Beaumont-Cherry Valley Water District

Comprehensive Annual Financial Report

Fiscal Year Ended December 31, 2017

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Comprehensive Annual Financial Report
For the Year Ended December 31, 2017

Beaumont-Cherry Valley Water District
Beaumont, California

Board of Directors
John Covington, President
Andy Ramirez, Vice-President
Claudeen Diaz, Secretary
David Hoffman, Treasurer
Daniel Slawson, Director

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

Prepared by:
Beaumont-Cherry Valley Water District
Finance and Administrative Services Department

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

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Beaumont-Cherry Valley Water District
Comprehensive Annual Financial Report
For the Year Ended December 31, 2017

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Introductory

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June 8, 2018

Honorable Board of Directors
Beaumont-Cherry Valley Water District

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) for the Beaumont-Cherry Valley Water District (District) for the year ended December 31, 2017, following guidelines set forth by the Government Accounting Standards Board (GASB) and Generally Accepted Accounting Principles (GAAP).

District staff prepared this financial report. District management is ultimately responsible for both the accuracy of the data and the completeness and fairness of presentation, including all disclosures in this financial report. To the best of our knowledge and belief, the enclosed data 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. Internal controls are an important part of any financial reporting framework, and management of the District has established a comprehensive framework of internal controls to provide a reasonable basis for asserting that the financial statements are fairly presented. Because the cost of an internal control should not exceed the benefits to be derived, the objective is to provide reasonable, rather than absolute assurance, that the financial statements are free of any material misstatements.

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

The District's financial statements have been audited by Rogers, Anderson, Malody & Scott, 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, 2017, 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 (clean) opinion that the District's financial statements for the year ended December 31, 2017, are fairly presented, in all material respects, in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

Profile of the District

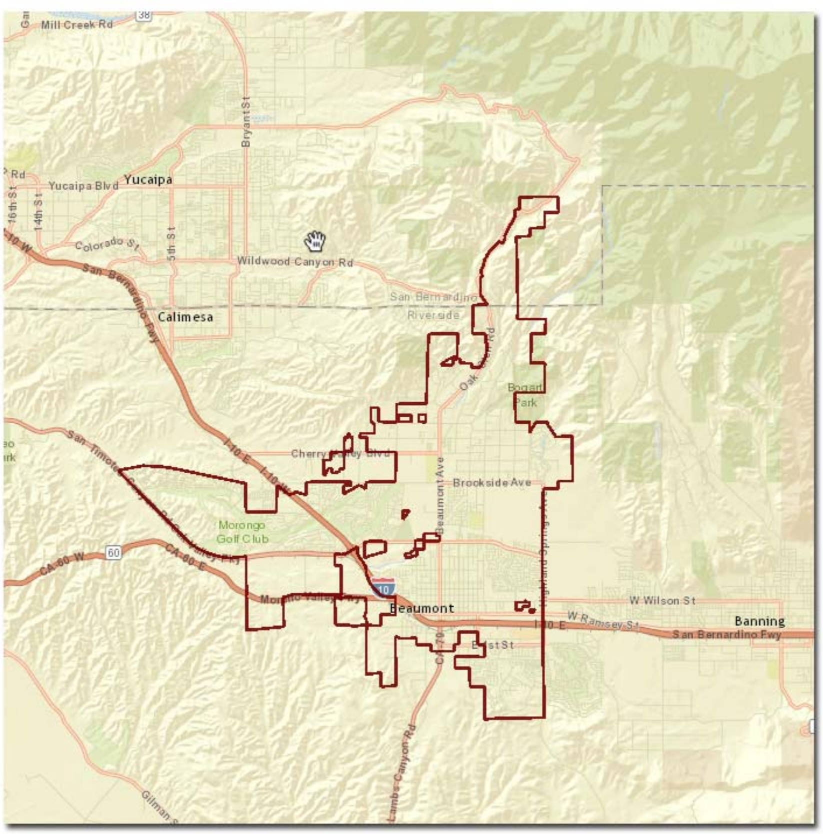
The goal of the District is to provide for a healthy, safe and enriched quality of life throughout the District boundaries through watershed stewardship and thorough management of water resources in a practical, cost-effective, and environmentally sensitive manner for current and future generations.

History

The origin of the District dates back to the latter part of the 1800's when the Southern California Investment Company was the owner of the land that currently is the City of Beaumont and the community of Cherry Valley. The Company intended to build a system of water lines for the purpose of developing subdivisions throughout the Beaumont and Cherry Valley areas. The area started to develop in the late 1880s and in 1912 the community of Beaumont incorporated. The District was formed in 1919 as the Beaumont Irrigation District under California Irrigation District law, Water Code Section #20500 et seq. The name was changed to the Beaumont-Cherry Valley Water District in 1973. The District owns 575 acres of watershed land in Edgar Canyon in San Bernardino County and 949 acres of watershed in Riverside County. Edgar Canyon is named after Dr. William F. Edgar, a military doctor who was in charge of a number of hospitals during the Civil War. Dr. Edgar appreciated the beauty of the land and purchased it in 1859. He planted fruits and vineyards and later established the first winery.

Service Area

The District's present service area covers approximately 28 square miles, virtually all of which is in Riverside County, and includes the City of Beaumont, the community of Cherry Valley, and some small areas of Calimesa.



Water Services

The District has both a potable and non-potable water distribution system. At the end of 2017, the District had a total of 17,997 connections, an increase of 625 connections over 2016, 93.17 percent of which are for single family residences. 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 23 MG.

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

Of significance to its programs and goals, the Board authorized the purchase of 78.8 acres of land, and eventually constructed the Noble Creek Recharge Facility for the recharge of imported water from the State Water Project. In the future, storm runoff and possibly highly treated recycled water 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.

Governance

The District's Board of Directors is comprised of five members elected by the citizens within their geographical area. Each Director serves a four year staggered term and must be a resident of the division they represent. The District operates under a Board-Manager form of government. The General Manager is appointed by the Board, and administers the daily affairs of the District and carries out policies of the Board of Directors. The District employs a staff of 35 under the direction of the General Manager.

Local Economy

Beaumont and Cherry Valley remained relatively small until the mid-1980s. The populations of Beaumont and Cherry Valley in 1980 were 6,818 and 5,012 respectively. The boom of the early 2000s saw Beaumont's population skyrocket to 46,179 by 2017; Cherry Valley showed only limited growth to 6,279 during that same time period. Current population served by the District is approximately 53,603. Although population growth has stabilized to approximately 3.5 percent per year, meeting the water supply demands for this continued growth in Beaumont continues to be challenging. The City of Beaumont remains one of the fastest-growing cities in the State of California.

According to projections by the Southern California Association of Governments, the population served by the District is expected to reach approximately 97,000 by 2030. The City of Beaumont's General Plan, adopted in 2007, had a projected build-out population of 87,200. The build-out population within the District's Sphere of Influence (SOI) is estimated to be about 112,300 based on the District's estimates of land use.

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	2017
Population	9,685	11,407	37,278	46,179
Households	3,718	3,887	11,801	13,856
People/Household	2.60	2.93	3.16	3.33

In 2017, 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 13,355 housing units of which approximately 10,659 of these planned housing units are approved.

The District staff anticipates that in 2018 the growth within the District's service area related to residential, commercial and industrial development will again increase incrementally.

Financial Management

The keys to the District's successful financial management are the District's Capital Improvement Plan, annual budget process, and financial policies.

Capital Improvement Plan

The Capital Improvement Plan (CIP) is a ten-year fiscal planning tool used to identify the future capital needs of the District, as well as identify the timing and method of financing those capital needs. The District's Ten Year Capital Improvement Plan is planned to be updated annually for consideration and approval by the District's Board of Directors.

Annual Budget Process

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 General Manager is responsible for keeping the expenses within budget allocations and may adopt budget policies necessary to carry out that responsibility. No expenditure of funds shall be authorized unless sufficient funds have been appropriated by the Board or reallocated by the General Manager. The General Manager may exercise discretion in the administration of the Budget to respond to changed circumstances, provided that any single modification in excess of $50,000 shall require approval by the Board.

Financial Policies

The District's financial policies include financial management practices that are used for operational and strategic decision making and allow the Board of Directors and stakeholders to monitor how the District is managing its financial responsibilities.

Investment Policy - This policy is intended to provide a guideline for the prudent investment of surplus cash, reserves, trust funds, and restricted monies and to outline a policy for maximizing the efficiency of the District's cash management system in compliance with Section 53646 of the Government Code of California. The policy applies to all financial assets of the District as accounted for in the audited financial statements. The primary objectives of the District's investment activities, in order of priority, are safety of principal through the mitigation of both credit and market risk, maintenance of the liquidity necessary to meet cash flow needs and, lastly, return on investment.

Reserve Policy - This policy incorporates and identifies restricted reserves as Future Capital Commitments, Funds Held for Others, and Debt Service. Board designated unrestricted reserves are identified in the policy as Emergency, Capital Replacement, and Operations.

The purpose of the Emergency Reserve is to ensure continued service to the District's customers and service areas for events which are impossible to anticipate and budget for. The Emergency Reserve is adjusted annually to a minimum of 15 percent of the annual operating budget.

The Capital Replacement Reserve is earmarked for the purchase of operating equipment, physical plant, infrastructure, water conservation projects and other capital items. They are designed to stabilize funding for capital by accumulating “pay as you go” reserves available for necessary capital purchases. The Capital Replacement Reserve is funded through any sources available for capital improvements, including operating revenues.

The Reserve for Operations is to be used for working capital purposes and to ensure continuity of customer services regardless of cash flow. This Reserve is adjusted annually to a minimum amount sufficient to pay for three months of budgeted operating expenses, not exceeding a maximum of six months of budgeted operating expenses. Adequate reserves, along with sound financial policies, provide financial flexibility in the event of unanticipated expenses or revenue fluctuations.

Purchasing Policy - This policy is designed to establish policies and procedures that provide for:

- competitive bidding in the open market
- a cost effective purchasing process that incorporates high ethical standards
- obtaining quality materials, supplies, equipment, and non-professional services at the lowest ultimate cost and in a timely manner
- a process to purchase, using effective fiscal controls that assure adherence to budgeted expenses and for obtaining appropriate levels of approval as established therein

Major Initiatives

Major goals for the District continue to be the conservation and efficient use of urban water supplies, providing the means to meet increasing demands for water, and providing an accurate accounting of all business operations including District infrastructure. Planning for and developing facilities to provide water for future growth continues to be a District priority.

Following are highlights of the District’s completed and on-going initiatives identified in the 2016 Annual Financial Report as well as highlights of major projects to be initiated in 2018 to meet the District’s goals.

Completed

- Urban Water Management Plan (UWMP) Update – The UWMP, completed in house solely by District staff, is a long-term planning document that is used by the District and the District's wholesale water provider, the San Gorgonio Pass Water Agency (SGPWA) to ensure adequate future water supplies. The UWMP Update is also used by the Department of Water Resources (DWR) to update the Comprehensive California Water Plan.

- Supervisory Control and Data Acquisition (SCADA) Phase I – All hardware was replaced, operating systems were upgraded and new communication protocols were implemented. The purpose of the project was to replace an outdated SCADA system.

- District Website Deployment – The purpose of the Website Deployment project was to rewrite all code and redesign the outdated online presence. Several new features were added on the website that help automate communications with the public, provide better transparency, and ensure full mobile accessibility.

- IPAD Project - The purpose of the IPAD project was to provide field staff with a simple and convenient way to complete daily site rounds, reporting, incident reports, and maintenance of facilities from a mobile device.

