the California Emergency Services Act based on drought conditions. On April 25, 2014, Governor Brown issued a proclamation of a continued state of emergency based on the continued drought. As a result of two or more consecutive dry years, the State Water Resources Control Board implemented emergency regulations on July 15, 2014, effective July 29, 2014, intended to limit outdoor irrigation and other wasteful water practices for a period of 270 days.

In order to comply with the Governor's directions, the District's Board of Directors declared on August 13, 2014 that conditions exist to implement water usage restrictions in accordance with the Urban Water Management Plan adopted by the Board of Directors. Board declarations are available as part of Resolution 2014-04 and are available on the District's website.

On May 5, 2015 the State Water Resources Control Board adopted updated emergency water use regulations intended to safeguard urban water supplies in the event of continued drought, minimize the potential for waste and unreasonable use of water, and to achieve a 25 percent statewide potable water usage reduction ordered by Governor Brown in his April 1, 2015 executive order. On July 8, 2015 the Board of Directors adopted Resolution 2015-05 implementing updated water use restrictions and penalties for non-compliance.

On May 9, 2016, Governor Edmund G. Brown Jr. issued Executive Order B-37-16, requiring the Board to adjust its emergency water conservation regulation through the end of January 2017 in recognition of the differing water supply conditions across the state and separately, take action to make some of the requirements of the regulation permanent. The California State Water Board adopted the revised regulation on May 18. Outdoor water use restrictions shall be based on the District's specific circumstances as it relates to water supply and demands.

Continuing conservation efforts, although relaxed somewhat, will still result in reduced budgeted and actual water sales in 2016.

Requests for Information

This financial report is designed to provide an overview of the Beaumont-Cherry Valley Water District's finances. Questions regarding the content provided in this report or request for additional information should be addressed to the Director of Finance & Administrative Services, Beaumont-Cherry Valley Water District, 560 Magnolia Avenue, Beaumont, CA, 92223

Basic Financial Statements

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Beaumont-Cherry Valley Water District

Statement of Net Position

December 31, 2015

ASSETS	
Current Assets:	
Cash and investments (Note 2)	$ 14,816,785
Restricted cash and investments - funds held for others (Note 2)	2,379,627
Restricted cash and investments - capital commitments (Note 2)	9,225,608
Interest receivable	22,141
Accounts receivable, net of allowance for uncollectibles (Note 3)	1,855,506
Notes receivable (Note 4)	100,835
Inventories	608,800
Prepaid items	142,412
Total Current Assets	29,151,714
Non-Current Assets:	
Notes receivable (Note 4)	120,516
Capital assets, net of accumulated depreciation (Note 5)	115,246,313
Total Non-Current Assets	115,366,829
TOTAL ASSETS	144,518,543
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amount related to pensions (Note 12)	824,839
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 145,343,382
LIABILITIES	
Current Liabilities:	
Accounts payable and other accrued liabilities (Note 6)	$ 503,971
Customer account credit balances (Note 7)	181,411
Customer deposits payable	342,876
Unearned revenues (Note 8)	1,855,340
Current portion of long-term liabilities:	
Compensated absences (Note 9)	204,614
Total Current Liabilities	3,088,212
Non-Current Liabilities:	
Compensated absences (Note 9)	125,262
Other post-employment benefits obligations (Note 10)	578,749
Net Pension Liability (Note 12)	1,422,127
Total Non-Current Liabilities	2,126,138
TOTAL LIABILITIES	5,214,350
DEFERRED INFLOWS OF RESOURCES	
Deferred amount related to pensions (Note 12)	1,318,435
TOTAL DEFERRED INFLOWS OF RESOURCES	1,318,435
NET POSITION	
Net investment in capital assets (Note 11)	115,246,313
Restricted (Note 11)	9,225,608
Unrestricted (Note 11)	14,338,676
TOTAL NET POSITION	138,810,597
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$ 145,343,382

