



Cabazon Water District
14618 Broadway Street • P.O. Box 297
Cabazon, California 92230

FINANCE & AUDIT COMMITTEE MEETING

AGENDA

Meeting Location:

Cabazon Water District Office
14618 Broadway Street
Cabazon, California 92230

Meeting Date:

Tuesday, February 20, 2018 – 5:00 PM

CALL TO ORDER,

PLEDGE OF ALLEGIANCE,

ROLL CALL

FINANCE & AUDIT COMMITTEE

1. Discussion: Finance & Audit Committee Report
 - Balance Sheet
 - Profit and Loss Budget Comparison

2. Finance & Audit Committee District Payables Review and Approval/Signing

PUBLIC COMMENT

Any person may address the Board of Directors at this time on any matter within the subject matter jurisdiction of the Cabazon Water District; however, any matter that requires action will be referred to staff for investigation and reported at a subsequent Board of Directors meeting. The Board of Directors is prohibited by law from discussing or taking immediate action on items during this public comment period. To comment on specific agenda items, please advise the Board secretary prior to the meeting. **Each public comment will be limited to three (3) minutes. Individuals may not give their time away to another spokesperson. After two (2) minutes, the speaker will be notified that he/she has one (1) minute remaining. AB 1234 ORAL REPORTS (Gov. Code Sec. 53232.3(d))**

ADJOURNMENT

ADA Compliance Issues

In compliance with the Americans with Disabilities Act & Government Code Section 54954.2, if special assistance is needed to participate in a Board meeting, please contact the Clerk of the Board at (951) 849-4442. Notification of at least 48 hours prior to meeting time will assist staff in assuring that reasonable arrangements can be made to provide accessibility at the meeting.

OLD BUSINESS

1. Discussion: Sustainable Ground Water Update
(by General Manager Louie)
2. Discussion/Action: Annual Audit Presentation for Fiscal Year 2016-2017
(by Chris Brown, Fedak and Brown)
3. Discussion/Action: CRWA Tahoe Training

NEW BUSINESS

1. Discussion/Action: Jeff Vilarino – Lois – Customer Concern regarding leak on his side of the meter.
2. Discussion/Action: Guest Preacher before each meeting
3. Discussion/Action: Approval of a District Weapons Policy/Resolution
4. Discussion/Action: Approval of SEIU Side Letter to the 2015-2018 Memorandum of Understanding (MOU)

PUBLIC COMMENTS

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GENERAL MANAGER/BOARD COMMENTS

1. Future Agenda Items

The Board Chair or the majority of the Board may direct staff to investigate and report back to an individual(s) and the Board on matters suggested or direct the General Manager/Board Secretary to place the matter on a future Board meeting.

- Suggested agenda items from the Public.
- Suggested agenda items from Management.
- Suggested agenda items from Board Members.

2. Management Comments

Staff members may speak on items of information not requiring comment or discussion to the Board and public. Topics which may be included on a future meeting agenda may be presented but cannot be discussed. (3 minutes)

3. Board Member Comments

Board members may speak on items of information not requiring comment or discussion to the Board and public. (3 minutes)

MISCELLANEOUS

1. Future Board Items/Next Board Meeting Date(s)

- a. Finance & Audit Workshop – Tuesday – March 20, 2018, 5:00 pm
- b. Regular Board Meeting – Tuesday – March 20, 2018, 6:00 pm
- c. Personnel Committee – None
- d. San Geronio Pass Regional Water Alliance – Alliance Meeting – February 28, 2018

ADJOURNMENT

ADA Compliance Issues

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FINANCE & AUDIT COMMITTEE MEETING

MINTUES

Meeting Location:
Cabazon Water District Office
14618 Broadway Street
Cabazon, California 92230

Meeting Date:
Tuesday, January 16, 2018 – 5:00 PM

CALL TO ORDER, @ 17:05 hr.
PLEDGE OF ALLEGIANCE,
ROLL CALL

Director Wargo Present
Director Israel - Present

Calvin Louie (General Manager) - Present
Elizabeth Lemus, Board Secretary - Present
Cindy Byerrum, Financial Consultant - Present

***Note: This meeting was recorded by the District -**

FINANCE & AUDIT COMMITTEE

1. Discussion: Finance & Audit Committee Report

Balance Sheet:

- The District's combined cash and LAIF balance is about \$640,850. The District's total liabilities are approximately \$1.177 million.

Profit and Loss:

- Line 2 Base Rate: This is the flat, fixed monthly charge to all residents for water service. YTD is at 42% and should catch up to expected budget after the rate increase takes effect in January 2018.
- Line 3 Commodity Sales: This is the variable income from charges linked to the consumption of water. YTD is at 73% due to increased water usage during the summer months.

- Line 11 Incident Fees: These fees are difficult to budget for accurately due to their unexpected nature. YTD is over budget at 179%.
- Line 13 Basic Facilities Fee: YTD is over budget at 129% due to a new 5/8" service on Main St., an upgrade to 3/4" meter, and two new service 3/4" meters at Almond St.
- Line 52 Engineering Services: YTD is at 73% due to an increased amount of State Water meetings due to the Sustainable Groundwater Management Act (SGMA) and Integrated Regional Water Management (IRWM).
- Line 86 Training/Travel: YTD is at 81% due to Water Bootcamp for two field employees and the general manager.

As of December 31st the fiscal year-to-date net income is \$32,928.

2. Finance & Audit Committee District Payables Review and Approval/Signing

PUBLIC COMMENT

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ADJOURNMENT

Motion to adjourn at 17:15 hr. made by Director Israel and 2nd by Director Wargo.

