

# **BEAUMONT BASIN WATERMASTER**

## **Auditors' Report And Financial Statements**

*For the Year Ended  
June 30, 2010*

**SIEBERT BOTKIN HICKEY & ASSOCIATES, LLP**  
*Certified Public Accountants*



***Siebert Botkin Hickey  
& Associates, LLP***

**Watermaster Committee  
Beaumont Basin Watermaster  
Yucaipa, CA 92399**

**Independent Auditors' Report**

We have audited the accompanying basic financial statements of the Beaumont Basin Watermaster, as of and for the year ended June 30, 2010. These financial statements are the responsibility of the management of Beaumont Basin Watermaster. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Beaumont Basin Watermaster, as of June 30, 2010, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Beaumont Basin Watermaster has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America require to supplement, although not to be a part of, the basic financial statements.

*Siebert Botkin Hickey & Associates, LLP*

July 16, 2010

# Beaumont Basin Watermaster

## Statement of Net Assets

As of June 30, 2010

### ASSETS

#### CURRENT ASSETS

Cash and Cash Equivalents

\$ 25,152

### LIABILITIES and NET ASSETS

#### CURRENT LIABILITIES

Accounts Payable

10,493

#### NET ASSETS

Unrestricted

\$ 14,659

See Auditors' Report

The Notes to Financial Statements Are An Integral Part of This Statement

# Beaumont Basin Watermaster

## Statement of Activities

For the Year Ended June 30, 2010

### REVENUES

San Timoteo Watershed Management Authority Special Project Funds	\$	33,339
Interest Revenue		6
Total Revenues		<u>33,345</u>

### EXPENSES

Administrative Expenses		
Chief of Watermaster Services		21,500
Meetings and Miscellaneous		6,815
Acquisition and Computation of Production Data/Annual Report		16,900
General Engineering		10,667
Groundwater Level Water Monitoring Program		9,840
Legal and Professional		6,063
Bank Charges and Miscellaneous		611
Total Expenses		<u>72,396</u>
Change in Net Assets		(39,051)

### NET ASSETS

Unrestricted Net Assets, Beginning of Year		53,710
Unrestricted Net Assets, End of Year	\$	<u>14,659</u>

# Beaumont Basin Watermaster

## Statement of Cash Flows

For the Year Ended June 30, 2010

### Cash Flows From Operating Activities:

Cash Received from San Timoteo Watershed Management Authority	\$ 33,339
Cash Paid to Vendors for Services and Supplies	(79,894)
Net Cash Used By Operations	<u>(46,555)</u>

### Cash Flows From Investing Activities:

Interest Earned on Operating Funds	<u>6</u>
Net Cash Provided by Investing Activities	<u>6</u>

Net Decrease in Cash	(46,549)
Cash and Cash Equivalents at Beginning of Year	<u>71,701</u>
Cash and Cash Equivalents at End of Year	<u>\$ 25,152</u>

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# Beaumont Basin Watermaster

## Notes to Financial Statements

For the Year Ended June 30, 2010

### ***NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:***

#### **Description of Operations:**

The Beaumont Basin Watermaster is the entity charged with administering adjudicated water rights and managing groundwater resources within the Beaumont Groundwater Basin. It was created on February 4, 2004 by a Judgment entered in the Superior Court of the State of California for the County of Riverside (Case No. RIC 389197). Pursuant to the Judgment, the Watermaster Committee is comprised of representatives from the City of Banning, the City of Beaumont, the Beaumont-Cherry Valley Water District, the South Mesa Mutual Water Company, and the Yucaipa Valley Water District.

The Watermaster's area of jurisdiction, which is also known as the adjudicated boundary, overlies a portion of the Santa Ana River Watershed. San Timoteo Creek, which is a tributary to the Santa Ana River, is one of the major surface streams traversing the area as well as portions of Little San Geronio Creek and Noble Creek.

#### **Basis of Presentation:**

The Beaumont Basin Watermaster's financial statements have been prepared in accordance with Accounting Principles Generally Accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The Watermaster is considered a single activity special-purpose government. A single proprietary fund is used to report all of the Watermaster's financial activities.