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

Beaumont-Cherry Valley Water District

Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2015

OPERATING REVENUES	
Metered water sales	$ 4,165,087
Water service charges	2,756,998
Water importation pass-through charges	1,889,751
Water pumping power pass-through charges	1,355,677
Development and installation charges	348,830
Other revenue	315,952
Total Operating Revenues	10,832,295
OPERATING EXPENSES	
Salaries and employee benefits	3,076,232
Pension expense	394,267
Energy expenses	1,371,858
Water purchases	879,066
Administration	381,598
Operations	236,757
Maintenance and repairs	591,554
Depreciation	2,517,384
Insurance	78,285
Professional fees	184,169
Other expenses	10,503
Total Operating Expenses	9,721,673
Operating Income	1,110,622
NON-OPERATING REVENUES (EXPENSES)	
Interest earnings	84,254
Rental income	20,103
Other revenue	35,528
Total Non-Operating Revenues, Net	139,885
Income Before Contributions	1,250,507
CAPITAL CONTRIBUTIONS	
Donated capital assets	1,092,505
Capacity charges	6,296,897
Total Capital Contributions	7,389,402
Change in Net Position	8,639,909
Net Position, Beginning of Year (as restated) (Note 16)	130,170,688
Net Position, End of Year	$ 138,810,597

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

Beaumont-Cherry Valley Water District

Statement of Cash Flows

For the Year Ended December 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$	11,234,639
Payments to suppliers and service providers		(3,104,440)
Payments to employees for salaries and benefits		(3,728,566)
Receipt of customer deposits		29,521
Net Cash Provided by Operating Activities		4,431,154
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Rental income and other receipts		55,631
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets		(616,630)
Capital contributions		6,296,897
Net Cash Provided by Capital and Related Financing Activities		5,680,267
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received		94,672
Net Increase in Cash and Cash Equivalents		10,261,724
Balance, Beginning of Year		16,160,296
Balance, End of Year	$	26,422,020
Reconciliation to Statement of Net Position:		
Cash and investments	$	14,816,785
Restricted cash and investments - funds held for others		2,379,627
Restricted cash and investments - capital commitments		9,225,608
Total Cash and Investments	$	26,422,020
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Operating Income	$	1,110,622
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:		
Depreciation expense		2,517,384
(Increase) decrease in accounts receivable		(136,316)
(Increase) decrease in notes receivable		271,497
(Increase) decrease in inventories		(126,102)
(Increase) decrease in prepaid items		(18,052)
(Increase) decrease in deferred outflow s		496,135
Increase (decrease) in accounts payable and other accrued liabilities		97,570
Increase (decrease) in customer credits payable		(35,733)
Increase (decrease) in customer deposits payable		29,521
Increase (decrease) in unearned revenues		273,445
Increase (decrease) in compensated absences		(43,290)
Increase (decrease) in other post-employment benefit obligations		96,341
Increase (decrease) in net pension liability		(946,862)
(Increase) decrease in deferred inflow s		844,994
Total Adjustments		3,320,532
Net Cash Provided by Operating Activities	$	4,431,154
SCHEDULE OF NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
Capital contributions - Donated capital assets		1,092,505

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity and Basis of Presentation

The Beaumont-Cherry Valley Water District (the District) is a special-purpose government district supplying and distributing water to over 48,000 people in both the City of Beaumont and the community of Cherry Valley. The District is governed by a five-member Board of Directors who serve overlapping four-year terms. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to enterprise funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District solely operates as a special-purpose government which means it is only engaged in business-type activities; accordingly activities are reported in the District's proprietary fund.

B. Measurement Focus and Basis of Accounting

Proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services, and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses include the costs of sales and services, the costs of employee benefits, maintenance of capital assets, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

C. Cash and Cash Equivalents

The District's cash and investments are considered to be cash on hand, demand deposits and investments with maturities less than 90 days. Therefore, for purposes of the statement of cash flows, the District considers the cash and investment balance to be cash and cash equivalents.

D. Restricted Cash and Investments

Restricted cash and investments are cash and investments that are segregated and can only be used for specific purposes. The District's restricted cash and investments consist of funds held for others, including refundable or prepaid customer deposits. The District also restricts cash and investments for capital commitments in the amount of developer capacity charges collected during the year to ensure that funds are set aside to provide for the expansion of the domestic and non-potable water system.

Please refer to *Note 2 Cash and Investments* for additional details.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

E. Inventories and prepaid items

Inventories are stated at cost using the average-cost method, and consist of materials used in construction and maintenance of the water system.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The costs of the prepaid items are recorded as expenses when consumed rather than when purchased.