Meeting adjourned at 17:15 hr. on January 16, 2017

Robert Lynk, Board Chair
Board of Directors
Cabazon Water District

Elizabeth Lemus, Secretary
Board of Directors
Cabazon Water District

ADA Compliance Issues

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Cabazon Water District
14618 Broadway Street • P.O. Box 297
Cabazon, California 92230

REGULAR BOARD MEETING

MINUTES

Meeting Location:
Cabazon Water District Office
14618 Broadway Street
Cabazon, California 92230

Meeting Date:
January 16, 2018 – 6:00 PM

CALL TO ORDER

PLEDGE OF ALLEGIANCE

REMEMBRANCE OF OUR SERVICE MEN AND WOMEN

ROLL CALL

Director Martin Sanderson - Present
Director Maxine Israel - Present
Director Sarah Wargo - Present
Director Alan Davis - Present
Director Robert Lynk - Present

Calvin Louie, General Manager - Present
Elizabeth Lemus, Board Secretary - Present
Cindy Byerrum, Financial Consultant - Present
Steve Anderson, Best Best & Krieger Law Firm - Absent
Joseph Ortiz, Best Best & Krieger Law Firm - Present

Note: This meeting was recorded by the District -

CONSENT CALENDAR

All matters in this category are considered to be consistent with the Board/District goals, District Policies and Regulations adopted and/or approved by the Board of Directors, and will be enacted in one motion. There will be no separate discussion of these items. If discussion is required, items may be removed from the consent calendar and will be considered separately.

1. Approval of:

- a. Finance and Audit Committee Meeting Minutes and warrants approved by the committee of December 19, 2017
- b. Regular Board Meeting Minutes and warrants of December 19, 2017

Motion to approve consent calendar item(s) a.) Finance and Audit Committee Meeting Minutes and warrants approved by the committee of December 19, 2017, and (b.) Regular Board Meeting Minutes and warrants of December 19, 2017, with the change of adding that Director Lynk arrived to the Regular Meeting at 18:07 hr., made by Director Sanderson and 2nd by Director Davis.

Director Sanderson - Aye
Director Israel - Aye
Director Wargo - Aye
Director Davis - Aye
Director Lynk - Aye

2. Warrants – None
3. Awards of Contracts – None

UPDATES

1. Update: San Gorgonio Pass Regional Water Alliance Update
(by Director Israel)
2. Update: Manager's Operations Report
(by General Manager Louie)

- A leak occurred at the DeLuca property on Main Street. It was repaired with an 8" sleeve. The District plans on eventually abandoning the 8" line that runs under this property when funds are available.
- The Bonita PRV Vault needs repair, which will require gate valve installation/repair first.
- A District Field Employee recently put in their two weeks' notice, so efforts to recruit a replacement will be implemented in the near future.

*Note: Because Legal was not present (due to an accident on the freeway), the Board slightly rearranged the agenda in order to buy legal more time to arrive. The following is documented in the order in which the meeting proceeded:

NEW BUSINESS

1. Discussion/Action: Annual Audit Presentation for Fiscal Year 2016-2017
(by Chris Brown, Fedak and Brown)

*Note: Chris Brown was unable to attend this meeting due to a severe cold. While the District's Accountant, Cindy Byerrum, was able to provide a basic overview of the audited financial statements, the Board wished to

table the matter until a representative from Fedak and Brown was able to appear.

Motion to table approval regarding the Annual Audit Presentation for Fiscal Year 2016-2017 until the next Board Meeting made by Director Lynk and 2nd by Director Wargo.

*Note: No roll call vote was made, but there were no objections voiced by either Board or public to table this matter.

OLD BUSINESS

1. Discussion: Sustainable Ground Water Update
(by General Manager Louie)

2. Discussion/Action: Review and adoption of the Cabazon Water Capacity Charge Model and Fees relating to new services
(by Greg Henry, NBS)

Mr. Henry provided a powerpoint presentation, and explained that this study relates to the 1. Basic Facility Charges, and 2. Distribution System Charges. In regards to the third component, Service Connection Charges, these charges (Service Connection) would be considered as unrestricted funds, and could be changed as needed (due to increase/decreases of meter purchases, labor, etc.). The first two component relate to system "buy-in", while the third component is strictly new service materials and installation labor.

Motion to adopt the Cabazon Water District Capacity Charge Model and Fees relating to new services (specifically, adoption of the new charges and fees as presented for Basic Facility Charges and Distribution System Charges) made by Director Sanderson and 2nd by Director Wargo.

Director Sanderson - Aye
Director Israel - Aye
Director Wargo - Aye
Director Davis - Aye
Director Lynk - Aye

PUBLIC COMMENTS

Any person may address the Board of Directors at this time on any matter within the subject matter jurisdiction of the Cabazon Water District that is listed on the agenda under Closed Session; however, any matter that requires action will be referred to staff for investigation and reported at a subsequent Board of Directors meeting. The Board of Directors is prohibited by law from discussing or taking immediate action on items during this public comment period. To comment on specific agenda items, please advise the Board secretary prior to the meeting. Each public comment will be limited to three (3) minutes. Individuals may not give their time away to another spokesperson. After two (2) minutes, the speaker will be notified that he/she has one (1) minute remaining. AB 1234 ORAL REPORTS (Gov. Code Sec. 53232.3(d))

CLOSED SESSION (at 18:04 hr.)

- (1) CONFERENCE WITH LEGAL COUNSEL – General Manager’s Personnel Evaluation

OPEN SESSION (at 20:00 hr.)

Report to the public of action taken by the Board, if any.

No action to report.

NEW BUSINESS

2. Discussion/Action: Brown Act AB 1234 and Sexual Harassment Training to be held annually, or as required by law (by Lynk and Israel)

*Note: The Board expressed that they would like contact to be made to other neighboring agencies to see if they would like to participate in training as it is held each year.

Motion to have management schedule an annual Brown Act AB 1234 and Sexual Harassment Training for Directors and Employees (as needed or required) made by Director Israel and 2nd by Director Davis.

Director Sanderson - Abstain
Director Israel - Aye
Director Wargo - Aye
Director Davis - Aye
Director Lynk - Aye

3. Discussion/Action: Transfer of funds from District's General Account to the District's LAIF ("Savings") Account.

Note: The District's Business Manager recommended that \$150,000 be transferred from the District's General Account into the District's interest-bearing LAIF Account. The District's Accountant supported this recommendation.

Motion to approve a transfer of \$150,000 from the District's General Account to the District's LAIF (Local Agency Investment Fund) Account made by Director Israel and 2nd by Director Sanderson.