- The District completed a number of IT security related projects.

To Be Initiated:

- Moving forward, the District intends to initiate the planning and construction on a number of potable water system infrastructure projects including the Noble Tank No. 2 and related pipeline, re-drilling of Wells 1 and 2, and the drilling of Noble Creek Park and Sundance North wells.

- Regional Water Supply Outlook - The District plans to conduct long-term forecasting and planning for water supply, working with all stakeholders to formulate a plan.

- Conservation Program and a Community Outreach Program - The District's intent is to work with surrounding agencies and develop a joint program.

- Water Rates and Fees Update - The last water rate study was conducted in 2010.

Ongoing:

- The District will continue with the development of the non-potable water system by constructing additional facilities necessary to complete the conversion of the remaining 10% of landscape irrigation users as well as satisfy additional demand. The District's focus in 2018 will be on pressure regulator projects, 2520 PZ to 2370 PZ and 2600 PZ to 2520 PZ, as well as the Raw Water Filter System Project at the 2800 PZ Tank.

- The District's main accounting system, Springbrook (Accela), implemented in 2013, has allowed District staff to enhance reporting and internal controls. The District continued to direct its efforts in 2017 towards enhanced system reporting capabilities as well as focusing on the design and implementation of the remaining system modules for Project Costing & Tracking and Remote Time Entry.

- The Grand Avenue Storm Drain Project, which is being developed in conjunction with Riverside County Flood Control and Water Conservation District and partially funded utilizing grant funding from Proposition 84, will capture and recharge storm water at NCRF Phase II. The Project continued in 2017 and likely will be on-going through 2021.

- The GIS System Mapping Project is on-going with the majority of the system completely mapped and accessible to District personnel.

- With the completion of the Potable Water System Master Plan in 2016, the District directed its planning focus to the Recycled Water Master Plan Update which is expected to be completed in 2018.

- The revised Capacity Fee (Facility Fee) Study was initiated in 2016 and is expected to be completed by the end of 2018.

- The Automated Meter Reading (AMR) Deployment project was designed to provide a streamlined and efficient way for staff to read water meters electronically. The initial phase of the AMR Deployment project was completed in 2016, however the District has continued to deploy radios on all new constructions and rehabs. Staff plans to deploy several hundred radios over the next few years.

- In 2017 the District initiated the IT workstation upgrade program that is based on a rotating three-year replacement plan.

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 the planning and implementation of the Beaumont-Cherry Valley Water District's financial and operating policies.

Daniel K. Jaggers
General Manager

Yolanda Rodriguez
Director of Finance and Administrative Services

Beaumont-Cherry Valley Water District

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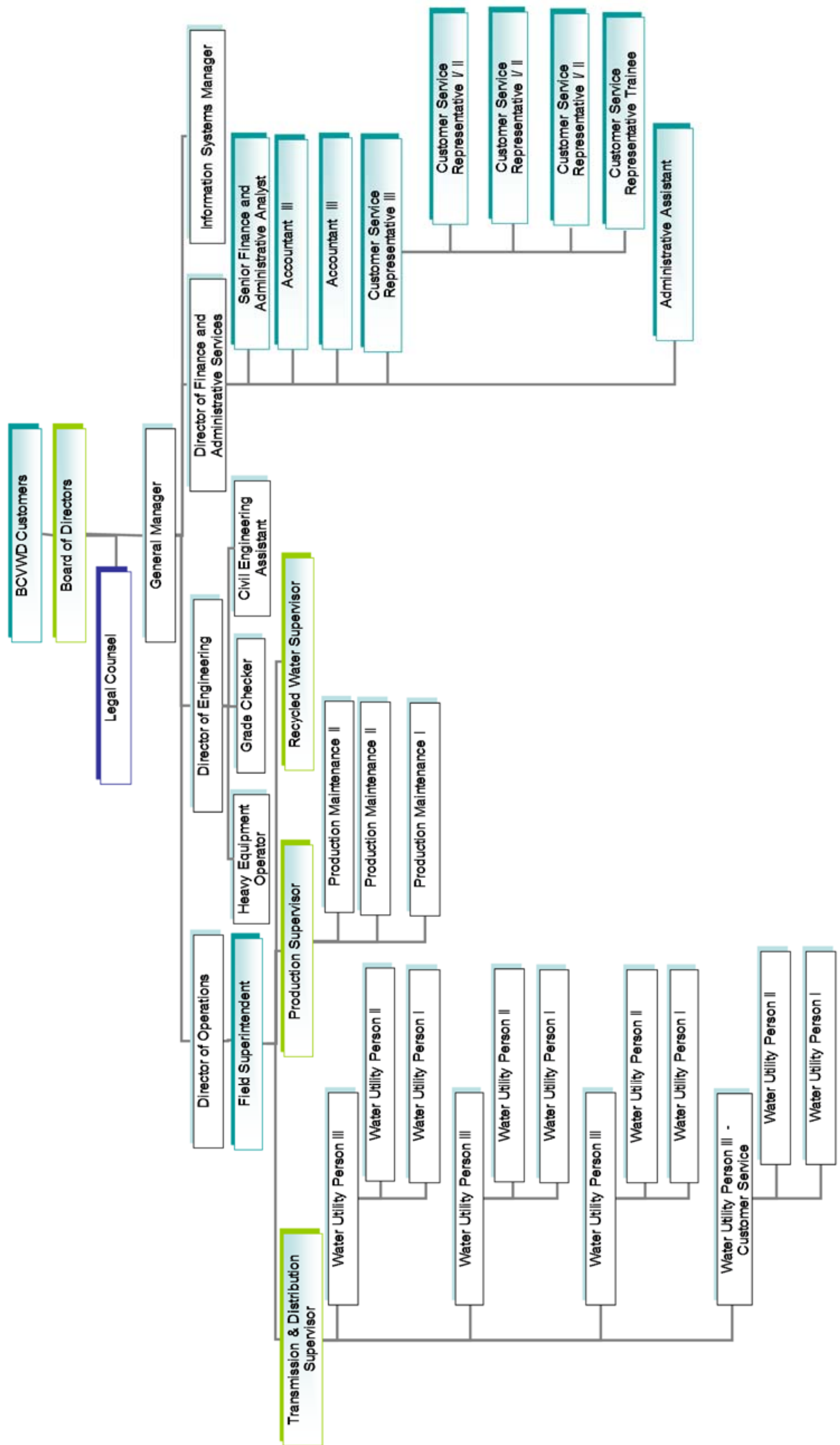
951.845-9581 www.bcvwd.org

Board of Directors as of December 31, 2017

Director	Title	Division	Current Term
John Covington	President	4	12/2014 – 12/2018
Andy Ramirez	Vice-President	1	12/2016 – 12/2020
Claudeen Diaz	Secretary	2	04/2017 – 12/2018
David Hoffman	Treasurer	5	12/2014 – 12/2018
Daniel Slawson	Director	3	12/2014 – 12/2018

Daniel K. Jaggers, P.E.
General Manager

Beaumont-Cherry Valley Water District
Organizational Chart



Financial

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Independent Auditor’s Report

ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

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San Bernardino, CA 92408
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Independent Auditor's 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 (the District), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2017, and the changes in financial position and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the State Controller's Office and State Regulations governing Special Districts.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 13 through 21, the Schedule of Proportionate Share of the Net Pension Liability and Related Ratios as of the Measurement Date on page 52, the Schedule of Plan Contributions on page 53 and the Other Post-Employment Benefits Schedule of Funding Progress on page 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The introductory section and statistical section 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.

Prior Year Comparative Information

The financial statements include partial prior-year comparative financial information for the year ended December 31, 2016, which was audited by another auditor whose report dated August 9, 2017, expressed an unmodified opinion on those statements. Such information does not include all of the information required to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended December 31, 2016, from which such partial information was derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino California
June 8, 2018

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Management's Discussion and Analysis

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As management of the Beaumont-Cherry Valley Water District (the "District" or "BCVWD"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal years ended December 31, 2017 and 2016. 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, 2017, the following financial highlights are noted for the District:

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at year end by $161,399,305 (net position). Of this amount, $27,261,540 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 $11,637,488 from the prior fiscal year. The increase is mainly a result of capital contributions from developer activities of $11,270,398, which are capacity charges to developers to ensure that funds are set aside to provide for the expansion of the domestic and non-potable water system.

Based on the financial information for the year ended December 31, 2016, the following financial highlights are noted for the District:

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at year end by $149,761,817 (net position). Of this amount, $25,294,018 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 $10,951,220 from the prior fiscal year. The increase is mainly a result of capital contributions from developer activities of $9,541,491, which is comprised of $1,004,624 in donated capital assets and $8,536,867 in capacity charges.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

Beaumont-Cherry Valley Water District is a special-purpose government engaged in activities that are supported exclusively by user charges. As such, the District's financial statements are presented in the format prescribed for proprietary funds by the Governmental Accounting Standards Board.

The following financial statements for the year ended December 31, 2017 (2016 for comparative purposes only) consist of a series of interrelated statements designed to provide the reader with relevant, understandable data about the District's financial condition and operating results. They are the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows.

The *Statement of Net Position* presents financial information on all of the District's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Beaumont-Cherry Valley Water District is improving or deteriorating.

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

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

Notes to the Basic Financial Statements. The notes provide additional information that is necessary to understand the data provided in the basic financial statements. The notes to the financial statements are included immediately following the *Basic Financial Statements* and can be found on pages 26-51 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 52-54 of this report.

FINANCIAL ANALYSIS OF THE DISTRICT

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

Condensed Statements of Net Position

	2017	2016	2015
Assets			
Current assets	$ 54,612,083	$ 41,545,467	$ 29,151,714
Non-current assets	659,696	99,265	120,516
Capital assets	112,850,063	114,241,568	115,246,313
Total assets	168,121,842	155,886,300	144,518,543
Deferred outflows of resources	838,114	631,124	824,839
Liabilities			
Current liabilities	4,379,864	3,796,063	3,088,212
Non-current liabilities	2,988,345	2,538,800	2,126,138
Total liabilities	7,368,209	6,334,863	5,214,350
Deferred inflows of resources	192,442	420,744	1,318,435
Net position			
Net investment in capital assets	112,850,063	114,241,568	115,246,313
Restricted	21,287,702	10,226,231	9,225,608
Unrestricted	27,261,540	25,294,018	14,338,676
Total net position	$ 161,399,305	$ 149,761,817	$ 138,810,597

FINANCIAL ANALYSIS OF THE DISTRICT (CONTINUED)

Assets

2017 compared to 2016 Total assets were $168,121,842, reflecting an increase of $12,235,542 primarily due to the following:

- Current assets, comprised of restricted and unrestricted assets, increased by $13,066,616. This change is primarily reflective of net cash from operations of $2,664,155, and capital contributions of $11,270,398 less $1,251,166 for acquisition and construction of capital assets.

2016 compared to 2015 Total assets were $155,886,300, reflecting an increase of $11,367,757. Current assets, comprised of restricted and unrestricted assets, increased by $12,393,753. This change is primarily reflective of net cash from operations of $4,219,758, and capital contributions of $8,536,867 less $527,172 for construction of capital assets.

Liabilities

2017 compared to 2016 Total liabilities were $7,368,209, reflecting an increase of $1,033,346 primarily due to the following:

- Unearned revenues, which are generally payments made in advance of the District providing services such as meter installations, plan checks, and inspections, increased by $596,171.

- The District's net pension liability increased by $347,778, a year-end calculation made in accordance with Governmental Accounting Standards Board (GASB) statement number 68 Accounting and Financial Reporting for Pensions.