F. Capital Assets

Capital assets purchased or constructed are carried at historical cost. Constructed costs include labor, materials and construction period interest expense (net of interest income, where applicable). The capitalization threshold is $5,000. Contributed assets are stated at estimated fair market value at the time received by the District. Land and construction in progress are not depreciated. Depreciation on the other assets is calculated on the straight-line method over the following estimated useful lives of the assets:

Pumphouse Structures	25 to 40 years
Well Casings & Development	10 to 40 years
Pumping Equipment	10 to 50 years
Chlorinators	15 to 30 years
Reservoirs & Tanks	15 to 50 years
Telemetering Equipment	10 to 20 years
Transmission & Distribution Mains	40 to 75 years
Meters & Meter Services	10 to 15 years
Fire Hydrants	30 to 50 years
Structures & Improvements	10 to 75 years
Office Furniture & Equipment	5 to 20 years
Automobile Equipment:	
Vehicles	5 to 15 years
Heavy Equipment	7 to 15 years
Light Equipment	5 to 7 years
General Equipment	5 to 15 years

Please refer to *Note 5 Capital Assets* for additional details.

G. Unearned Revenues

Unearned revenues arise when resources are received by the District before revenues are earned, as when developers pay in advance for services to be provided by the District at a later date. When the District has provided the services, the amounts will be recognized as revenue.

Please refer to *Note 8 Unearned Revenues* for additional details.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

H. Compensated Absences

Vacation

The District's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from the District. The liability for such leave is reported as an expense when incurred.

Sick Leave

Employees who are part of the District's Employee Association not using any sick leave for twelve consecutive months can convert their twelve accrued 8-hour sick days to cash at the rate of two accrued days for 8 hours paid at their regular hourly rate. Upon retirement or death, all employees or their beneficiaries are entitled to receive a pay-out of 50% of all accumulated sick leave. Accumulated sick leave dissolves when employees separate from the District in any other manner.

Please refer to *Note 9 Compensated Absences* for additional details.

I. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

J. Uncollectible Accounts

The District provides an allowance for doubtful accounts for all accounts deemed uncollectible. Any unpaid debt is deemed a lien against the real property to which service is rendered in accordance with applicable law.

Please refer to *Note 3 Accounts Receivable* for additional detail.

K. Credit/Market Risk

The District provides water services to local residential, commercial, industrial, construction and irrigation customers. As part of normal operating practices, credit is granted to residential, commercial, industrial, and irrigation customers on a secured basis and to construction customers on an unsecured basis.

L. Use of Restricted Resources

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

M. Pensions

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

N. New Accounting Pronouncements

Effective This Fiscal Year

GASB Statement No. 68 – In June 2012, GASB issued Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27.* The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The Statement is effective for periods beginning after June 15, 2014. The accompanying financial statements reflect the implementation of GASB Statement No. 68.

GASB Statement No. 71 – In November 2013, GASB issued Statement 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.* The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions.* The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this Statement have been applied simultaneously with the provisions of Statement No. 68. The accompanying financial statements reflect the implementation of GASB Statement No. 71.

Effective in Future Fiscal Years

GASB Statement No. 72 – In February 2015, GASB issued Statement No. 72, *Fair Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This statement is effective for periods beginning after June 15, 2015. The District has not determined the effect on the financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

M. New Accounting Pronouncements *(Continued)*

GASB Statement No. 73 – In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.* This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, Financial Reporting for Pension Plans, and Statement 68 for pension plans and pensions that are within their respective scopes. The provisions in Statement 73 are effective for fiscal years beginning after June 15, 2015—except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016. The District has not determined the effect on the financial statements.

GASB Statement No. 74 – In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. The District has not determined the effect on the financial statements.

GASB Statement No. 75 – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. The District has not determined the effect on the financial statements.

GASB Statement No. 76 – In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. The District has not determined the effect on the financial statements.

GASB Statement No. 77 – In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures.* The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. The District has not determined the effect on the financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

M. New Accounting Pronouncements *(Continued)*

GASB Statement No. 78 – In December 2015, GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans.* The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. The District has not determined the effect on the financial statements.

GASB Statement No. 79 – In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants.* This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. The District has not determined the effect on the financial statements.

GASB Statement No. 80 – In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14.* The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged. The District has not determined the effect on the financial statements.

GASB Statement No. 81 – In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements.* The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. The District has not determined the effect on the financial statements.

GASB Statement No. 82 – In March 2016, GASB issued Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73.* The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. The District has not determined the effect on the financial statements.