Director Sanderson - Aye
Director Israel - Aye
Director Wargo - Nay
Director Davis - Aye
Director Lynk - Aye

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GENERAL MANAGER/BOARD COMMENTS

1. Future Agenda Items

The Board Chair or the majority of the Board may direct staff to investigate and report back to an individual(s) and the Board on matters suggested or direct the General Manager/Board Secretary to place the matter on a future Board meeting.

- Suggested agenda items from the Public.
- Suggested agenda items from Management.

General Manager Louie suggested that the Board consider inviting local pastors/preachers (from any and all faiths) to offer a prayer at the opening of each Board Meeting. Director Lynk and Director Davis supported this.

- Suggested agenda items from Board Members.

2. Management Comments

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3. Board Member Comments

Board members may speak on items of information not requiring comment or discussion to the Board and public. (3 minutes)

MISCELLANEOUS

1. Future Board Items/Next Board Meeting Date(s)

- a. Finance & Audit Workshop – Tuesday – February 20, 2018, 5:00 pm
- b. Regular Board Meeting – Tuesday – February 20, 2018, 6:00 pm
- c. Personnel Committee – None
- d. San Gorgonio Pass Regional Water Alliance – Alliance Meeting – January 24, 2018

ADJOURNMENT

Motion to adjourn at 20:20 hr. made by Director Lynk and 2nd by Director Israel.

*Note: No roll call vote was made to adjourn, but there were no objections voiced by either the Board or public.

Meeting adjourned at 20:20 hr. on Tuesday, January 16, 2018

Robert Lynk, Board Chair
Board of Directors
Cabazon Water District

Elizabeth Lemus, Secretary
Board of Directors
Cabazon Water District

ADA Compliance Issues

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Cabazon Water District

Profit & Loss

January 2018

	Jan-18	YTD	Budget	YTD 58%
1 Operating Income				
2 Base Rate - Water Bills	\$ 65,169	\$ 404,918	\$ 801,200	51%
3 Commodity Sales	21,813	203,356	252,600	81%
4 DHPO Contract	16,824	131,159	193,800	68%
5 Fire Sales - Water Bills	226	1,403	2,200	64%
6 Fire Flow Income	-	300	150	200%
7 Meter Install and Removal	-	-	80	0%
8 Penalty Fees - Water Bills	3,272	29,047	34,600	84%
9 Lien Reinstatement Fees	-	-	1,000	0%
10 New Account Fees - Water Bills	80	1,130	1,500	75%
11 Incident Fee - Water Bills	-	250	140	179%
12 Returned Check Fees	60	390	500	78%
13 Basic Facilities Fee	11,116	54,096	33,200	163%
14 Stand By Fees - Tax Revenue	71,041	85,230	113,600	75%
15 Total Operating Income:	189,601	911,279	1,434,570	64%
16 Non-Operating Income				
17 Property Taxes	25,441	30,492	60,900	50%
18 Cell Tower Lease Income	2,006	12,037	23,100	52%
19 Misc. Non-Operating Income	100	1,474	-	0%
20 Interest Income	1,487	5,599	7,400	76%
21 Total Non-Operating Income	3,593	19,110	30,500	63%
22 Total Income	218,635	960,881	1,525,970	63%
23 Expense				
24 Payroll				
26 Directors Fees	900	7,700	20,000	39%
25 Management & Cust. Service:				
27 Customer Accounts	3,682	28,660	43,800	65%
28 Business Admin Manager	4,473	35,367	54,200	65%
29 Office Assistant	-	2,465	8,100	30%
30 General Manager	6,468	52,288	84,900	62%
31 Total Mgmt. & Cust. Service:	14,623	118,779	191,000	62%
32 Field Workers	8,596	61,273	85,000	72%
33 Total Payroll	23,219	180,052	276,000	65%
34 Employee Benefits Expense				
35 Workers Comp.	-	4,143	14,100	29%
36 Employee Health Care	7,196	44,155	62,300	71%
37 Pension	4,615	34,523	54,200	64%
38 Total Employee Benefits Expense	11,811	82,822	130,600	63%
39 Payroll Taxes	3,260	16,516	27,200	61%
40 Total Payroll - All Expenses:	39,189	287,090	453,800	63%

Cabazon Water District
Profit & Loss
January 2018

	Jan-18	YTD	Budget	YTD 58%
41 Operational Expenses				
42 Facilities, Wells, T&D				
43 Lab Fees	685	3,135	8,000	39%
44 Site Landscaping & Maint	45	315	700	45%
45 Meters	-	2,093	5,000	42%
46 Generator Service Contractor	-	367	2,400	15%
47 Utilities - Wells	13,262	73,932	117,900	63%
48 SCADA	28	159	4,900	3%
49 Line R&M Contractor	-	-	12,500	0%
50 Line R&M Materials	9,707	22,275	60,000	37%
51 Well Maintenance	357	24,537	36,000	68%
52 Security	1,744	10,312	24,410	42%
53 Engineering Services	7,114	66,200	80,900	82%
54 Chlorinators	-	61	4,180	1%
55 Facilities, Wells, T&D - Other	-	343	10,000	3%
56 Total Facilities, Wells, T&D	32,942	203,728	366,890	56%
57 Utilities - Office				
58 Electricity	966	8,586	15,100	57%
59 Gas	67	254	710	36%
60 Telephone	803	5,495	10,500	52%
61 Trash Pickup & Office Cleaning	358	2,505	4,400	57%
62 Total Utilities - Office	2,194	16,841	30,710	55%
63 Office Expenses				
64 Water Billing System	177	1,241	2,500	50%
65 Supplies & Equipment	393	1,422	9,700	15%
66 Copier and Supplies	237	2,870	8,100	35%
67 Dues & Subscriptions	-	88	1,700	5%
68 Postage	592	4,122	12,900	32%
69 Printing & Publications	-	240	6,100	4%
70 Leases & Rents	-	165	300	55%
71 Computer Services	2,637	18,570	36,800	50%
72 Office Radio	-	-	500	0%
73 Office Storage	500	3,500	6,100	57%
74 Air Conditioning Servicing	379	2,653	4,500	59%
75 Fire Alarm System Servicing	156	444	600	74%
76 Office Expenses - Other	-	836	1,300	64%
77 Total Office Expenses	5,072	36,150	91,100	40%
78 Support Services				
79 Temporary Labor	820	6,510	10,000	65%
80 Financial Audit	-	7,355	22,100	33%
81 Accounting	2,356	14,720	30,000	49%