2016 compared to 2015 Total liabilities were $6,334,863, reflecting an increase of $1,120,513. This change is primarily comprised of increases of $435,971 in unearned revenues and $356,717 in the District's net pension liability.

FINANCIAL ANALYSIS OF THE DISTRICT (CONTINUED)

Net Position

2017 compared to 2016 Total net position was $161,399,305, reflecting an increase of $11,637,488.

- The largest portion of the District's net position, which is its investment in capital assets of $112,850,063 (69.9%) had a decrease of $1,391,505 from the prior year. Investment in capital assets reflects its investment in land, transmission and distribution systems, reservoirs, tanks, pumps, buildings and structures, and equipment and vehicles, net of depreciation. The District uses its capital assets to provide water service to the residents of Beaumont, Cherry Valley and some portions of Calimesa. As such, these assets are not available for future spending.

- The restricted portion of net position was $21,287,702 (13.2%), an increase of $11,061,471 from the prior year. Restricted net position is subject to external restrictions on its use, such as for future infrastructure construction.

- The remaining unrestricted net position of $27,261,540 (16.9%), an increase of $1,967,522, is non-spendable ($1,456,865) and designated ($25,804,675), according to Board policy, to meet the ongoing needs of the District. See Note 11 on page 41 for more details on the District's net position.

2016 compared to 2015 Total net position increased by $10,951,220 primarily due to $9,541,491 in capital contributions received.

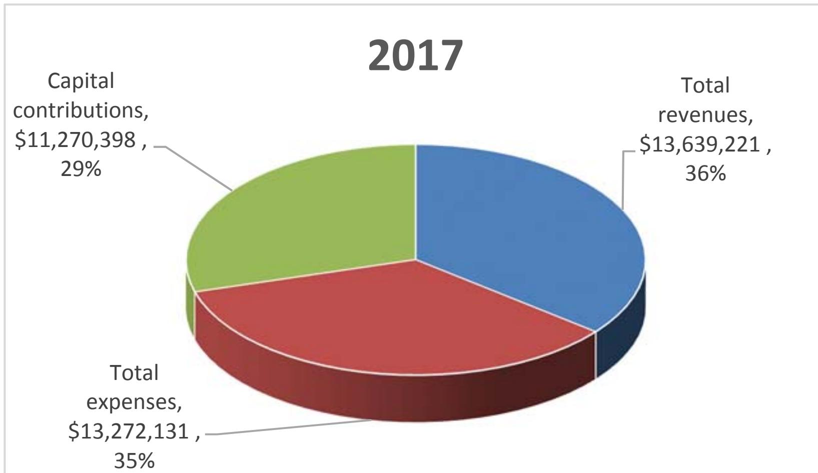
The details of both increases were discussed in the Financial Highlights section on page 13.

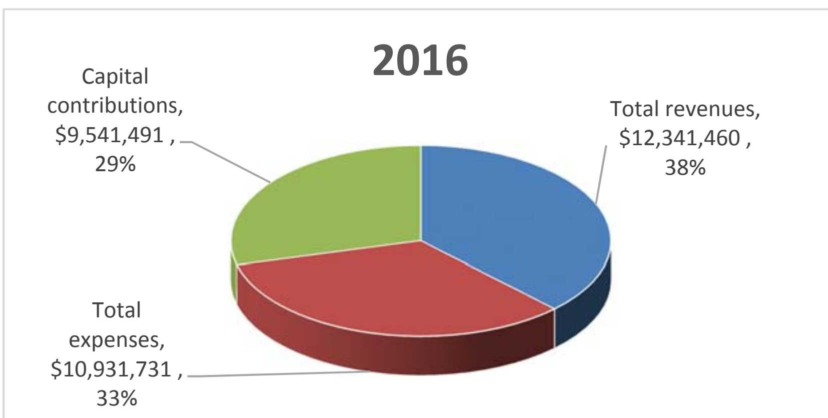
Condensed Statements of Revenues, Expenses and Changes in Net Position

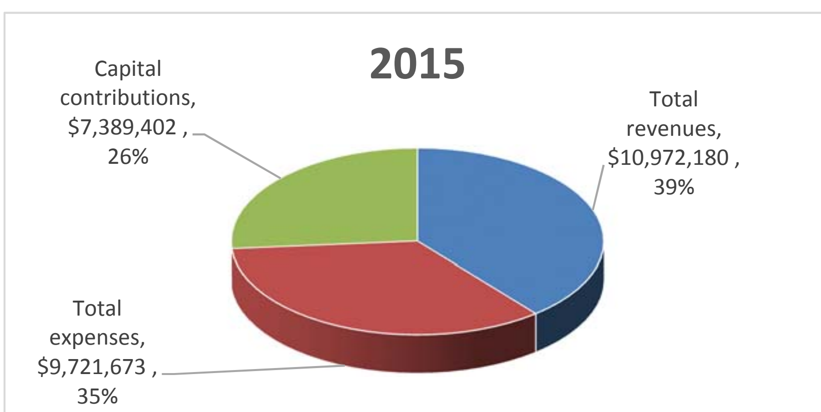
	2017	2016	2015
Operating revenues	$ 13,177,509	$ 12,139,440	$ 10,832,295
Non-operating revenues	461,712	202,020	139,885
Total revenues	13,639,221	12,341,460	10,972,180
Operating expenses	13,235,100	10,923,833	9,721,673
Non-operating expenses	37,031	7,898	-
Total expenses	13,272,131	10,931,731	9,721,673
Income (loss) before contributions	367,090	1,409,729	1,250,507
Capital contributions	11,270,398	9,541,491	7,389,402
Change in net position	$ 11,637,488	$ 10,951,220	$ 8,639,909

FINANCIAL ANALYSIS OF THE DISTRICT (Continued)

REVENUES BY SOURCE







FINANCIAL ANALYSIS OF THE DISTRICT (Continued)

Operating Revenues and Expenses

2017 compared to 2016

Total operating revenues of $13,177,509 increased by $1,038,069 primarily due to the following:

- Metered water sales and the corresponding water importation charges and water pumping pass-through charges totaling $8,990,894 increased by $723,857, mainly due to an 8.8 percent increase in water consumption.
- Development and installation charges of $818,430 increased by $165,179, mainly due to an increase in development-driven activities.
- Water service charges of $3,014,752 increased by $149,019, mainly due to the installation of 625 meters during 2017.

Total operating expenses of $13,235,100 increased by $2,311,267 primarily due to the following:

- Purchases of imported water totaling $4,308,030 increased by $1,353,907 as the District participated in a regional effort to buy imported water from Northern California, available after the heavy winter rainfall, to recharge the local groundwater basin. Higher groundwater levels resulting from the recharge not only helps ensure the health of the basin but makes pumping groundwater more cost effective.
- Salaries and employee benefits expenses of $3,395,058 increased by $420,071 as the District filled several positions that were previously vacant and incurred severance costs.
- Energy costs from pumping totaling $1,598,665 increased by $253,932 as a result of the increase in consumer demand of 8.8 percent.

2016 compared to 2015

Total operating revenues were $12,139,440, reflecting an increase of $1,307,145. Water consumption-related sales, totaling $8,267,037, increased by $856,522 mainly due to a 12 percent increase in water consumption resulting from an easing of water conservation mandates due to drought conditions. Additionally, development and installation charges of $653,251 increased by $304,421, primarily due to an increase in the fee charged for new meters at the end of 2015.

Total operating expenses were $10,923,833, which increased by $1,202,160. This increase was mainly due to purchases of imported water, totaling $2,954,123, which reflected a $2,075,057 increase as the District purchased excess water from Northern California that had become available toward the end of the year. This increase was offset by a decrease in pension expense (credit) of $619,307, a year-end calculation made in accordance with Governmental Accounting Standards Board (GASB) statement number 68 Accounting and Financial Reporting for Pensions.

FINANCIAL ANALYSIS OF THE DISTRICT (CONTINUED)

Capital Assets

	Balance December 31, 2017	Balance December 31, 2016	Balance December 31, 2015
Land	$ 7,721,730	$ 7,721,730	$ 7,721,730
Construction in progress	428,469	296,555	1,941,074
Transmission and distribution system	63,828,190	64,552,041	64,403,958
Structures and improvements	14,138,546	14,531,008	13,490,201
Reservoirs and tanks	16,722,251	17,215,523	17,387,284
Pumping and telemetry equipment	9,300,108	9,412,938	9,629,051
Vehicles and equipment	710,769	511,773	673,015
Capital assets, net of depreciation	$ 112,850,063	$ 114,241,568	$ 115,246,313

The District's investment in capital assets includes land, transmission and distribution systems, reservoirs, tanks, pumps, buildings and structures, equipment and vehicles, and construction in progress.

2017 compared to 2016 The District's investment in capital assets, net of accumulated depreciation, was $112,850,063, a decrease of $1,391,505. The decrease resulted mainly from the following significant capital additions, offset by current year depreciation of $2,591,208:

- New meter installations amounting to $581,071.
- Additions to construction in progress of $465,731
- Vehicle and equipment purchases of $182,622.

2016 compared to 2015 The District's investment in capital assets, net of accumulated depreciation, was $114,241,568 a decrease of $1,004,745. The increase resulted mainly from water system improvements contributed by two development tracts totaling $1,004,624, and new meter installations amounting to $352,341, offset by current year depreciation of $2,528,643.

New meter installations include the cost of employee labor, as well as meter parts. Meters are currently replaced every 10-15 years as part of the District's meter change out program. More information on the District's capital assets activity for the years ending December 31, 2017 and 2016 can be found in Note 5 beginning on page 36 of this report.

Long-term Debt

At December 31, 2017, the District had no long-term debt.

CONDITIONS AFFECTING CURRENT FINANCIAL POSITION

In response to the drought conditions that affected the state of California in recent years, District customers have significantly reduced the amount of water they are using. Some of the changes in water use are temporary and based on customer behavior, while others are a result of more permanent changes, such as landscaping and toilet replacements. The amount of water consumption has increased slightly compared to prior years, but the District has experienced a rapid growth in connections over the past several years. While the impact of these conservation efforts benefits the District's groundwater supply, as well as its reliance on imported water, revenue is significantly impacted by these reductions.

There have been no increases in the District's basic domestic water charges since July 1, 2012.