NOTE 2 – CASH AND INVESTMENTS

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

Cash and investments	$ 14,816,785
Restricted cash and investments - funds held for others	2,379,627
Restricted cash and investments - capital commitments	9,225,608
Total Cash and Investments	$ 26,422,020

Cash and investments consist of the following:

Cash on hand (petty cash and change drawers)	$ 1,400
Demand deposits (cash in bank)	9,580,775
Investments	16,839,845
Total Cash and Investments	$ 26,422,020

NOTE 2 – CASH AND INVESTMENTS *(Continued)*

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

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

Authorized Investment Type	Maturity Limit	Percent Limit Per Type	Percent Limit Per Issuer
U.S. Treasuries	5 years	100%	None
Federal Agencies:			
GNMA	5 years	100%	50%
Farm Credit	5 years	100%	30%
FHLB	5 years	100%	30%
FHLMC	5 years	100%	30%
FNMA	5 years	100%	30%
FDIC – Guaranteed	5 years	100%	30%
Tennessee Valley Authority	5 years	100%	30%
Other Agencies:			
State of California, LAIF	Not applicable	Allowable Maximum	None
California State and Local Agencies Obligations	5 years	Allowable Maximum 20%	5%
Bankers' Acceptances	180 days	40%	5%
Commercial Paper	270 days	25%	5%
Negotiable Certificates of Deposits	5 years	30%	5%
Corporate Medium Term Notes	5 years	30%	5%
Time Certificates of Deposit	5 years	40%	5%
Government Money Market Mutual Funds	5 years	20%	5%
Repurchase Agreements	1 year	10%	5%
Collateralized Mortgage Obligations, Mortgage-Backed Securities and Asset-Backed Securities	5 years	20% combined	5%

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

NOTE 2 – CASH AND INVESTMENTS *(Continued)*

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

Investment Type	Fair Value	Maturity 12 Months or Less
LAIF	$ 16,839,845	$ 16,839,845

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District only has investment in LAIF and LAIF is unrated.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies.

As of December 31, 2015, the District's deposits are insured in accordance with FDIC guidelines. District funds in excess of the deposits covered by FDIC insurance are collateralized at 110 percent by the depository bank as required by California Government Code. Of the District's deposits with financial institutions, $9,330,775 was in excess of federal depository insurance limits and subject to custodial credit risk as described above.

NOTE 2 – CASH AND INVESTMENTS *(Continued)*

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. 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 a governmental investment pool managed and directed by the California State Treasurer and is not registered with the Securities and Exchange Commission. An oversight committee comprised of California State officials and various participants provide oversight to the management of the fund. The daily operations and responsibilities of LAIF fall under the auspices of the State Treasurer's office.

NOTE 3 – ACCOUNTS RECEIVABLE

Amounts are aggregated into a single accounts receivable (net of allowance for uncollectibles) amount on the financial statements. Below is the detail of the receivables, including applicable allowances for uncollectible amounts:

	Water Sales and Services	Other	Developer	Totals
Receivables	$ 1,640,472	$ 108,227	$ 377,362	$ 2,126,061
Less: Allowance for Uncollectible Accounts	-	(2,831)	(267,724)	(270,555)
Net Receivables	$ 1,640,472	$ 105,396	$ 109,638	$ 1,855,506

Water Sales and Services are reported net of uncollectible amounts based on actual collections as of the preparation date of the statements. The General Manager or his or her designee is authorized to file a lien against real property serviced with the Assessor-Clerk-Recorder of the County of Riverside for any charges 60 days past due. The amount of charges of unpaid bills are included as a lien against the debtor's property until the unpaid charges are collected and the account is brought current. Other receivables, those billings outside of the normal water sales and services billings, include items such as damages to District property and rental of District property. Amounts not expected to be collected within the next year have been included in the allowance for uncollectible amounts. Developer receivables are those receivables due from developers for development activity that has exceeded deposits collected to-date. The amount included in the allowance for uncollectible accounts is an estimate based on other refundable accounts held for the developer that the District feels they can use to negotiate settlement on balances due to the District.

NOTE 4 – NOTES RECEIVABLE

Amounts due from Bonita Vista and Fairway Canyon are combined and are separated into current and non-current portions on the *Statement of Net Position* on page 16.