Cabazon Water District

Profit & Loss

January 2018

	Jan-18	YTD	Budget	YTD 58%
82 Legal Services	4,088	30,879	115,100	27%
83 Bank Service Charges	40	460	1,500	31%
84 Payroll Service	468	2,328	5,100	46%
85 Website Support	110	1,070	1,300	82%
86 General Liability Insurance	943	6,600	21,900	30%
87 Total Support Services	8,825	69,922	207,000	34%
88 Training/Travel	171	5,860	7,000	84%
89 Other Fees/SWRCB	-	4,790	19,600	24%
90 Service Tools & Equipment				
91 Shop Supplies and Small Tools	310	876	6,100	14%
92 Vehicle Fuel	1,017	7,652	12,200	63%
93 Employee Uniforms	-	334	1,500	22%
94 Safety	-	-	500	0%
95 Tractor Expenses	11	467	5,500	8%
96 Equipment Rental	144	303	1,000	30%
97 Service Trucks - R&M	3,879	10,102	14,400	70%
98 Water Ops Phone & Internet	85	511	3,600	14%
99 Communications	-	-	3,300	0%
100 Total Service Tools & Equipment	5,445	20,244	48,100	42%
101 Non-Operating Expenses				
102 Grant & Loan Processing Fee	-	1,325	1,600	83%
103 DWR Interest on Loans	-	5,841	11,236	52%
104 DHPO Interest Expense	-	6,120	10,802	57%
105 Bad Debt Expense	-	-	1,200	0%
106 Miscellaneous	-	1,321	5,000	26%
107 DHPO Capacity Fees	1,750	12,250	-	0%
108 Total Non-Operating Expenses	1,750	26,857	29,838	90%
109 Prior Year Income / (Expense)	6,768	6,768	-	-
110 Depreciation Expense	22,192	155,342	266,300	58%
111 Total Expense	124,547	833,593	1,520,338	55%
112 Net Income (Loss)	94,088	127,288	5,632	2260%

Cabazon Water District

Balance Sheet

January 31, 2018

		Jan 31, 18
1	ASSETS	
2	Current Assets	
3	Checking/Savings	
4	11020 · General Bank Account-Chase	185,814
5	11030 · Payroll Bank Account-Chase	51,255
6	11040 · Trust Account- Chase - Cus Dep	10,447
7	11050 · Local Petty Cash	100
8	Total Checking/Savings	247,615
9	12000 · Accounts Receivable	196,035
10	13010 · LAIF	509,165
11	13020 · Bank of NY Trustee Accounts	61,054
12	13040 · Prepaid Expenses	7,708
13	13060 · Inventory Total	80,438
14	Total Other Current Assets	854,401
15	Total Current Assets	1,107,134
16	Fixed Assets	
17	14200 · Construction in Process	
18	14204 · CIP Cabazon Outlets Expansion	9,692
19	14209 · CIP Super Map	10,730
20	14210 · CIP 50100 Main St. Property	69,701
21	Total 14200 · Construction in Process	90,124
22	14310 · Tools and Equipment	123,319
23	14320 · Source of Supply	1,532,687
24	14330 · Transmission & Distribution	10,173,270
25	14340 · Buildings & Structures	12,281
26	14350 · Water Treatment	8,800
27	14360 · Office Furniture and Equipment	72,691
28	14370 · Intangible Plant	11,032
29	14380 · Vehicles	106,309
30	14400 · Land	689,548
31	14500 · Accumulated Depreciation	(5,184,998)
32	Total Fixed Assets	7,635,063
33	TOTAL ASSETS	8,742,196
34	LIABILITIES & EQUITY	
35	Liabilities	
36	Current Liabilities	
37	Accounts Payable	6,681
38	Other Current Liabilities	
39	21250 · Developer Deposits	
40	21251 · Dollar General	3,526
41	Total 21250 · Developer Deposits	3,526
42	21300 · Customer Deposits	
43	21330 · Customer Deposits - Co 1	4,500

Cabazon Water District

Balance Sheet

January 31, 2018

	<u>Jan 31, 18</u>	
44	21340 · Customer Deposits - Co 2	4,884
45	Total 21300 · Customer Deposits	9,384
46	21420 · Accrued Vacation Pay	10,270
47	21440 · DWR-HS Payable - Current	18,809
48	21450 · Current Portion Zion's Bank Ln	76,943
49	21460 · Accrued Payroll	6,267
50	21470 · Accrued Payroll Taxes	456
51	21480 · Accrued Interest	5,980
52	Total Other Current Liabilities	<u>131,635</u>
53	Total Current Liabilities	138,316
54	Long Term Liabilities	
55	22000 · DWR-H Loan Payable (Payoff '26)	356,925
56	22100 · Zion's Bank Long Term (2023)	376,144
57	22200 · RCEDA Loan Payable	300,000
58	Total Long Term Liabilities	<u>1,033,069</u>
59	Total Liabilities	1,171,385
60	Equity	
61	31010 · Net Investment in Capital Asset	4,091,921
62	31020 · Restricted for Debt Service	233,447
63	31030 · Unrestricted Net Assets	
64	31041 · Reserved for Almond Vault Refur	50,000
65	31030 · Unrestricted Net Assets - Other	921,430
66	Total 31030 · Unrestricted Net Assets	<u>971,430</u>
67	32000 · Retained Earnings	(134,328)
68	32001 · Prior Period Adjustment	2,281,054
69	Net Income	127,288
60	Total Equity	<u>7,570,811</u>
61	TOTAL LIABILITIES & EQUITY	<u><u>8,742,196</u></u>