Requests for Information

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

Basic Financial Statements

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Beaumont-Cherry Valley Water District

Statements of Net Position
December 31, 2017 with Comparative Information as of December 31, 2016

	2017	2016
ASSETS		
Current assets:		
Cash and investments (Note 2)	$ 27,029,833	$ 25,748,942
Restricted cash and investments - funds held for others (Note 2)	3,476,548	2,857,850
Restricted cash and investments - capital commitments (Note 2)	20,668,475	10,226,231
Interest receivable	135,958	41,510
Accounts receivable, net of allowance for uncollectibles (Note 3)	2,448,749	1,840,317
Notes receivable (Note 4)	9,751	10,282
Restricted notes receivable (Note 4)	45,600	-
Inventories	635,908	668,705
Prepaid items	161,261	151,630
Total current assets	54,612,083	41,545,467
Noncurrent assets:		
Notes receivable (Note 4)	86,069	99,265
Restricted notes receivable (Note 4)	573,627	-
Capital assets, net of accumulated depreciation (Note 5)	112,850,063	114,241,568
Total noncurrent assets	113,509,759	114,340,833
Total assets	168,121,842	155,886,300
DEFERRED OUTFLOWS OF RESOURCES		
Pension related (Note 12)	838,114	631,124
LIABILITIES		
Current liabilities:		
Accounts payable and other accrued liabilities (Note 6)	734,558	682,844
Customer account credit balances (Note 7)	163,619	193,857
Customer deposits payable	425,447	372,682
Unearned revenues (Note 8)	2,887,482	2,291,311
Current portion of long-term liabilities:		
Compensated absences (Note 9)	168,758	255,369
Total current liabilities	4,379,864	3,796,063
Noncurrent liabilities:		
Compensated absences (Note 9)	100,771	91,868
Other post-employment benefits obligations (Note 10)	760,952	668,088
Net pension liability (Note 12)	2,126,622	1,778,844
Total noncurrent liabilities	2,988,345	2,538,800
Total liabilities	7,368,209	6,334,863
DEFERRED INFLOWS OF RESOURCES		
Pension related (Note 12)	192,442	420,744
NET POSITION		
Net investment in capital assets (Note 11)	112,850,063	114,241,568
Restricted (Note 11)	21,287,702	10,226,231
Unrestricted (Note 11)	27,261,540	25,294,018
Total net position	$ 161,399,305	$ 149,761,817

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

Beaumont-Cherry Valley Water District

Statements of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2017 with Comparative Information for the year ended December 31, 2016

	2017	2016
OPERATING REVENUES		
Metered water sales	$ 5,060,758	$ 4,655,883
Water service charges	3,014,752	2,865,733
Water importation pass-through charges	2,288,455	2,102,694
Water pumping power pass-through charges	1,641,681	1,508,460
Development and installation charges	818,430	653,251
Other revenue	353,433	353,419
Total operating revenues	13,177,509	12,139,440
OPERATING EXPENSES		
Salaries and employee benefits	3,395,058	2,974,987
Pension expense (credit)	(87,514)	(225,040)
Energy expenses	1,598,665	1,344,733
Water purchases	4,308,030	2,954,123
Administration	284,724	193,382
Operations	292,991	234,245
Maintenance and repairs	515,645	604,118
Depreciation	2,591,208	2,528,643
Insurance	73,674	75,502
Professional fees	250,504	228,162
Other expenses	12,115	10,978
Total operating expenses	13,235,100	10,923,833
Operating income (loss)	(57,591)	1,215,607
NONOPERATING REVENUES (EXPENSES)		
Interest earnings	350,406	180,342
Rental income	21,715	20,577
Other revenue	89,591	1,101
Loss on disposal of capital assets	(37,031)	(7,898)
Total nonoperating revenues (expenses)	424,681	194,122
Income before contributions	367,090	1,409,729
CAPITAL CONTRIBUTIONS		
Donated capital assets	-	1,004,624
Capacity charges	11,270,398	8,536,867
Total capital contributions	11,270,398	9,541,491
Change in net position	11,637,488	10,951,220
Net position, beginning of year	149,761,817	138,810,597
Net position, end of year	$ 161,399,305	$ 149,761,817

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

Beaumont-Cherry Valley Water District

Statements of Cash Flows
For the Year Ended December 31, 2017 with Comparative Information for the year ended December 31, 2016

	2017	2016
Cash flows from operating activities:		
Receipts from customers	$ 13,231,196	$ 12,719,157
Payments to employees for salaries and benefits	(3,385,908)	(3,105,783)
Payments to suppliers and service providers	(7,233,898)	(5,423,422)
Receipt of customer deposits	52,765	29,806
Net cash provided by operating activities	2,664,155	4,219,758
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(1,251,166)	(527,172)
Capital contributions	10,651,171	8,536,867
Rental income	21,715	20,577
Net cash provided by capital and related financing activities	9,421,720	8,030,272
Cash flows from investing activities:		
Interest received	255,958	160,973
Net increase in cash and cash equivalents	12,341,833	12,411,003
Cash and investments, beginning of year	38,833,023	26,422,020
Cash and investments, end of year	$ 51,174,856	$ 38,833,023
Reconciliation to the Statement of Net Position:		
Cash and investments	$ 27,029,833	$ 25,748,942
Restricted cash and investments - funds held for others	3,476,548	2,857,850
Restricted cash and investments - capital commitments	20,668,475	10,226,231
Total cash and investments	$ 51,174,856	$ 38,833,023

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

Beaumont-Cherry Valley Water District

Statements of Cash Flows, Continued
For the Year Ended December 31, 2017 with Comparative Information for the year ended December 31, 2016

	2017	2016
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	$ (57,591)	$ 1,215,607
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation expense	2,591,208	2,528,643
Construction in progress abandoned	14,432	-
Other income	89,591	1,101
(Increase) decrease in accounts receivable	(608,432)	15,189
(Increase) decrease in notes receivable	13,727	111,804
(Increase) decrease in inventories	32,797	(59,905)
(Increase) decrease in prepaid items	(9,631)	(9,218)
(Increase) decrease in deferred outflows of resources	(206,990)	193,715
Increase (decrease) in accounts payable and other accrued liabilities	51,714	178,873
Increase (decrease) in customer account credit balances	(30,238)	12,446
Increase (decrease) in customer deposits payable	52,765	29,806
Increase (decrease) in unearned revenues	596,171	435,971
Increase (decrease) in compensated absences	(77,708)	17,361
Increase (decrease) in other post-employment benefit obligations	92,864	89,339
Increase (decrease) in net pension liability	347,778	356,717
Increase (decrease) in deferred inflows of resources	(228,302)	(897,691)
Total adjustments	2,721,746	3,004,151
Net cash provided by operating activities	$ 2,664,155	$ 4,219,758
Schedule of non-cash investing and capital and related financing activities		
Capital contributions - donated capital assets	$ -	$ 1,004,624

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity and Basis of Presentation

The Beaumont-Cherry Valley Water District (District) is a special-purpose government district supplying and distributing water to over 46,000 people in both the City of Beaumont and the community of Cherry Valley. The District is governed by a five-member Board of Directors who serve overlapping four-year terms. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to enterprise funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District solely operates as a special-purpose government which means it is only engaged in business-type activities; accordingly activities are reported in the District's proprietary fund.

B. Measurement Focus and Basis of Accounting

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

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

C. Cash and Cash Equivalents

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Restricted Cash and Investments

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

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

E. Inventories and Prepaid Items

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

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

F. Capital Assets

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

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	3 to 20 years
Automobile Equipment:	
Vehicles	5 to 15 years
Heavy Equipment	7 to 15 years
Light Equipment	5 to 7 years
General Equipment	5 to 15 years

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Unearned Revenues

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

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

H. Compensated Absences

Vacation

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

Sick Leave

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Fair Value Measurement

The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

M. 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.

N. Pensions

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

O. New Accounting Pronouncements

Effective in Future Fiscal Years

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Prior Year Data

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's prior year financial statements from which this selected financial information was derived.

Q. Reclassifications

Certain reclassifications have been made to prior year's balance to conform to classifications used in 2017.

NOTE 2 – CASH AND INVESTMENTS

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

Description	2017	2016
Cash and investments	$ 27,029,833	$ 25,748,942
Restricted cash and investments - funds held for others	3,476,548	2,857,850
Restricted cash and investments - capital commitments	20,668,475	10,226,231
Total cash and investments	$ 51,174,856	$ 38,833,023

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

Description	2017	2016
Cash on hand (petty cash and change drawers)	$ 1,400	$ 1,400
Demand deposits (cash in bank)	1,320,227	14,904,402
Investments	49,853,229	23,927,221
Total cash and investments	$ 51,174,856	$ 38,833,023

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.

NOTE 2 – CASH AND INVESTMENTS (Continued)

Authorized Investment Type	Maturity Limit	Maximum Specified % of Portfolio
Local Agency Bonds	5 years	None
US Treasury Obligations	5 years	None
State Obligations - CA and others	5 years	None
CA Local Agency Obligations	5 years	None
US Agency Obligations	5 years	None
Bankers Acceptances	180 days	40%
Commercial Paper - Pooled Funds	270 days	40% of the District's money
Commercial Paper - Non-Pooled Funds	270 days	25% of the District's money
Negotiable Certificates of Deposit	5 years	30%
Non-negotiable Certificates of Deposit	5 years	None
Placement Service Deposits	5 years	30%
Placement Service Certificates of Deposit	5 years	30%
Repurchase Agreements	1 year	None
Reverse Repurchase Agreements and Securities Lending Agreements	92 days	20% of the base value of the portfolio
Medium Term Notes	5 years	30%
Mutual Funds and Money Market Mutual Funds	N/A	20%
Collateralized Bank Deposits	5 years	None
Mortgage Pass-Through Securities	5 years	20%
County Pooled Investment Funds	N/A	None
Joint Powers Authority Pool	N/A	None
Local Agency Investment Fund (LAIF)	N/A	None
Voluntary Investment Program Fund	N/A	None
Supranational Obligations	5 years	30%

Disclosures Relating to Interest Rate Risk

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

The District’s investment policy follows the California Government Code as it relates to limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

NOTE 2 – CASH AND INVESTMENTS (Continued)

The District's investments as of December 31, 2017 were as follows:

Investment Type	Fair Value	Maturity 12 Months or Less
CalTRUST	$ 25,718,950	$ 25,718,950
LAIF	24,134,279	24,134,279
Total investments	$ 49,853,229	$ 49,853,229

The District's investments as of December 31, 2016 were as follows:

Investment Type	Fair Value	Maturity 12 Months or Less
LAIF	$ 23,927,221	$ 23,927,221

Disclosures Relating to Credit Risk

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

Concentration of Credit Risk

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

Custodial Credit Risk

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

NOTE 2 – CASH AND INVESTMENTS (Continued)

Custodial Credit Risk (Continued)

California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits. The District may waive collateral requirements for deposits which are fully insured by federal depository insurance.

As of December 31, 2017 and 2016, the District had deposits with financial Institutions of $1,065,565 and $14,654,377, respectively, in excess of federal depository insurance limits and subject to custodial credit risk as described above.

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. LAIF is a governmental investment pool managed and directed by the California State Treasurer and is not registered with the Securities and Exchange Commission. An oversight committee comprised of California State officials and various participants provide oversight to the management of the fund. The daily operations and responsibilities of LAIF fall under the auspices of the State Treasurer's office. The fair value of the District's investment in this pool is reported in the accompanying financial statements, at amounts based upon the District's pro-rata share of the fair value provided by LAIF, for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Accordingly, under the fair value hierarchy, the measurement of the District's investment is based on uncategorized inputs not defined as Level 1, Level 2, or Level 3 inputs. Further information about LAIF is available on the California State Controller's website: www.treasurer.ca.gov/pmia-laif/.

CalTRUST

The District is a voluntary participant in CalTRUST, a Joint Exercise Powers Agreement of the Investment Trust of California. The principal executive office is located at 1100 K Street, Suite 1010, Sacramento, California 95814. CalTRUST is subject to the California Joint Exercise of Powers Act. Each participant in CalTRUST must be a California Public Agency. The purpose of CalTRUST is to consolidate investment activities of its participants and thereby reduce duplication, achieve economies of scale and carry out coherent and consolidated investment strategies through the issuance of shares of beneficial interest in investments purchased by CalTRUST.

The two funds the District has invested in are the short-term and medium-term fund. The short-term fund has a targeted portfolio duration of 0 to 2 years and medium-term fund has a targeted portfolio duration of 1 ½ to 3 ½ years. Investment strategies are to attain as high as a level of current income as is consistent with the preservation of principal.