	Bonita Vista	Fairway Canyon	Totals
Receivables			
Current	$ 11,153	$ 89,682	$ 100,835
Non-current	120,516	-	120,516
Total Receivables	$ 131,669	$ 89,682	$ 221,351

In 2003, the Bonita Vista Mutual Water Company started the annexation process to join the District. The annexation agreement called for the District to install a new water delivery system. The property owners/shareholders in the Bonita Vista Mutual Water Company were responsible for 1/100th of the costs of construction of the new system, at $5,500 per meter. The notes are payable over 20 years at a variable interest rate calculated annually at 1.5% above the LAIF interest rate. The notes are due to mature as of February 15, 2028.

The District has entered into various agreements with the developers of the Fairway Canyon Community Association for payment of the new water component of the water main extension and capacity charges. The notes are payable over 10 years at an annual interest rate of 10%.

NOTE 5 – CAPITAL ASSETS

The following table summarizes capital asset activity during the year:

	Balance December 31, 2014	Increases	Decreases	Transfers	Balance December 31, 2015
Capital assets not being depreciated:					
Land	$ 7,721,730	$ -	$ -	$ -	$ 7,721,730
Construction in progress	1,791,723	149,351	-	-	1,941,074
Total capital assets not being depreciated	9,513,453	149,351	-	-	9,662,804
Capital assets being depreciated:					
Transmission and distribution system	77,363,477	1,395,746	-	-	78,759,223
Structures and improvements	16,486,055	-	-	-	16,486,055
Reservoirs and tanks	22,274,959	-	-	-	22,274,959
Pumping and telemetry equipment	12,642,605	11,907	-	-	12,654,512
Vehicles and equipment	2,068,174	152,131	(132,220)	-	2,088,085
Total capital assets being depreciated	130,835,270	1,559,784	(132,220)	-	132,262,834
Less accumulated depreciation for:					
Transmission and distribution system	(13,040,981)	(1,314,284)	-	-	(14,355,265)
Structures and improvements	(2,622,241)	(373,613)	-	-	(2,995,854)
Reservoirs and tanks	(4,447,734)	(439,941)	-	-	(4,887,675)
Pumping and telemetry equipment	(2,809,608)	(215,853)	-	-	(3,025,461)
Vehicles and equipment	(1,373,597)	(173,693)	132,220	-	(1,415,070)
Total accumulated depreciation	(24,294,161)	(2,517,384)	132,220	-	(26,679,325)
Total capital assets being depreciated, net	106,541,109	(957,600)	-	-	105,583,509
Capital assets, net of depreciation	$ 116,054,562	$ (808,249)	$ -	$ -	$ 115,246,313

NOTE 6 – ACCOUNTS PAYABLE AND OTHER ACCRUED LIABILITIES

Accounts payable and other accrued liabilities were as follows:

Accounts Payable	$ 392,754
Salaries and Employee Benefits	73,295
Other	37,922
	$ 503,971

NOTE 7 – CUSTOMER ACCOUNT CREDIT BALANCES

Credit balances on customer utility accounts in 2015 are to be used against future billings or refunded upon request. As of December 31, 2015, the balance was $181,411.

NOTE 8 – UNEARNED REVENUES

Developers make payments in advance of the District providing services, including items such as meter installations, development plan checks and development inspections. As the District provides these services, revenues are recognized and the unearned revenues balance is reduced. As of December 31, 2015, the unearned balance was $1,855,340.

NOTE 9 – COMPENSATED ABSENCES

Compensated absences comprise unpaid vacation, sick, holiday and administrative leave which is accrued as earned. The liability for compensated absences is determined annually. The activity for the year was as follows:

Balance December 31, 2014	Increases	Decreases	Balance December 31, 2015	Current Portion	Non-current Portion
$ 373,166	$ 277,898	$ (321,188)	$ 329,876	$ 204,614	$ 125,262

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS OBLIGATIONS

Plan Description

The District pays a portion of the cost of health insurance (including prescription drug benefits) as post-employment medical benefits to retired employees who satisfy the eligibility rules as required by CalPERS Health Program enrollment. The current District contribution is fixed at $398.16 per month and is scheduled to increase by 5% per year up to a maximum of $474.00 per month. Spouses and surviving spouses are also eligible to receive benefits. Retirees may enroll in any medical plan available through the District's CalPERS Health Program, a cost-sharing multiple-employer medical coverage plan. The contribution requirements of eligible retired employees and the District are established and may be amended by the Board of Directors.

Funding Policy

The District is not required to contribute the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The District has elected to calculate the ARC and related information using the entry age normal actuarial cost method. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The District will pay an amount towards the cost of the post-employment benefit plan for those employees who meet the required service years for retirement from the District. The District funds the plan on a pay-as-you-go basis and records a liability for the difference between pay-as-you-go and the actuarially determined expense cost.