MEMORANDUM

DATE: January 23, 2018
TO: The Cabazon Water District Board of Directors
FROM: Ellie Lemus, Board Secretary
SUBJ: Lois Ave. – Mr. Jeff Vilarino, Acct. 0212JV, Location No. 4-1310321

Dear Board of Directors,

The following is a statement of facts concerning Mr. Vilarino's account:

- On 12/11/17, the meter was reread due to a high meter reading, and a Blue Tag was left on the premises, notifying the customer of a potential leak. The meter was spinning (indicating a potential leak) when the Tag was left.
- On 1/3/18, the meter was reread. The meter was found to still be spinning, and the property owner was notified that the leak had most likely not yet been repaired.
- On 1/8/18, the meter was reread and still found to be spinning. The property owner was notified.
- On 1/11/18, the meter was reread, and was no longer spinning.
- On 1/16/18, the meter was read one last time, and was found to no longer be spinning. It was noted that new copper piping was installed on the customer's side of the meter.
- The 12/28/17 water bill (which would have been received around the first week of January 2018) was for 11,000 cubic feet of water usage (due to the leak), which came to \$445.41. This is for water usage between approximately 11/9/17 through 12/11/17.
- The January 31, 2018 water bill (which has not yet gone out) will be for 10,100 cubic feet of water usage (also due to the leak), which will come to \$472.83. This is for water usage between approximately 12/11/17 through 1/10/18.
- Interest and penalty (late) charges were applied to the account on 1/22/18, and were \$5.40 and \$36.02, respectively.

Cabazon Water District
14618 Broadway Street
PO Box 297
Cabazon, CA 92230
www.cabazonwater.org

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RESOLUTION NO. 01-2018

**RESOLUTION OF THE BOARD OF DIRECTORS
OF THE CABAZON WATER DISTRICT
ADOPTING THE DISTRICT'S
"WEAPONS & VIOLENCE" POLICY**

WHEREAS, the threat of violence, and more specifically gun-related violence, is a matter of public concern; and

WHEREAS, it is the intent of the District to provide a workplace that is free from weapons and violence; and

WHEREAS, the Board of Directors wishes to adopt a Weapons & Violence policy to make express its intended practice.

NOW THEREFORE, the Board of Directors of the Cabazon Water District does hereby **RESOLVE, DETERMINE, and ORDER** as follows:

1. *Adoption of the Cabazon Water District "Weapons & Violence" Policy.*

The Board of Directors hereby adopts the Weapons & Violence Policy. The policy is attached hereto as Exhibit "A," incorporated herein and made part of this Resolution by reference.

2. *Authorization for Minor Amendments to Exhibit "A".*

The District's General Counsel and General Manager are hereby authorized to make minor amendments to the Weapons & Violence policy without further action by the Board of Directors. Minor amendments include improvements in descriptions, changes in comments, and other non-substantive changes. Substantial amendments such as changes in the Weapons & Violence policy must be presented to the Board of Directors for approval.

3. *Incorporation Into Personnel Manual*

Staff is directed to revise the District's Personnel Manual, upon completion and adoption of such Personnel Manual, to accurately reflect its Weapons & Violence policy.

Adopted at a regular meeting of the Board of Directors held February _____, 2018 by the following roll call vote:

Ayes:
Noes:
Absent:
Abstain:

Robert Lynk, Chair

ATTEST:

Elizabeth Lemus, Secretary

EXHIBIT "A" TO RESOLUTION 01-2018

Weapons & Violence Policy

[Attached]

WEAPONS & VIOLENCE.

1.01.1 *Zero Tolerance.* The District has adopted a “zero tolerance” Policy regarding workplace violence. Consistent with this Policy, acts or threats of physical violence, including intimidation, harassment, or coercion, which involve or affect the District or which occur on District property will not be tolerated. Acts or threats of violence include conduct which is sufficiently severe, offensive, or intimidating to alter the employment conditions at the District or to create a hostile, abusive, or intimidating work environment for one or several District employees.

1.01.2 *Weapons.* Generally, employees and guests shall not carry firearms or any other deadly weapons in District vehicles or on District property. Those who feel that they require personal protection shall discuss same with their supervisor or General Manager. Management will then review the conditions and determine what action, if any, is appropriate.

The general weapons prohibition shall be consistent with the terms of Penal Code section 171b and shall not apply to a duly appointed peace officer or retired peace officer with authorization to carry concealed weapons. Employees who lawfully carry shall comply with all terms of their CCW license and adhere to all other relevant laws. Employees who lawfully carry shall also keep their weapons secured during business hours unless there is a reasonable apprehension of imminent harm.

1.01.3 *Workplace Violence - Definition.* Workplace violence includes, but is not limited to the following:

- (1) All threats or acts of violence occurring on District premises, regardless of the relationship between the District and the parties involved in the incident.
- (2) All threats or acts of violence occurring off the District premises involving someone who is acting in the capacity of a representative of the District.
- (3) All threats or acts of violence occurring off the District premises involving an employee of the District if the threats or acts affect the legitimate interests of the District.
- (4) Any acts or threats resulting in the conviction of an employee or agent of the District, or of an individual performing services for the District on a contract or temporary basis, under any criminal code provision relating to violence or threats of

violence which adversely affect the legitimate interests and goals of the District.

1.01.4 *Specific Examples.* Specific examples of conduct which may be considered threats or acts of violence include, but are not limited to, the following:

- (1) Hitting or shoving an individual.
- (2) Threatening an individual or his or her family, friends, associates, or property with harm.
- (3) The intentional destruction or threat of destruction of District property.
- (4) The intentional damage or destruction or threat of destruction of a co-worker's personal property.
- (5) Harassing or threatening phone calls.
- (6) Harassing surveillance or stalking.
- (7) The suggestion or intimation that violence is appropriate.
- (8) Unauthorized possession or inappropriate use of firearms or weapons.