NOTE 2 – CASH AND INVESTMENTS (Continued)

CalTRUST (Continued)

The fair value of the District's investment in CalTRUST is based upon the net asset value (NAV) of shares held by the District at year-end. The net asset value per share is computed by dividing the total value of the securities and other assets, less any liabilities, by the total outstanding shares. Liabilities include all accrued expenses and fees, including expenses of the trust. The market value of portfolio securities is determined on the basis of the market value of such securities, or, if market quotations are not readily available, at fair value under the guidelines established by the trustees. Investments with short remaining maturities may be valued at amortized cost which the CalTRUST Board has determined to equal fair value.

NOTE 3 – ACCOUNTS RECEIVABLE

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

The detail of the receivables, including applicable allowances for uncollectible amounts as of December 31, 2017 is as follows:

	Water Sales and Services	Other	Developer	Total
Receivables	$ 2,257,606	$ 26,498	$ 432,369	$ 2,716,473
Less: allowance for uncollectible accounts	-	-	(267,724)	(267,724)
Net receivables	$ 2,257,606	$ 26,498	$ 164,645	$ 2,448,749

NOTE 3 – ACCOUNTS RECEIVABLE (Continued)

The detail of the receivables, including applicable allowances for uncollectible amounts, as of December 31, 2016 is as follows:

	Water Sales and Services	Other	Developer	Total
Receivables	$ 1,690,759	$ 30,053	$ 388,499	$ 2,109,311
Less: allowance for uncollectible accounts	-	(1,270)	(267,724)	(268,994)
Net receivables	$ 1,690,759	$ 28,783	$ 120,775	$ 1,840,317

NOTE 4 – NOTES RECEIVABLE

In 2003, the Bonita Vista Mutual Water Company (Bonita Vista) started the annexation process to join the District. The annexation agreement called for the District to install a new water delivery system. The property owners/shareholders in Bonita Vista were responsible for 1/100th 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 percent above the LAIF interest rate. The notes are due to mature as of February 15, 2028.

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

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

The detail of the notes, including applicable allowances for uncollectible amounts as of December 31, 2017 is as follows:

	Notes Receivable	Restricted Notes Receivable	
	Bonita Vista	Fairway Canyon	Total
Current	$ 9,751	$ 45,600	$ 55,351
Non-current	86,069	573,627	659,696
Total notes receivable	$ 95,820	$ 619,227	$ 715,047

NOTE 4 – NOTES RECEIVABLE (Continued)

The detail of the notes, including applicable allowances for uncollectible amounts as of December 31, 2016 is as follows:

	Notes Receivable	Restricted Notes Receivable	
	Bonita Vista	Fairway Canyon	Total
Notes receivable			
Current	$ 10,282	$ -	$ 10,282
Non-current	99,265	-	99,265
Total notes receivable	$ 109,547	$ -	$ 109,547

NOTE 5 – CAPITAL ASSETS

The following table summarizes capital asset activity during the year ended December 31, 2017:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Capital assets, not being depreciated					
Land	$ 7,721,730	$ -	$ -	$ -	$ 7,721,730
Construction in progress	296,555	465,731	(14,432)	(319,385)	428,469
Total capital assets, not being depreciated	8,018,285	465,731	(14,432)	(319,385)	8,150,199
Capital assets, being depreciated:					
Transmission and distribution system	78,246,903	581,071	-	-	78,827,974
Structures and improvements	17,919,428	-	-	-	17,919,428
Reservoirs and tanks	22,546,667	-	-	-	22,546,667
Pumping and telemetry equipment	12,654,512	21,742	-	73,610	12,749,864
Vehicles and equipment	2,067,116	182,622	(298,429)	245,775	2,197,084
Total capital assets, being depreciated	133,434,626	785,435	(298,429)	319,385	134,241,017
Less accumulated depreciation for:					
Transmission and distribution system	(13,694,862)	(1,304,922)	-	-	(14,999,784)
Structures and improvements	(3,388,420)	(392,462)	-	-	(3,780,882)
Reservoirs and tanks	(5,331,144)	(493,272)	-	-	(5,824,416)
Pumping and telemetry equipment	(3,241,574)	(208,182)	-	-	(3,449,756)
Vehicles and equipment	(1,555,343)	(192,370)	261,398	-	(1,486,315)
Total accumulated depreciation	(27,211,343)	(2,591,208)	261,398	-	(29,541,153)
Total capital assets, being depreciated, net	106,223,283	(1,805,773)	(37,031)	319,385	104,699,864
Capital assets, net of depreciation	$ 114,241,568	$ (1,340,042)	$ (51,463)	$ -	$ 112,850,063

NOTE 5 – CAPITAL ASSETS (Continued)

The following table summarizes capital asset activity during the year ended December 31, 2016:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Capital assets, not being depreciated					
Land	$ 7,721,730	$ -	$ -	$ -	$ 7,721,730
Construction in progress	1,941,074	174,113	(6,169)	(1,812,463)	296,555
Total capital assets, not being depreciated	9,662,804	174,113	(6,169)	(1,812,463)	8,018,285
Capital assets, being depreciated:					
Transmission and distribution system	78,759,223	1,356,965	(1,976,667)	107,382	78,246,903
Structures and improvements	16,486,055	-	-	1,433,373	17,919,428
Reservoirs and tanks	22,274,959	-	-	271,708	22,546,667
Pumping and telemetry equipment	12,654,512	-	-	-	12,654,512
Vehicles and equipment	2,088,085	6,887	(27,856)	-	2,067,116
Total capital assets, being depreciated	132,262,834	1,363,852	(2,004,523)	1,812,463	133,434,626
Less accumulated depreciation for:					
Transmission and distribution system	(14,355,265)	(1,316,264)	1,976,667	-	(13,694,862)
Structures and improvements	(2,995,854)	(392,566)	-	-	(3,388,420)
Reservoirs and tanks	(4,887,675)	(443,469)	-	-	(5,331,144)
Pumping and telemetry equipment	(3,025,461)	(216,113)	-	-	(3,241,574)
Vehicles and equipment	(1,415,070)	(160,231)	19,958	-	(1,555,343)
Total accumulated depreciation	(26,679,325)	(2,528,643)	1,996,625	-	(27,211,343)
Total capital assets, being depreciated, net	105,583,509	(1,164,791)	(7,898)	1,812,463	106,223,283
Capital assets, net of depreciation	$ 115,246,313	$ (990,678)	$ (14,067)	$ -	$ 114,241,568

NOTE 6 – ACCOUNTS PAYABLE AND OTHER ACCRUED LIABILITIES

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

Description	2017	2016
Accounts payable	$ 659,211	$ 594,359
Salaries and employee benefits	42,446	47,357
Other	32,901	41,128
Total accounts payable and accrued liabilities	$ 734,558	$ 682,844

NOTE 7 – CUSTOMER ACCOUNT CREDIT BALANCES

Credit balances on customer utility accounts are to be used against future billings or refunded upon request. As of December 31, 2017 and 2016, the balance was $163,619 and $193,857, respectively.

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, 2017 and 2016, the balance was $2,887,482 and $2,291,311, respectively.

NOTE 9 – COMPENSATED ABSENCES

Compensated absences comprise unpaid vacation, sick, holiday and administrative leave, which is accrued as earned. The liability for compensated absences is determined annually.

The activity for the year ended December 31, 2017 was as follows:

Beginning Balance	Additions	Deletions	Ending Balance	Current Portion	Non-current Portion
$ 347,237	$ 244,835	$ (322,543)	$ 269,529	$ 168,758	$ 100,771

The activity for the year ended December 31, 2016 was as follows:

Beginning Balance	Additions	Deletions	Ending Balance	Current Portion	Non-current Portion
$ 329,876	$ 267,226	$ (249,865)	$ 347,237	$ 255,369	$ 91,868

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS OBLIGATION

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 $450.30 per month and is scheduled to increase by 5 percent 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.

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

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 ARC cost.

Annual Cost

The District paid $10,239 and $9,669 for retiree healthcare OPEB premiums, for the years ended December 31, 2017 and 2016, respectively.

	December 31, 2017	December 31, 2016
Annual required contribution	$ 114,625	$ 108,533
Interest on net OPEB obligation	25,058	21,567
Adjustment to annual required contribution	(36,580)	(31,092)
Annual OPEB cost	103,103	99,008
Less benefits paid	(10,239)	(9,669)
Change in net OPEB obligation	92,864	89,339
Net OPEB obligation - 12/31/2016	668,088	578,749
Net OPEB obligation - 12/31/2017	$ 760,952	$ 668,088

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

Fiscal Year Ending	Annual OPEB Cost	Annual Contributions and Benefits	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2015	$ 105,442	$ 9,101	8.63%	$ 578,749
12/31/2016	99,008	9,669	9.77%	668,088
12/31/2017	103,103	10,239	9.93%	760,952

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

Funded Status and Funding Progress of the Plan

The most recent roll-forward valuation dated December 31, 2017 includes an Actuarial Accrued Liability and Unfunded Actuarial Accrued Liability of $1,148,140. The covered payroll (annual payroll of active employees covered by the plan) for the year was estimated at $1,715,473. The ratio of the unfunded actuarial accrued liability to annual covered payroll is 66.93 percent. The plan does not have any assets since the plan is funded on pay-as-you-go basis.

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).

The District's actuarial review and analysis of the other post-employment benefits (OPEB) expense, liability and funding status will be actuarially reviewed and rolled forward annually. A complete actuarial study will be performed every two to 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:

Roll-forward valuation date:	December 31, 2017
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:	
1/1/18	5%
1/1/19	5%
1/1/20 & later	0%

The required schedule of funding progress presented as required supplementary information 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

	December 31, 2017	December 31, 2016
Net Position:		
Net investment in capital assets	$ 112,850,063	$ 114,241,568
Restricted	21,287,702	10,226,231
Unrestricted	27,261,540	25,294,018
Total net position	$ 161,399,305	$ 149,761,817

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:

	December 31, 2017	December 31, 2016
Unrestricted Net Position:		
Nonspendable assets:		
Inventories	$ 635,908	$ 668,705
Prepaid items	161,261	151,630
Non-current portion of notes receivable	86,069	99,265
Total nonspendable items	883,238	919,600
Board of Directors' Designations:		
Capital replacement reserve	21,912,747	20,769,815
Operating reserve	2,790,972	2,252,877
Emergency reserve	1,674,583	1,351,726
Total designations	26,378,302	24,374,418
Total unrestricted net position	$ 27,261,540	$ 25,294,018

NOTE 12 – DEFINED BENEFIT PENSION PLAN

A. General Information about the Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS.) The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The District sponsors two miscellaneous rate plans. Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS' website, at www.calpers.ca.gov.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan operates under the provisions of the California Public Employees' Retirement Law (PERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures and policies adopted by the CalPERS Board of Administration. The Plan's authority to establish and amend the benefit terms are set by the PERL and PEPRA, and may be amended by the California state legislature and in some cases require approval by the CalPERS Board.

The Plan's provisions and benefits in effect at December 31, 2017 are summarized as follows:

Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.7% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 60	52 - 62
Monthly benefits, as a % of eligible compensation	2.0% to 3.0%	1.0% to 2.0%
Required employee contribution rates	8.0%	7.0%
Required employer contribution rates	13.673%	7.191%

NOTE 12 – DEFINED BENEFIT PENSION PLAN (Continued)

A. General Information about the Pension Plan (Continued)

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions. Employer Contributions to the Plan for the fiscal year ended December 31, 2017 were $241,633. The actual employer payments of $310,075 made to CalPERS by the District during the measurement period ended June 30, 2017 differed from the District's proportionate share of the employer's contributions of $282,656 by $27,419, which is being amortized over the expected average remaining service lifetime in the Public Agency Cost-Sharing Multiple Employer Plan.