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

Annual Cost

The District's ARC for the year was $113,431. The District's annual OPEB cost amounted to $105,442. The District paid $9,101 for current retiree OPEB premiums for the year.

Annual Required Contribution	$	113,431
Interest on Net OPEB Obligation		18,090
Adjustment to Annual Required Contribution		(26,079)
Annual OPEB Expense		105,442
Less Contributions		-0-
Less Benefits paid		(9,101)
Change in Net OPEB Obligation		96,341
Net OPEB Obligation - 12/31/2014		482,408
Net OPEB Obligation - 12/31/2015	$	578,749

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the Plan, and the net OPEB obligation for year and the two preceding years were as follows:

Fiscal Year Ending		Annual OPEB Cost		Annual Contributions & Benefits	Percentage of Annual OPEB Cost Contributed		Net OPEB Obligation
12/31/2013	$	1,135,132	$	18,456	1.60%	$	3,368,398
12/31/2014	$	89,888	$	11,376	12.66%	$	482,408

Funded Status and Funding Progress of the Plan

The most recent valuation dated December 31, 2014 includes an Actuarial Accrued Liability and Unfunded Actuarial Accrued Liability of $843,352. The covered payroll (annual payroll of active employees covered by the plan) for the year was estimated at $1,835,790. The ratio of the unfunded actuarial accrued liability to annual covered payroll is 45.94%. The plan does not have any assets since the plan is funded on pay-as-you-go basis.

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

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and the pattern of sharing of costs between the employer and plan members to that point. Consistent with the long-term perspective of actuarial calculations, actuarial methods and assumptions used include funding approaches that are designed to reduce short-term volatility in the incidence of benefit costs and in the growth of unfunded accrued actuarial liability (UAAL).

BCVWD's actuarial review and analysis of the post-employment benefits (OPEB) expense, liability and funding status will be actuarially reviewed and updated annually. A complete actuarial study will be performed every three years or annually if there are significant changes in the plan.

The following is a summary of the actuarial assumptions and methods utilized by the District:

Valuation date:	December 31, 2014
Cost method:	Entry age normal actuarial cost method
Amortization method:	Level annual dollar amount
Remaining amortization period:	30 Years as of the valuation date on an open basis
Actuarial assumptions	
Discount rate:	3.75%
Projected salary increase:	2.50%
Medical cost increases:	
1/1/16	5%
1/1/17	5%
1/1/18	5%
1/1/19	5%
1/1/20	2.84%
5/15/20 + later	0

The required schedule of funding progress presented as required supplementary information on page 43 provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTE 11 – NET POSITION

Net Position:	
Net investment in capital assets	$ 115,246,313
Restricted - capital commitments	9,225,608
Unrestricted	14,338,676
Total Net Position	$ 138,810,597

Net investment in capital assets is the value of the District's assets, less accumulated depreciation.

Unrestricted net position includes non-spendable assets and spending designations set by the Board of Directors:

Unrestricted Net Position	$ 14,338,676
Non-spendable assets:	
Inventories	608,800
Prepaid items	142,412
Non-current portion of notes receivable	120,516
Total Non-spendable assets	871,728
Board of Directors' designations:	
Capital replacement reserve	7,999,767
Operating reserve	4,205,524
Emergency reserve	1,261,657
Total Designations	13,466,948
Total Unrestricted Net Position	$ 14,338,676

NOTE 12 – DEFINED BENEFIT PENSION PLAN

Plan Description

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

Benefits Provided

CalPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees, and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 60 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan's provisions and benefits in effect at December 31, 2015, are summarized as follows:

	Miscellaneous	PEPRA - Miscellaneous
Hire Date	Prior to January 1, 2013	On or after January 1, 2013
Formula	2.7% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of annual salary	2.0% - 2.7%	1.0% - 2.5%
Required employee contribution rates	8.0%	7.0%
Required employer contribution rates	13.243%	6.967%

Contributions

Section 20814(c) of the California Public Employees' Retirement law 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 rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. 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 District is required to contribute the difference between the actuarially determined rate and the contribution rates of employees. Contributions to the pension plan from the District were $478,088 for the year ended December 31, 2015.