**SIDE LETTER TO THE 2015-2018 MEMORANDUM OF UNDERSTANDING
BETWEEN
CABAZON WATER DISTRICT
AND
SERVICE EMPLOYEES INTERNATIONAL UNION LOCAL 721**

The Cabazon Water District ("District") and the Service Employees International Union Local 721 ("SEIU") hereby agree to modify the terms of their Memorandum of Understanding ("MOU") dated July 1, 2015 through June 30, 2018 as follows:

1. **Article 1 – Recognition**, shall be modified to provide the following:

The District hereby recognizes SEIU Local 721 as the sole and exclusive bargaining agent for the following classifications:

Customer Service Representative
Customer Accounts Representative
Water Meter Technician I
Field Crew Lead I
Field Crew Worker I
Office Assistant I
Water Technician I
Water Technician II

Should additional classifications be added during the term of this agreement, the District and SEIU Local 721 shall meet to ascertain if added classifications should be included in the bargaining unit.

2. **Article 8 – Work Schedules/Hours**, shall be modified to provide the following:

The work week shall consist of one hundred sixty-eight (168) consecutive hours. The workweek commences at 00:00 AM Monday and runs through 11:59 PM the following Sunday.

The standard work week for office personnel consists of four (4) eight (8) hour days.

The standard work week for field personnel consists of four (4) ten (10) hour days.

Employees may work alternate work schedules upon agreement between the General Manager and the affected employee(s). Examples of alternate work schedules may be an employee working six-and-a-half (6.5) hour days or ten (10) hour days.

District office hours shall be from 8:30 a.m. until 4:30 p.m. Lunches for office employees may be staggered so that the office does not close.

A time card shall be maintained daily by each employee and kept by the Administrative Assistant or designee in the District office.

The General Manager may, at their discretion, alter the term of any employee's working schedules and hours upon two (2) hours' notice.

3. **Article 10 – Overtime**, shall be modified to provide the following:

Employees will be compensated at the rate of time and one-half (1½) their standard hourly wage rate for all hours worked in excess of their normal work day – eight (8) hours for office personnel and ten (10) hours for field personnel – and/or all hours worked in excess of forty (40) hours in a normal work week or as otherwise required by law.

4. **Article 11 – Call-Out Time**, shall be modified to **Article 11 – Standby and Call Out** and provide the following:

A. Standby – The General Manager may assign employees to standby. Being on standby requires the employee to answer the District's 24-hour water emergency phone and respond to a District emergency within one (1) hour.

Each employee assigned to standby to receive incoming calls shall be paid as follows:

- Weekday – One and one-half (1½) hours per weekday. A weekday is a Monday, Tuesday, Wednesday or Thursday, excluding holidays.
- Weekend – Four (4) hours per weekend, excluding holidays. A weekend consists of Friday, Saturday and Sunday.
- Holiday – Two (2) hours per holiday that falls on a Tuesday or Wednesday.
- Holiday Weekend – Eight (8) hours per holiday weekend. A holiday weekend consists of four (4) consecutive days which include Friday, Saturday and Sunday, with the holiday falling on either a Monday or a Thursday.

Standby will be paid at the employee's regular rate of pay. A holiday for the purpose of this article shall mean the holidays designated in Article 23 of this MOU.

B. Call Out - Employees shall be paid a minimum of three (3) hours when being called out to work at other than their regular shift. A call out will be paid at the rate of one and one-half (1½) times the employee's regular rate of pay. Travel mileage per private vehicle will be reimbursed at the current IRS rate.

C. There will be equitable distribution of assignment to standby and/or call out overtime, as long as the employee is properly certified for the nature of the work.

5. Article 26 – Job Related Instruction/Educational Reimbursement, shall be modified to provide the following:

- A. All employees working in the position of Field Crew Worker I shall be required to obtain a minimum of a Grade I Distribution Certificate (D-1) from the State of California within eighteen (18) months of hire. Failure to obtain the minimum certification within eighteen (18) months shall result in termination of employment.
- B. All employees working in the position of Water Technician I shall be required to possess a minimum of a D-1. Each employee must maintain such certification(s) in good standing during the course of employment.
- C. All employees working in the position of Water Technician II and Field Crew Lead I shall be required to possess a minimum of a Grade II Distribution Certificate (D-2) from the State of California. Each employee must maintain such certification(s) in good standing during the course of employment.
- D. The District will provide transportation, or pay mileage at the current IRS rate, to and from the certification class. If the class is during working hours, it will be considered hours worked by the employee.
- E. The District agrees to reimburse the full cost of any course of instruction that they may require of employees, upon successful completion with a passing grade and certification, if applicable. Employees must obtain prior approval of the District before enrolling in any course of instruction.

As a condition of accepting reimbursement to obtain D-1 or D-2 certification, an employee must sign an agreement to continue their employment with the District for a minimum of three (3) years after receiving such funds. In the event the employee separates from district employment prior to the completion of three (3) full years of service, the employee shall be required to return the funds received to the District. The repayment amount will be reduced by one-third (1/3), of the total amount of reimbursement funds received, for each full year of district employment following the receipt of the reimbursement.

- F. Subject to the General Manager's approval and the District's budgetary requirements, employees may be eligible for financial assistance for educational programs, provided that the class taken is job related. Unless expressly required by the District, all classes are voluntary and must be attended on the employee's own time. The General Manager's approval for the class must be obtained prior to class registration.

Upon satisfactory completion of the class, with a grade of "C" or better, the employee must submit receipts, along with a copy of their transcript or other evidence that they successfully completed the course, to the General Manager in order to receive reimbursement

6. Appendix A, shall be modified to provide the following:

Effective February 1, 2018

<u>Position</u>	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>
Customer Service Representative	15.97	16.77	17.61	18.49	19.41
Customer Accounts Representative	21.41	22.48	23.60	24.78	26.02
Water Meter Technician I	12.60	13.23	13.89	14.58	15.31
Field Crew Lead I	26.04	26.56	27.09	27.62	28.18
Field Crew Worker I	16.36	16.69	17.03	17.37	17.71
Office Assistant I	13.36	13.62	13.89	14.17	14.45
Water Technician I	19.63	20.02	20.43	20.83	21.25
Water Technician II	21.27	21.69	22.13	22.57	23.02

7. The District agrees to reclassify the two (2) incumbent field employees (MORGAN and WOLNY), currently classified as a Field Crew Worker I, to a Water Technician II at Step E effective February 19, 2018. Their salary anniversary date shall not change as a result of this reclassification.