B. Net Pension Liability

The District's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2017, using an annual actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

NOTE 12 – DEFINED BENEFIT PENSION PLAN (Continued)

B. Net Pension Liability (Continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

Valuation Date	June 30, 2016	June 30, 2015
Measurement Date	June 30, 2017	June 30, 2016
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Asset Valuation Method	Market Value of Assets	Market Value of Assets
Actuarial Assumptions:		
Discount Rate	7.15%	7.65%
Inflation	2.75%	2.75%
Salary Increases (1)	3.2% - 12.2%	3.2% - 12.2%
Investment Rate of Return (2)	7.65%	7.65%
Mortality Rate Table (3)	Derived using CalPERS' membership data for all Funds	Derived using CalPERS' membership data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

(1) Annual increases vary by category, entry age and duration of service
(2) Net of pension plan investment and administrative expenses; includes inflation
(3) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

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

Change of Assumptions

In 2017, the financial reporting discount rate for the PERF C was lowered from 7.65 percent to 7.15 percent.

NOTE 12 – DEFINED BENEFIT PENSION PLAN (Continued)

B. Net Pension Liability (Continued)

Discount Rate (Continued)

The discount rate used to measure the total pension liability was 7.15 percent and reflects the long-term expected rate of return for the Plan net of investment expenses and without reduction for administrative expenses. To determine whether the municipal bond rate should be used in the calculation of the discount rate for public agency plans (including PERF C), the amortization and smoothing periods adopted by the Board in 2013 were used. For the Plan, the crossover test was performed for a miscellaneous agent plan and a safety agent plan selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investments. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for PERF C. The crossover test results can be found on CalPERS' website, at www.calpers.ca.gov.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The following table reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the CalPERS Board effective on July 1, 2014.

NOTE 12 – DEFINED BENEFIT PENSION PLAN (Continued)

B. Net Pension Liability (Continued)

Discount Rate (Continued)

Asset Class	New Strategic Allocation	Real Return Years 1 - 10[1]	Real Return Years 11+[2]
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	(0.40%)	(0.90%)
Total	100%		

[1] An expected inflation of 2.5% used for this period

[2] An expected inflation of 3.0% used for this period

Pension Plan Fiduciary Net Position

Information about the pension plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position are presented in CalPERS' audited financial statements, which are publicly available reports that can be obtained at CalPERS' website, at www.calpers.ca.gov. The plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis used by the pension plan, which is the economic resources measurement focus and the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

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

C. Proportionate Share of Net Pension Liability

The following table shows the District's proportionate share of the net pension liability over the measurement period.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2016 (Valuation Date)	$ 8,418,133	$ 6,639,289	$ 1,778,844
Balance at: 6/30/2017 (Measurement Date)	$ 9,597,115	$ 7,470,493	$ 2,126,622
Net Changes during 2016-17	$ 1,178,982	$ 831,204	$ 347,778

NOTE 12 – DEFINED BENEFIT PENSION PLAN (Continued)

C. Proportionate Share of Net Pension Liability (Continued)

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The District's proportion of the net pension liability was determined by CalPERS using the output from the Actuarial Valuation System and the fiduciary net position, as provided in the CalPERS Public Agency Cost-Sharing Allocation Methodology Report, which is a publicly available report that can be obtained at CalPERS' website, at www.calpers.ca.gov. The changes in the District's proportionate share of the net pension liability were as follows:

December 31, 2017	
Proportionate Share - December 31, 2016 (measurement date June 30, 2016)	0.020557%
Proportionate Share - December 31, 2017 (measurement date June 30, 2017)	0.021444%
Change - Increase (Decrease)	0.000887%

December 31, 2016	
Proportionate Share - December 31, 2015 (measurement date June 30, 2015)	0.020719%
Proportionate Share - December 31, 2016 (measurement date June 30, 2016)	0.020557%
Change - Increase (Decrease)	-0.000162%

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

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

December 31, 2017

	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Plan's Net Pension Liability	$ 3,446,676	$ 2,126,622	$ 1,033,330

December 31, 2016

	Discount Rate - 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate + 1% (8.65%)
Plan's Net Pension Liability	$ 2,912,187	$ 1,778,844	$ 842,192

NOTE 12 – DEFINED BENEFIT PENSION PLAN (Continued)

C. Proportionate Share of Net Pension Liability (Continued)

Subsequent Events

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

Recognition of Gains and Losses

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

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

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

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

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the Public Agency Cost-Sharing Multiple-Employer Plan (PERF C).

The EARSL for the Plan for the 2016-17 measurement period is 3.8 years, which was obtained by dividing the total service years of 490,088 (the sum of remaining service lifetimes of the active employees) by 130,595 (the total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

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

As of the start of the measurement period (July 1, 2016), the District's net pension liability was $1,778,844. For the measurement period ending June 30, 2017 (the measurement date), the District incurred a pension expense/(income) of $(87,514).

NOTE 12 – DEFINED BENEFIT PENSION PLAN (Continued)

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

As of December 31, 2017 and 2016, the District has deferred outflows and deferred inflows of resources related to pensions as follows:

December 31, 2017

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 3,228	$ (46,241)
Changes of Assumptions	400,467	(30,536)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	90,568	-
Change in Employer's Proportion	153,148	(115,665)
Difference in Actual vs Projected Contributions	72,728	-
Pension Contributions Subsequent to Measurement Date	117,975	-
Total	**$ 838,114**	**$ (192,442)**

December 31, 2016

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 7,844	$ -
Changes of Assumptions	-	(96,271)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	501,060	-
Difference in Actual vs Projected Contributions	-	(324,473)
Pension Contributions Subsequent to Measurement Date	122,220	-
Total	**$ 631,124**	**$ (420,744)**

NOTE 12 – DEFINED BENEFIT PENSION PLAN (Continued)

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

These amounts above are net of outflows and inflows recognized in the 2016-17 measurement period expense. Contributions subsequent to the measurement date of $117,975 reported with deferred outflows of resources will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Fiscal Year Ended December 31:	Deferred Outflows/(Inflows) of Resources
2018	$ 125,175
2019	266,411
2020	189,883
2021	(53,772)
2022	-

E. Payable to the Pension Plan

At December 31, 2017, the District reported a payable of $0 for the outstanding amount of contributions to the pension plan required for the year ended December 31, 2017.

NOTE 13 – COMMITMENTS

In 2004, the Beaumont Basin Watermaster (Watermaster) was created to manage the groundwater excavations, replenishment thereof, and storage of supplemental water within the Beaumont Basin. The Watermaster consists of representatives from the Beaumont-Cherry Valley Water District, the City of Banning, the City of Beaumont, the South Mesa Water Company, and the Yucaipa Valley Water District. The District is a member agency of the Watermaster and contributes a varied annual amount to the Watermaster to fund its operations. For the years ended December 31, 2017 and 2016, the District contributed $42,726 and $28,144, respectively.

NOTE 14 – CONTINGENCIES

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

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, 2017, 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, computer fraud, disappearance and destruction coverages, subject to a $1,000 deductible per occurrence.
- Property loss is paid at the replacement cost for property on file, if replaced within two years after the loss, otherwise paid on an actual cash value basis, to a combined total of $100 million per occurrence, subject to a $1,000 deductible per occurrence. Mobile equipment and vehicles have a $1,000 deductible and $500 deductible per occurrence, respectively.
- Boiler and machinery coverage for the replacement cost up to $100 million per occurrence, subject to various deductibles depending on the type of equipment.
- Workers' compensation insurance up to California statutory limits for all work related injuries/illnesses covered by California law.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there was no reduction in the District's insurance coverage during the year ended December 31, 2017. 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.

Required Supplementary Information

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Beaumont-Cherry Valley Water District

Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and Related Ratios as of the Measurement Date
Last 10 Years*

	Measurement Date		
	6/30/2015	**6/30/2016**	**6/30/2017**
Employer's Proportion of the Collective Net Pension Liability[1]	0.020719%	0.020557%	0.021444%
Employer's Proportionate Share of the Collective Net Pension Liability	$ 1,422,127	$ 1,778,844	$ 2,126,622
Employer's Covered Payroll	$ 1,716,891	$ 1,894,097	$ 1,969,047
Employer's Proportionate Share of the Net Pension Liability as a Percentage of the Employer's Covered Payroll	82.83%	93.92%	108.00%
Pension Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	82.06%	75.87%	75.39%

[1] Proportion of the collective net pension liability represents the plan's proportion of PERF C, which includes both the Miscellaneous and Safety Risk pools excluding the 1959 Survivors Risk Pool.

* Measurement date 6/30/2014 (fiscal year 2015) was the 1st year of implementation. Additional years will be presented as they become available.

Beaumont-Cherry Valley Water District

Required Supplementary Information
Schedule of Plan Contributions
Last 10 Years*

	Fiscal Year		
	12/31/2015	12/31/2016	12/31/2017
Contractually Determined Contributions	$ 275,729	$ 237,259	$ 241,633
Contributions in Relation to the Contractually Determined Contributions	(275,729)	(237,259)	(241,633)
Contribution Deficiency (Excess)	$ -	$ -	$ -
Employer's Covered Payroll	$ 1,914,001	$ 1,985,446	$ 2,019,541
Contributions as a Percentage of Covered Payroll	14.41%	11.95%	11.96%

* Measurement date 6/30/2014 (fiscal year 2015) was the 1st year of implementation. Additional years will be presented as they become available.

Notes to Schedule:

Change in Benefit Terms: None

Change in Assumptions: For measurement date 6/30/2017, the discount rate was changed from 7.65 percent (net of administrative expenses) to 7.15 percent. For measurement date 6/30/2015, the discount rate was changed from 7.5 percent (net of administrative expenses) to 7.65 percent.

Beaumont-Cherry Valley Water District

Required Supplementary Information
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%	1,892,911	312.12%
12/31/2014	-	843,352	843,352	0%	1,835,790	45.94%
12/31/2016	-	983,638	983,638	0%	1,806,897	54.44%

*Using the Alternative Measurement Method

Statistical Section

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Beaumont-Cherry Valley Water District

Net Position by Component
Last Ten Years

	2008	2009	2010	2011	2012
Net investment in capital assets	$ 102,938,880	$ 103,938,452	$ 99,800,836	$ 99,194,309	$ 98,791,875
Restricted for capital commitments	-	-	-	-	-
Unrestricted	4,651,477	2,885,726	7,090,191	5,283,208	5,827,344
Total net position	$ 107,590,357	$ 106,824,178	$ 106,891,027	$ 104,477,517	$ 104,619,219

	2013	2014	2015	2016	2017
Net investment in capital assets	$ 117,924,668	$ 116,054,562	$ 115,246,313	$ 114,241,568	$ 112,850,063
Restricted for capital commitments	-	2,138,747	9,225,608	10,226,231	21,287,702
Unrestricted	5,499,646	13,498,835	14,338,676	25,294,018	27,261,540
Total net position	$ 123,424,314	$ 131,692,144	$ 138,810,597	$ 149,761,817	$ 161,399,305