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

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of December 31, 2015, the District reported a liability of $1,422,127 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015, using standard actuarial procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportion of the net collective pension liability as of June 30, 2015 and 2014, was as follows:

Proportion - June 30, 2014	0.03807%
Proportion - June 30, 2015	0.02072%
Change - Increase (Decrease)	0.01735%

For the year ended December 31, 2015, the District recognized pension expense of $394,267. At December 31, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	$ 190,071	
Difference between actual contributions and proportionate share of contributions and changes in proportion		(351,734)
Differences between expected and actual experience	25,139	
Changes in assumptions		(237,840)
Net difference between projected and actual earnings on pension plan investments	609,629	(728,861)
	$ 824,839	$ (1,318,435)

$190,071 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,	
2016	$ (308,300)
2017	(299,246)
2018	(228,531)
2019	152,407
	$ (683,670)

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

Actuarial Assumptions

The total pension liabilities in the June 30, 2014, actuarial valuations were determined using the following actuarial assumptions.

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Projected Salary Increase	3.2% - 12.2% (1)
Investment Rate of Return	7.5%
Mortality	Derived using CalPERS' Membership Data

(1) Depending on age, service and type of employment

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2014 valuation were based on the results of a January 2015 actuarial experience study for the period of 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the District's contributions will be made at rates equal to the difference between actuarially determined contributions rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

In determining the long-term expected 7.65 percent rate of return on pension plan investments, CalPERS took into account both short and long-term market return expectations as well as the expected pension fund cash flows. Based on the expected benefit payments of the Public Employees' Retirement Fund, CalPERS indicated that a 19 year horizon was ideal in determining the level equivalent discount rate assumption. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long term, the present value of benefits was calculated for each fund. The expected rate for return was set by calculating the single equivalent expected return of return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are the same for each Plan. These geometric rates of return are net of administrative expenses and are summarized in the following table:

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

Discount Rate *(Continued)*

Asset Class	Target Allocation	Expected Real Rate of Return Years 1-10	Expected Real Rate of Return Years 11+
Global Equity	51%	5.25%	5.71%
Global Debt Securities	19%	0.99%	2.43%
Inflation Assets	6%	0.45%	3.36%
Private Equity	10%	6.83%	6.95%
Real Estate	10%	4.50%	5.13%
Infrastructure and Forestland	2%	4.50%	5.09%
Liquidity	2%	-0.55%	-1.05%
Total	100%		

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

1% Decrease	6.65%
Net Pension Liability	2,385,006
Current Discount Rate	7.65%
Net Pension Liability	1,422,127
1% Increase	8.65%
Net Pension Liability	627,158

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

NOTE 13 – COMMITMENTS

In 2004, the Beaumont Basin Watermaster (Watermaster) was created to manage the groundwater excavations, replenishment thereof, and storage of supplemental water within the Beaumont Basin. The Watermaster consists of representatives from the Beaumont-Cherry Valley Water District, the City of Banning, the City of Beaumont, the South Mesa Water Company, and the Yucaipa Valley Water District. The District is a member agency of the Watermaster and contributes a varied annual amount to the Watermaster to fund its operations. The District contributed $27,844 during the year.

NOTE 14 – CONTINGENCIES

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not have a material adverse effect on the financial position of the District.

NOTE 15 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California water agencies. The purpose of the ACWA/JPIA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage. At December 31, 2015, the District participated in the liability, property, and workers' compensation programs of the ACWA/JPIA as follows:

- General and auto liability, public officials and employees' errors and omissions: Total risk financing limits of $2,000,000, combined single limit at $2,000,000 per occurrence. The District purchased additional excess coverage layers: $60 million for general, auto and public officials liability, which increases the limits on the insurance coverage noted above.

In addition to the above, the District also has the following insurance coverage:

- Employee dishonesty coverage up to $100,000 per loss includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction coverages.
- Property loss is paid at the replacement cost for property on file, if replaced within two years after the loss, otherwise paid on an actual cash value basis, to a combined total of $100 million per occurrence, subject to a $1,000 deductible per occurrence. Mobile equipment and vehicles have a $1,000 deductible and $500 deductible per occurrence, respectively.
- Boiler and machinery coverage for the replacement cost up to $100 million per occurrence, subject to various deductibles depending on the type of equipment.
- Workers' compensation insurance up to California statutory limits for all work related injuries/illnesses covered by California law.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there was no reduction in the District's insurance coverage during the year ended December 31, 2015. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage.