Except as modified in this Side Letter, all other terms and conditions shall remain the same in effect as provided.

APPROVED on this 15th day of February 2018:

Cabazon Water District

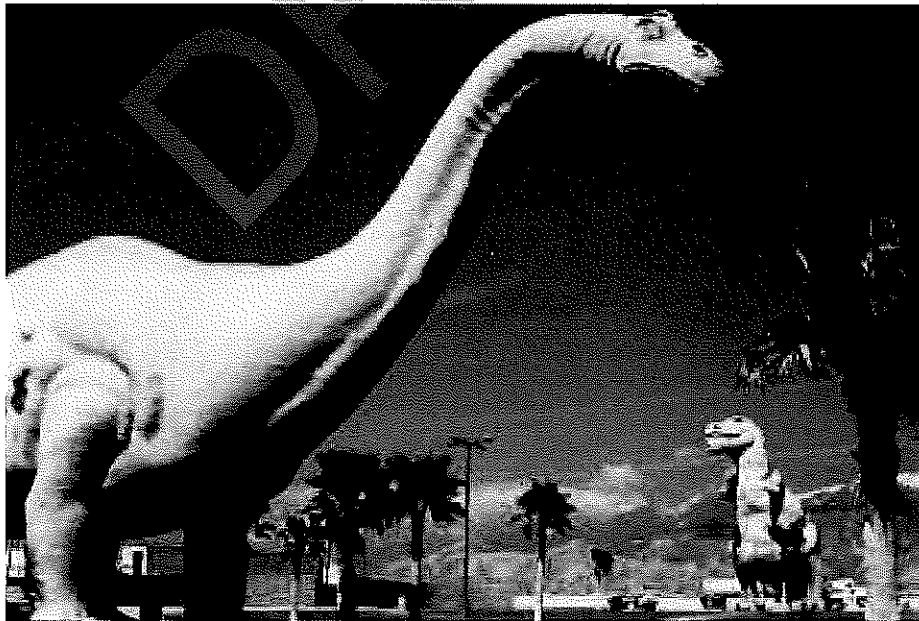
SEIU Local 721

By: _____
Calvin Louie
General Manager

By: W. Thomas
Wendy Thomas
SEIU 721 Chief Negotiator



Cabazon Water District
Annual Financial Report
For the Fiscal Years Ended June 30, 2017 and 2016



Cabazon Water District
Annual Financial Report
For the Fiscal Years Ended June 30, 2017 and 2016

Cabazon Water District
Board of Directors as of June 30, 2017

<u>Name</u>	<u>Title</u>	<u>Elected/ Appointed</u>	<u>Current Term</u>
Robert Lynk	Chair	Elected	12/15-12/17
Alan Davis	Vice Chair	Elected	12/15-12/19
Maxine Israel	Director	Elected	12/15-12/19
Sarah Wargo	Director	Appointed	04/16-12/17
Teresa Bui	Director	Elected	12/13-12/17

Cabazon Water District
Calvin Louie, General Manager
14618 Broadway Street
P.O. Box 297
Cabazon, California 92230
(951) 849-4442

Cabazon Water District
Annual Financial Report
For the Fiscal Years Ended June 30, 2017 and 2016

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**Cabazon Water District
Annual Financial Report
For the Fiscal Years Ended June 30, 2017 and 2016**

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Introductory Section

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December 19, 2017

Board of Directors
Cabazon Water District

Introduction

It is our pleasure to submit the Annual Financial Report for the Cabazon Water District for the fiscal years ended June 30, 2017 and 2016, following guidelines set forth by the Governmental Accounting Standards Board. District staff prepared this financial report. The District is ultimately responsible for both the accuracy of the data and the completeness and the fairness of presentation, including all disclosures in this financial report. We believe that the data presented is accurate in all material respects. This report is designed in a manner that we believe necessary to enhance your understanding of the District's financial position and activities.

This report is organized into two sections: (1) Introductory and (2) Financial. The Introductory section offers general information about the District's organization and current District activities, and reports on a summary of significant financial results. The Financial section includes the Independent Auditor's Report, Management's Discussion and Analysis of the District's basic financial statements, and the District's audited basic financial statements with accompanying notes.

Generally Accepted Accounting Principles (GAAP) require that management provide a narrative introduction, overview and analysis to accompany the financial statements in the form of the Management's Discussion and Analysis (MD&A) section. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately after the Independent Auditor's Report.

District Structure and Leadership

The Cabazon Water District is an independent special district, which operates under the authority of Division 12 of the California Water Code. The District was formed in 1954 and is governed by a five-member Board of Directors, elected at-large from within the District's service area. The General Manager administers the day-to-day operations of the District in accordance with policies and procedures established by the Board of Directors. The District employs one (1) regular employee and five (5) part-time employees organized into two departments. The District's Board of Directors meets each month. Meetings are publicly noticed and citizens are encouraged to attend.

The District provides water service to approximately 1,000 customers within its 7,040 acre service area, located in the eastern portion of Riverside County. The District encompasses the unincorporated town of Cabazon and some of the unincorporated areas of Riverside County, California.

District Services

Residential customers are approximately 97% of the District's customer base and consume approximately 90% of the water produced annually by the District. The District currently has a total of four groundwater wells with a maximum production capacity of 3,160 gallons per minute.

Economic Condition and Outlook

The District office is located in the unincorporated town of Cabazon in Riverside County. Regional growth has been slow to recover from the continuing effects of the economic downturn and the dissolution of Redevelopment Agencies throughout the State.

Internal Control Structure

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

Budgetary Control

The District Board of Directors annually adopts an operating and capital budget prior to the new fiscal year. The budget authorizes and provides the basis for reporting and control of financial operations and accountability for the District's enterprise operations and capital projects. The budget and reporting treatment applied to the District is consistent with the accrual basis of accounting and the financial statement basis.