Source: *Beaumont-Cherry Valley Water District*

Beaumont-Cherry Valley Water District

Changes in Net Position
Last Ten Years

	2008	2009	2010	2011	2012
OPERATING REVENUES					
Metered water sales	$ 4,478,760	$ 4,651,105	$ 4,170,001	$ 4,766,022	$ 5,139,923
Water service charges	1,883,007	1,796,816	1,810,098	2,188,438	2,339,128
Water importation pass-through charges	1,360,785	768,624	1,025,996	1,326,091	2,318,837
Water pumping power pass-through charges	1,062,011	1,263,040	1,349,287	1,617,081	1,663,191
Development and installation charges	814,546	282,049	228,986	127,141	146,889
Other revenue	271,942	262,823	381,094	288,708	364,628
Total operating revenues	9,871,051	9,024,457	8,965,462	10,313,481	11,972,596
OPERATING EXPENSES [(1)]					
Salaries and employee benefits	3,077,279	2,495,567	2,404,984	3,094,522	4,040,757
Pension expense (credit)	-	-	-	-	-
Energy expenses	-	-	-	-	1,231,156
Water purchases	771,112	1,361,308	1,815,459	3,125,537	2,642,003
Administration	332,896	303,135	187,758	196,422	552,707
Operations	3,112,538	3,379,820	3,051,149	2,877,985	281,110
Maintenance and repairs	-	-	-	-	577,422
Depreciation	1,763,321	2,223,219	1,998,033	2,002,794	2,072,402
Insurance	-	-	-	-	95,208
Professional fees	-	-	-	-	211,580
Other expenses	163,190	174,322	193,713	199,934	11,749
Total operating expenses	9,220,336	9,937,371	9,651,096	11,497,194	11,716,094
Operating Income (loss)	650,715	(912,914)	(685,634)	(1,183,713)	256,502
NONOPERATING REVENUES (EXPENSES)					
Interest earnings	82,261	54,576	89,198	127,905	110,426
Rental income	1,200	10,027	22,031	20,507	22,969
Other revenue	34,871	38,243	193,834	101,383	43,092
Gain/loss on disposal of capital assets	-	-	4,500	-	-
Interest expense	-	-	(38,278)	(137,271)	(122,975)
Amortization of deferred charges	-	-	(13,742)	(18,322)	-
Other non-operating expenses	-	-	(104,659)	-	-
Total nonoperating revenues (expenses)	118,332	102,846	152,884	94,202	53,512
Income (loss) before contributions	769,047	(810,068)	(532,750)	(1,089,511)	310,014
CAPITAL CONTRIBUTIONS					
Donated capital assets	-	-	-	-	-
Capacity charges	1,547,784	478,614	1,853,106	579,869	66,382
Total capital contributions	1,547,784	478,614	1,853,106	579,869	66,382
SPECIAL ITEM					
Change in assumptions - OPEB	-	-	-	-	-
Change in net position	2,316,831	(331,454)	1,320,356	(509,642)	376,396
Net position, beginning of year	105,273,526	107,590,357	106,824,178	106,891,027	104,477,517
Prior period adjustment	-	(434,725)	(1,253,507)	(1,903,868)	(234,694)
Net position, end of year	$ 107,590,357	$ 106,824,178	$ 106,891,027	$ 104,477,517	$ 104,619,219

Note:

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

Source: *Beaumont-Cherry Valley Water District*

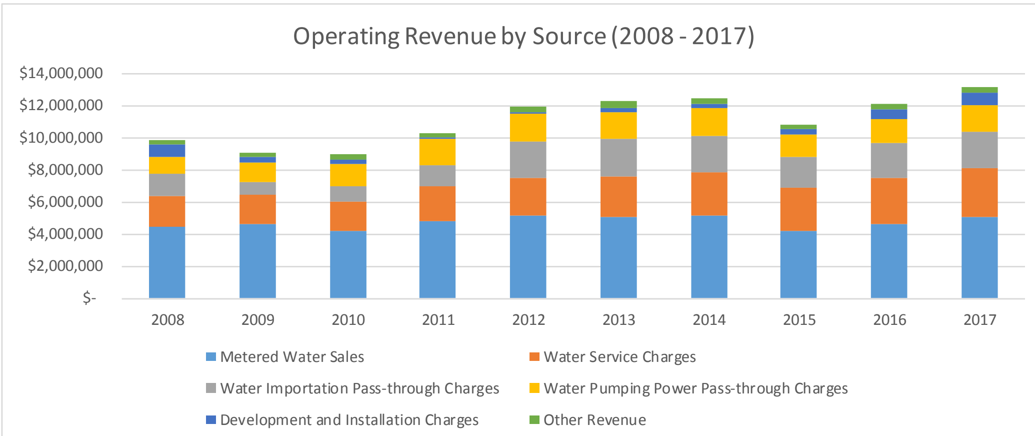
(continued)

2013	2014	2015	2016	2017
$ 5,046,558	$ 5,174,292	$ 4,165,087	$ 4,655,883	$ 5,060,758
2,544,173	2,623,140	2,756,998	2,865,733	3,014,752
2,321,236	2,334,731	1,889,751	2,102,694	2,288,455
1,685,246	1,674,936	1,355,677	1,508,460	1,641,681
271,122	315,244	348,830	653,251	818,430
369,537	313,807	315,952	353,419	353,433
12,237,872	12,436,150	10,832,295	12,139,440	13,177,509
3,780,225	2,985,138	3,076,232	2,974,987	3,395,058
-	-	394,267	(225,040)	(87,514)
1,435,343	1,772,112	1,371,858	1,344,733	1,598,665
2,607,642	1,396,410	879,066	2,954,123	4,308,030
270,533	173,873	381,598	193,382	284,724
297,048	468,345	236,757	234,245	292,991
272,990	469,552	591,554	604,118	515,645
2,528,691	2,514,369	2,517,384	2,528,643	2,591,208
96,385	80,162	78,285	75,502	73,674
295,528	310,590	184,169	228,162	250,504
11,246	10,736	10,503	10,978	12,115
11,595,631	10,181,287	9,721,673	10,923,833	13,235,100
642,241	2,254,863	1,110,622	1,215,607	(57,591)
84,830	55,597	84,254	180,342	350,406
17,815	21,007	20,103	20,577	21,715
3,889	291,671	35,528	1,101	89,591
(41,421)	3,310	-	(7,898)	(37,031)
(49,968)	(300)	-	-	-
-	-	-	-	-
-	-	-	-	-
15,145	371,285	139,885	194,122	424,681
657,386	2,626,148	1,250,507	1,409,729	367,090
-	-	1,092,505	1,004,624	-
1,025,791	2,677,180	6,296,897	8,536,867	11,270,398
1,025,791	2,677,180	7,389,402	9,541,491	11,270,398
-	2,964,502	-	-	-
1,683,177	8,267,830	8,639,909	10,951,220	11,637,488
104,619,219	123,424,314	131,692,144	138,810,597	149,761,817
17,121,918	-	(1,521,456)	-	-
$ 123,424,314	$ 131,692,144	$ 138,810,597	$ 149,761,817	$ 161,399,305

Beaumont-Cherry Valley Water District

Operating Revenue by Source
Last Ten Years

Fiscal Year	Metered Water Sales	Water Service Charges	Water Importation Pass-through Charges	Water Pumping Power Pass-through Charges	Development and Installation Charges	Other Revenue	Totals
2008	$ 4,478,760	$ 1,883,007	$ 1,360,785	$ 1,062,011	$ 814,546	$ 271,942	$ 9,871,051
2009	4,651,105	1,796,816	768,624	1,263,040	282,049	262,823	9,024,457
2010	4,170,001	1,810,098	1,025,996	1,349,287	228,986	381,094	8,965,462
2011	4,766,022	2,188,438	1,326,091	1,617,081	127,141	288,708	10,313,481
2012	5,139,923	2,339,128	2,318,837	1,663,191	146,889	364,628	11,972,596
2013	5,046,558	2,544,173	2,321,236	1,685,246	271,122	369,537	12,237,872
2014	5,174,292	2,623,140	2,334,731	1,674,936	315,244	313,807	12,436,150
2015	4,165,087	2,756,998	1,889,751	1,355,677	348,830	315,952	10,832,295
2016	4,655,883	2,865,733	2,102,694	1,508,460	653,251	353,419	12,139,440
2017	5,060,758	3,014,752	2,288,455	1,641,681	818,430	353,433	13,177,509

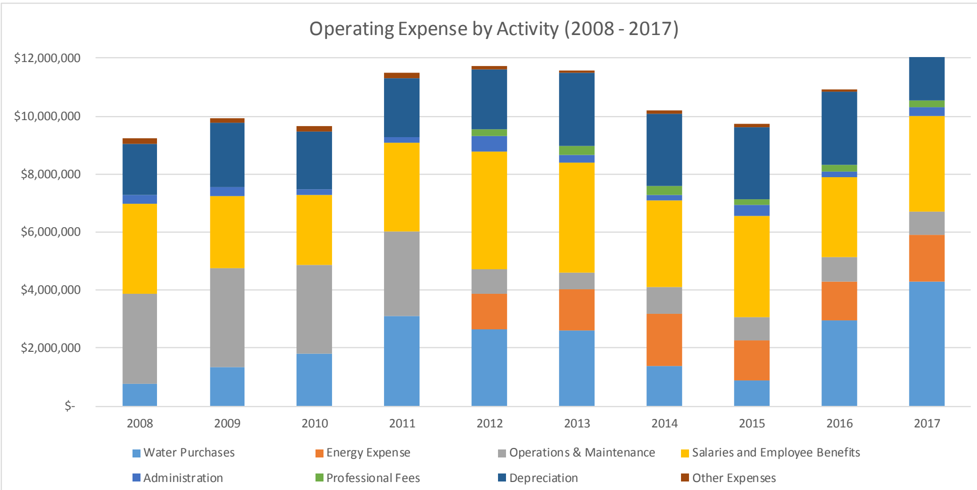


Source: *Beaumont-Cherry Valley Water District*

Beaumont-Cherry Valley Water District

Operating Expense by Activity[(1)(2)]
Last Ten Years

Fiscal Year	Salaries and Employee Benefits	Water Purchases	Energy Expense	Operations & Maintenance	Administration	Professional Fees	Depreciation	Other Expenses	Totals
2008	$ 3,077,279	$ 771,112	$ -	$ 3,112,538	$ 332,896	$ -	$ 1,763,321	$ 163,190	$ 9,220,336
2009	2,495,567	1,361,308	-	3,379,820	303,135	-	2,223,219	174,322	9,937,371
2010	2,404,984	1,815,459	-	3,051,149	187,758	-	1,998,033	193,713	9,651,096
2011	3,094,522	3,125,537	-	2,877,985	196,422	-	2,002,794	199,934	11,497,194
2012	4,040,757	2,642,003	1,231,156	858,532	552,707	211,580	2,072,402	106,957	11,716,094
2013	3,780,225	2,607,642	1,435,343	570,038	270,533	295,528	2,528,691	107,631	11,595,631
2014	2,985,138	1,396,410	1,772,112	937,897	173,873	310,590	2,514,369	90,898	10,181,287
2015	3,470,499	879,066	1,371,858	828,311	381,598	184,169	2,517,384	88,788	9,721,673
2016	2,749,947	2,954,123	1,344,733	838,363	193,382	228,162	2,528,643	86,480	10,923,833
2017	3,307,544	4,308,030	1,598,665	808,636	284,724	250,504	2,591,208	85,789	13,235,100