Financial reporting is based upon all Governmental Accounting Standards Board (GASB) pronouncements, as well as the Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins that were issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. FASB pronouncements issued after November 30, 1989 are not followed in the preparation of the accompanying financial statements.

#### **Basis of Accounting:**

The Beaumont Basin Watermaster uses the accrual method of accounting for financial statement reporting purposes. Under the accrual method revenues are recognized when they are earned, and expenses are recognized when they are incurred.

#### **Reporting Entity:**

The Watermaster has defined its reporting entity in accordance with GASB Statement No. 14, "The Financial Reporting Entity," which provides guidance for determining which governmental activities, organizations, and functions should be included in its reporting entity. The Watermaster's reporting entity includes all significant operation and revenue sources for which the Watermaster Committee exercises oversight responsibility as determined under the criteria established by the National Council on Governmental Accounting Statement No. 3, as adopted by FASB. Oversight responsibility is determined on the basis of selection of the governing board, designation of management, ability to significantly influence operations, accountability for fiscal matters, and the scope of public service.

#### **Income Taxes**

The Watermaster is exempt from federal income and state franchise taxes.

#### **Cash and Cash Equivalents:**

For purposes of the statement of cash flows, cash equivalents includes time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less. The Watermaster maintains bank accounts at financial institutions located within the State of California.

# Beaumont Basin Watermaster

## Notes to Financial Statements

For the Year Ended June 30, 2010

### ***NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):***

#### **Net Assets/Fund Equity**

The financial statements are presented using the net asset method. Net assets are categorized as invested capital assets (net of related debt), restricted and unrestricted. The Watermaster reports only unrestricted net assets.

- Unrestricted Net Assets – This category represents net assets of the Watermaster not restricted for any project or other purpose.

### ***NOTE 2 – CASH AND INVESTMENTS:***

California law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the Watermaster's cash on deposits or first trust deed mortgage notes with a value of 150% of the deposit as collateral for all public agency deposits. Under California law this collateral remains with the institution but is held in the Watermaster's name and places the Watermaster ahead of general creditors of the institution.

The Watermaster's cash balances of \$25,152 at June 30, 2010 are held in FDIC insured demand deposit accounts.

The Watermaster's Investment Policy and the California Government Code allow the District to invest in a variety of investment types, provided the credit ratings of the issuers are acceptable to the Watermaster Committee. The following also identifies certain provisions of the Watermaster's Investment Policy and California Government Code that address interest rate risk, credit risk, and concentration of credit risk.

<b><u>Authorized Investment Type</u></b>	<b><u>Maximum Maturity</u></b>	<b><u>Minimum Credit Quality</u></b>	<b><u>Maximum Percentage of Portfolio</u></b>	<b><u>Maximum Investment In One Issuer</u></b>
U.S. Treasury Obligation	5 years	N/A	100%	No Limit
U.S. Agency Securities	5 years	N/A	100%	No Limit
Bankers Acceptances	180 days	N/A	40%	30%
Commercial Paper	270 days	A-I	25%	10%
Negotiable Certificates of Deposit	5 years	N/A	30%	No Limit
Repurchase Agreements	1 year	N/A	100%	No Limit
Reverse Repurchase Agreements	92 days	N/A	20%	No Limit
Demand Deposits	N/A	Highest Category	20%	10%
Medium Term Notes	5 years	A	30%	No Limit
Money Market Mutual Funds	N/A	Highest Category	20%	10%
Asset-Backed Securities	5 years	AA	20%	No Limit
State of California Obligations	5 years	N/A	100%	No Limit
Local Agency Investment Fund	N/A	N/A	\$40 million account	No Limit

#### **Interest Rate Risk, Credit Risk, and Concentration of Credit Risk**

Interest rate risk is the risk that changes in market rates will adversely affect the fair value of an investment. Generally, the longer the maturity the more sensitive the investment is to market fluctuations. Credit risk is measured by nationally recognized statistical agencies such as Standard & Poor's. Credit risk is simply the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Concentration of credit risk measures the extent to which the Watermaster's investments are invested in a single issuer. Since the Watermaster's does not have investments and the cash balances are fully insured, the Watermaster is not exposed to interest rate risk, credit risk, or concentration of credit risk.

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