NOTE 16 – RESTATEMENT OF NET POSITION

As discussed in Note 1 to the financial statements, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions —an amendment of GASB Statements No. 27* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*, as of January 1, 2015. The impact of the implementation on the beginning net position is as follows:

	Net Position
Balance at December 31, 2014 as previously reported	$ 131,692,144
Net pension liability as of the measurement date of June 30, 2014	(2,368,989)
Contributions after the measurement date - deferred outflows of resources	1,318,965
Changes in employer contributions and differences between proportionate share of pension expense	(126,766)
Differences between expected and actual earnings	(344,666)
Balance at January 1, 2015 as restated	$ 130,170,688

Following is the pro forma effect of the retroactive application:

	2014 Previously Presented	Restatement	2014 Restated
Deferred outflows of resources	$ -	$ 1,320,974	$ 1,320,974
Net pension liability	-	2,368,989	2,368,989
Deferred inflows of resources	-	473,441	473,441

Required Supplementary Information

Schedule of the District's Proportionate Share of the Net Pension Liability

Last Ten Years*

	December 31, 2015
Proportion of the collective net pension liability	0.02072%
Proportionate share of the collective net pension liability	$ 1,422,127
Covered - employee payroll	$ 1,843,708
Proportionate share of the collective net pension liability as a percentage of covered-employee payroll	129.64%
Plan's proportion of the fiduciary net position	0.05970%
Plan's proportionate share of the fiduciary net position	$ 6,504,607
Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability	82.05910%

* - Fiscal year 2015 was the first year of implementation, therefore, only one year is shown.

Schedule of Contributions-Pension

Last Ten Years*

	December 31, 2015
Actuarially determined employer contributions	$ 478,088
Contributions in relation to the actuarially determined contribution	478,088
Contribution deficiency (excess)	$ -
Covered-employee payroll	$ 1,868,863
Contributions as a percentage of covered-employee payroll	25.58%

* - Fiscal year 2015 was the first year of implementation, therefore, only one year is shown.

Beaumont-Cherry Valley Water District Other Post-Employment Benefits
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
* 12/31/2011	$ -	$ 5,908,180	$ 5,908,180	0.00%	$ 1,892,911	312.12%
12/31/2014	$ -	$ 843,352	$ 843,352	0.00%	$ 1,835,790	45.94%

Funding progress is presented for the year(s) that an actuarial study has been prepared since the effective date of GASB Statement 45. The District implemented GASB 45 during fiscal year 2011. Additional data will be provided as future valuations are performed.

* Using the Alternate Measurement Method

Report on Internal Controls and Compliance

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Beaumont-Cherry Valley Water District
Beaumont, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Beaumont-Cherry Valley District (District), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated July 13, 2016. As described in our report, the District adopted Governmental Accounting Standards Board (GASB) Statements No. 68, *Accounting and Financial Reporting for Pensions —an amendment of GASB Statement No. 27* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*, as of January 1, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Finding and Response as finding 2015-001 that we consider to be a significant deficiency.

10681 Foothill Blvd., Suite 300 Rancho Cucamonga, CA 91730 Tel: 909.466.4410 www.vtdcpa.com Fax: 909.466.4431

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying Schedule of Finding and Response. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vavrinek, Trine, Day & Co LLP

Rancho Cucamonga, California
July 13, 2016

SCHEDULE OF FINDING AND RESPONSE
JUNE 30, 2015

2015-001

INFORMATION TECHNOLOGY (IT) SEGREGATION OF DUTIES

Criteria:

In order to have effective internal controls within the IT environment, segregation of duties, should be present within the accounting system. The access within the accounting system should be controlled, analyzed and monitored.

Condition:

As a result of our audit procedures over the District's IT controls, we noted that users can gain access to generate and commit a transaction.

Context:

We noted that several users had access that should be turned off or otherwise monitored during the year audited. The access for each user was not reviewed during the year.

Effect:

Users were able to commit and approve a transaction for several processes, which resulted in a lack of segregation of duties within the IT environment.

Cause:

The District's internal control process did not include user access review and monitoring.

Recommendation:

We recommend that the District establish a formal policy which specifies system access roles. We also recommend that the District implement monitoring procedures and periodic reviews of user access.

View of Responsible Officials and Planned Corrective Action:

Management acknowledges the lack of oversight as it relates to accounting system access. We are in the process of establishing a formal policy which includes specifying system access roles, reviewing user access, and monitoring user access on a regular basis.