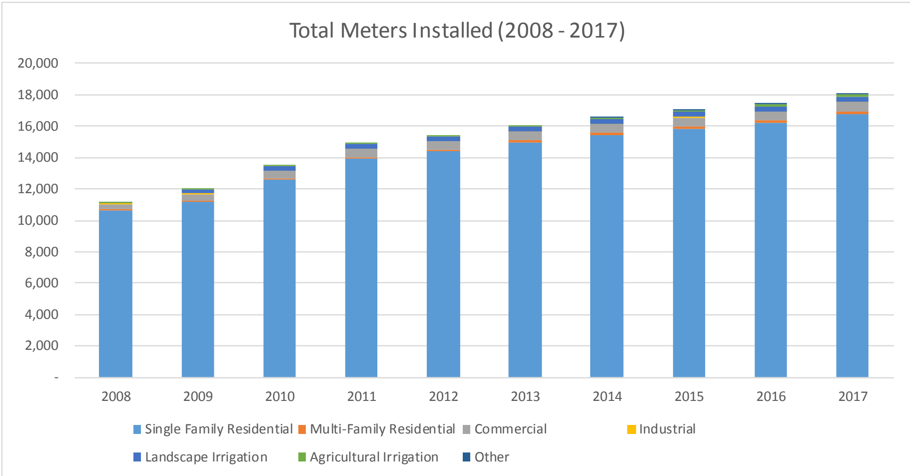
Notes:
(1) Amounts may appear to be inconsistent and incomparable as classifications of operating expenses changed in 2012
(2) Some amounts from the Changes in Net Position schedule are grouped together for comparability

Source: *Beaumont-Cherry Valley Water District*

Beaumont-Cherry Valley Water District

Customers by Type
Last Ten Years

Fiscal Year	Single Family Residential	Multi-Family Residential	Commercial	Industrial	Landscape Irrigation	Agricultural Irrigation	Other	Totals
2008	10,603	96	354	20	46	72	-	11,191
2009	11,143	99	432	22	282	77	-	12,055
2010	12,578	114	453	23	286	82	-	13,536
2011	13,921	122	494	26	288	84	-	14,935
2012	14,388	130	507	26	297	86	-	15,434
2013	14,981	140	536	31	311	89	-	16,088
2014	15,436	140	540	31	314	90	1	16,552
2015	15,860	140	546	31	321	90	2	16,990
2016	16,222	141	560	31	326	89	1	17,370
2017	16,768	141	631	31	337	88	1	17,997



Source: *Beaumont-Cherry Valley Water District*

Beaumont-Cherry Valley Water District

Principal Customers
Current and Seven Years Ago (1)

Customer	2017 Annual Consumption (hcf)	2017 Percentage of Total Consumption	2010 Annual Consumption (hcf)	2010 Percentage of Total Consumption
City of Beaumont	288,840	5.93%	323,495	6.73%
Beaumont Unified School District	186,692	3.83%	157,291	3.27%
K Hovnanian Four Seasons	171,569	3.52%	75,843	1.58%
Solera Oak Valley Greens	56,312	1.16%	64,616	1.34%
Highland Sprgs Cntry Club	49,583	1.02%	51,032	1.06%
Fairway Cyn Comm Assoc	38,416	0.79%	54,593	1.14%
BCV Rec & Park District	32,266	0.66%	28,546	0.59%
Country Highlands MHC	27,564	0.57%	30,631	0.64%
K Hovnanian Homes	27,219	0.56%	67,767	1.41%
Oak Valley II Community Association	27,190	0.56%	-	0.00%
	905,651	18.60%	853,814	17.77%
Total Water Consumed	4,869,997	100.00%	4,805,082	100.00%

Notes:
(1) Data for years prior to 2010 not available

Source: *Beaumont-Cherry Valley Water District*

Beaumont-Cherry Valley Water District

Revenue Rates
Last Ten Years

Charges for Water Used (per ccf)

Fiscal Year	Single-Family Residential		Multi-Family Residential		Commercial / Fire	Landscape	Agricultural Irrigation	Construction
	Tier 1	Tier 2	Tier 1	Tier 2				
2008	0.84	0.84	0.84	0.84	0.84	0.84	0.47	1.61
2009	0.84	0.84	0.84	0.84	0.84	0.84	0.47	1.61
2010	0.80	0.88	0.80	0.82	0.82	0.96	0.84	0.96
2011	0.91	1.00	0.91	0.93	0.94	1.09	0.96	1.09
2012	0.96	1.05	0.96	0.98	0.99	1.15	1.01	1.15
2013	0.96	1.05	0.96	0.98	0.99	1.15	1.01	1.15
2014	0.96	1.05	0.96	0.98	0.99	1.15	1.01	1.15
2015	0.96	1.05	0.96	0.98	0.99	1.15	1.01	1.15
2016	0.96	1.05	0.96	0.98	0.99	1.15	1.01	1.15
2017	0.96	1.05	0.96	0.98	0.99	1.15	1.01	1.15

Domestic Service Charge (bi-monthly)

Fiscal Year	5/8"	3/4"	1"	1.5"	2"	3"	4"	6"	8"	10"	12"
2008	$ 12.00	17.25	28.00	54.00	85.00	158.00	262.00	522.00	834.00	1,198.00	2,238.00
2009	$ 12.00	17.25	28.00	54.00	85.00	158.00	262.00	522.00	834.00	1,198.00	2,238.00
2010	$ 15.00	22.50	37.50	75.01	120.01	240.02	375.03	750.05	1,200.08	1,725.12	2,325.16
2011	$ 17.04	25.56	42.61	85.21	136.34	272.67	426.05	852.10	1,363.36	1,959.83	2,641.51
2012	$ 18.01	27.02	45.03	90.06	144.09	288.18	450.28	900.55	1,440.88	2,071.27	2,791.71
2013	$ 18.01	27.02	45.03	90.06	144.09	288.18	450.28	900.55	1,440.88	2,071.27	2,791.71
2014	$ 18.01	27.02	45.03	90.06	144.09	288.18	450.28	900.55	1,440.88	2,071.27	2,791.71
2015	$ 18.01	27.02	45.03	90.06	144.09	288.18	450.28	900.55	1,440.88	2,071.27	2,791.71
2016	$ 18.01	27.02	45.03	90.06	144.09	288.18	450.28	900.55	1,440.88	2,071.27	2,791.71
2017	$ 18.01	27.02	45.03	90.06	144.09	288.18	450.28	900.55	1,440.88	2,071.27	2,791.71

Source: *Beaumont-Cherry Valley Water District*

Beaumont-Cherry Valley Water District

Ratios of Outstanding Debt by Type
Last Ten Years

Fiscal Year	General Obligation Bonds	Revenue Bonds	Notes Payable	Capital Leases	Loans Payable	Total Outstanding Debt	Per Capita	Share of Personal Income
2008	$ -	$ -	$ -	$ -	$ -	$ -	-	0%
2009	-	-	-	-	-	-	-	0%
2010	-	-	4,530,000	-	-	4,530,000	121.52	0%
2011	-	-	3,585,000	-	-	3,585,000	92.99	0%
2012	-	-	2,600,000	-	-	2,600,000	66.07	0%
2013	-	-	-	-	-	-	-	0%
2014	-	-	-	-	-	-	-	0%
2015	-	-	-	-	-	-	-	0%
2016	-	-	-	-	-	-	-	0%
2017	-	-	-	-	-	-	-	0%

Source: *Beaumont-Cherry Valley Water District*

Beaumont-Cherry Valley Water District

Debt Coverage
Last Ten Years

Fiscal Year	Net Revenues	Operating Expenses	Net Available Revenues	Principal	Interest	Total	Debt Coverage Ratio
2008	$ 11,537,167	$ (7,457,015)	$ 4,080,152	$ -	$ -	$ -	0.00
2009	9,605,917	(7,714,152)	1,891,765	-	-	-	0.00
2010	11,123,631	(7,653,063)	3,470,568	470,000	-	470,000	7.38
2011	11,143,145	(9,494,400)	1,648,745	945,000	145,256	1,090,256	1.74
2012	12,215,465	(9,643,692)	2,571,773	985,000	112,976	1,097,976	2.61
2013	13,370,197	(9,066,940)	4,303,257	2,600,000	71,938	2,671,938	1.66
2014	15,481,605	(7,666,918)	7,814,687	-	300	300	0.00
2015	17,269,077	(7,204,289)	10,064,788	-	-	-	0.00
2016	20,878,327	(8,395,190)	12,483,137	-	-	-	0.00
2017	24,909,619	(10,643,892)	14,265,727	-	-	-	0.00

Source: *Beaumont-Cherry Valley Water District*

Beaumont-Cherry Valley Water District

Demographic and Economic Statistics
Last Ten Years

		County of Riverside		
Calendar Year	Population	Median Household Income	Per Capita Personal Income	Unemployment Rate
2008	32,366	$ 58,168	$ 24,836	8.4%
2009	33,523	58,134	24,361	10.6%
2010	37,278	57,768	24,431	11.2%
2011	38,553	58,365	24,516	12.9%
2012	39,353	57,096	23,863	14.2%
2013	40,424	56,529	23,591	14.9%
2014	42,117	63,523	23,660	14.3%
2015	43,629	56,603	23,783	12.9%
2016	45,349	57,972	24,443	11.3%
2017 (1)	46,179	60,100	36,800	4.3%

Notes:
(1) Population Source: State of California Department of Finance;
County Source: Riverside County Economic Development Agency

Source: *United States Census Bureau*

Beaumont-Cherry Valley Water District

Principal Employers for the Community Area [(1)]
Current Year [(3)]

Employer	2017 Number of Employees	2017 Total Employment (2)
Casino Morongo	1900	6.36%
Desert Hills Premium Outlet	1700	5.69%
Beaumont Unified School District	639	2.14%
Morongo Resort & Spa	563	1.88%
Banning Unified School District	511	1.71%
San Gorgonio Memorial Hospital	250	0.84%
Lowe's Distribution Center	250	0.84%
City of Banning	200	0.67%
City of Beaumont	146	0.49%
Skat-Trak, Inc	115	0.38%
Total	6,274	21.00%

Notes:
(1) Community Area defined as Beaumont, Banning, Calimesa, Cabazon, and Cherry Valley
(2) Total employment 29,879
(3) Information for 2008 (ten years prior) is unavailable

Source: *City of Beaumont*

Beaumont-Cherry Valley Water District

Full-time and Part-time District Employees by Department
Last Ten Years(1)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Department										
Engineering	2	2	2	2	2	2	2	2	3	5
Finance & Administrative Services	13	11	11	13	7	8	6	10	10	12
IT	0	0	0	0	1	1	1	1	1	1
Operations										
Source of Supply	4	4	4	4	3	3	3	3	3	4
Transmission and Distribution	18	13	13	12	11	12	12	11	11	10
Customer Service and Meter Reading	3	3	3	3	3	3	3	3	3	3
Total	40	33	33	34	27	29	27	30	31	35

Notes:
(1) As of 12/31 of each year

Source: *Beaumont-Cherry Valley Water District*

Beaumont-Cherry Valley Water District

Operating Indicators by Function
Last Ten Years

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
District Service Area (square miles)	28	28	28	28	28	28	28	28	28	28
Water mains (miles)	282	282	282	282	282	282	282	282	282	282
Fire hydrants	1,133	1,189	1,248	1,310	1,375	1,443	1,515	1,590	1,669	1,752
Number of reservoirs/tanks (potable)	14	14	14	14	14	14	14	14	14	14
Storage Capacity (MG)	23.25	23.25	23.25	23.25	23.25	23.25	23.25	23.25	23.25	23.25
Number of reservoirs/tanks (non-potable)	-	-	-	1	1	1	1	1	1	1
Storage Capacity (MG)	-	-	-	2	2	2	2	2	2	2
Number of wells	24	24	24	24	24	24	24	24	24	24
Well Capacity (GPM)	23,175	23,175	23,175	23,175	23,175	23,175	23,175	23,175	23,175	23,175

Source: *Beaumont-Cherry Valley Water District*