Investment Policy

The Board of Directors has adopted an investment policy that conforms to state law, District ordinance and resolutions, prudent money management, and the "prudent person" standards. The objective of the Investment Policy is safety, liquidity and yield. District funds are invested in the State Treasurer's Local Agency Investment Fund, and institutional savings and checking accounts.

Water Rates and District Revenues

District policy direction ensures that all revenues from user charges and surcharges generated from District customers must support all District operations including capital project funding. Accordingly, water rates are reviewed on an annual basis. Water rates are user charges imposed on customers for services and are the primary component of the District's revenue. Water rates are composed of a commodity (usage) charge and a fixed meter standby charge.

Audit and Financial Reporting

State Law and debt covenants require the District to obtain an annual audit of its financial statements by an independent certified public accountant. The accounting firm of Fedak & Brown LLP has conducted the audit of the District's financial statements. Their unmodified Independent Auditor's Report appears in the Financial Section.

Other References

More information is contained in the Management’s Discussion and Analysis and the Notes to the Basic Financial Statements found in the Financial Section of the report.

Acknowledgements

Preparation of this report was accomplished by the combined efforts of District staff. We appreciate the dedicated efforts and professionalism that these staff members contribute to the District. We would also like to thank the members of the Board of Directors for their continued support in planning and implementation of the Cabazon Water District’s fiscal policies.

Respectfully submitted,

Calvin Louie
General Manager

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Financial Section

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Independent Auditor's Report

Board of Directors
Cabazon Water District
Cabazon, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Cabazon Water District (District) as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Cabazon Water District, as of June 30, 2017 and 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Independent Auditor's Report, continued

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages 6 through 10 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 audits 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.

Prior Period Restatement

As part of our audit of the June 30, 2017, financial statements, we audited the adjustments described in note 7. An adjustment for capital assets and depreciation expense was applied to restate the June 30, 2016 and 2015, financial statements.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The introductory section on pages 1 through 3, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2017, 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. This report can be found on pages 32 and 33.

Fedak & Brown LLP
Cypress, California
December 19, 2017

Cabazon Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2017 and 2016

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Cabazon Water District (District) provide an introduction to the financial statements of the District for the fiscal years ended June 30, 2017 and 2016. We encourage readers to consider the information presented here in conjunction with the transmittal letter in the Introductory section and with the basic financial statements and related notes, which follow this section.

Financial Highlights

- In fiscal year 2017, the District's net position decreased 1.86% or \$141,047 to \$7,443,523. In fiscal year 2016, the District's net position decreased 1.93% or \$149,311 to \$7,584,570. See note 8 for further discussion.
- In fiscal year 2017, the District's operating revenues increased 5.87% or \$66,481, due primarily to increases of \$44,048 in water consumption sales and \$25,870 in facility fees. In fiscal year 2016, the District's operating revenues decreased 6.13% or \$73,958 due primarily to a decrease of \$79,949 in water consumption sales.
- In fiscal year 2017, the District's operating expenses increased 7.01% or \$71,218, due primarily to an increase of \$125,270 in general and administrative expenses; which was offset by a decrease of \$66,972 in transmission and distribution. In 2016, the District's operating expenses decreased 12.46% or \$144,658, due primarily to a decrease of \$195,403 in transmission and distribution; which was offset by an increase of \$47,169 in general and administrative expenses.

Required Financial Statements

This annual report consists of a series of financial statements. The Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, and Statements of Cash Flows provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies.

The Statements of Net Position include all of the District's investments in resources (assets), deferred outflows of resources, the obligations to creditors (liabilities), and deferred inflows of resources. It also provides the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the years' revenue and expenses are accounted for in the Statements of Revenues, Expenses and Changes in Net Position. These statements measure the success of the District's operations over the past years and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges. These statements can also be used to evaluate profitability and credit worthiness. The final required financial statements are the Statements of Cash Flows, which provide information about the District's cash receipts and cash payments during the reporting period. The Statements of Cash Flows report cash receipts, cash payments, and net changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities, as well as providing answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Financial Analysis of the District

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position report information about the District in a way that helps answer this question. These statements include all assets, deferred outflows, liabilities, and deferred inflows using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

Cabazon Water District
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2017 and 2016

Financial Analysis of the District, continued

These two statements report the District's *net position* and changes in them. One can think of the District's net position (the difference between assets and deferred outflows, and liabilities and deferred inflows), as one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position is one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, zoning and new or changed government legislation, such as changes in Federal and State water quality standards.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 15 through 31.

Statements of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets of the District exceeded liabilities by \$7,443,523 and \$7,584,570 as of June 30, 2017 and 2016, respectively.

By far the largest portion of the District's net assets (88.7% and 88.4% as of June 30, 2017 and 2016, respectively) reflects the District's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are *not* available for future spending.

At the end of fiscal years 2017 and 2016, the District showed a positive balance in its unrestricted net position of \$781,505 and \$819,748. See note 8 for further discussion.

Condensed Statements of Net Position

	<u>2017</u>	<u>As Restated 2016</u>	<u>Change</u>
Assets:			
Current assets	\$ 960,600	1,001,425	(40,825)
Capital assets, net	7,788,246	7,999,364	(211,118)
Total assets	<u>8,748,846</u>	<u>9,000,789</u>	<u>(251,943)</u>
Liabilities:			
Current liabilities	233,783	230,423	3,360
Non-current liabilities	1,071,540	1,185,796	(114,256)
Total liabilities	<u>1,305,323</u>	<u>1,416,219</u>	<u>(110,896)</u>
Net position:			
Net investment in capital assets	6,602,450	6,702,245	(99,795)
Restricted for debt service	59,568	62,577	(3,009)
Unrestricted	781,505	819,748	(38,243)
Total net position	<u>\$ 7,443,523</u>	<u>7,584,570</u>	<u>(141,047)</u>

Cabazon Water District
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2017 and 2016

Statements of Revenues, Expenses and Changes in Net Position

	<u>2017</u>	<u>As Restated 2016</u>	<u>Change</u>
Revenues:			
Operating revenues	\$ 1,199,699	1,133,218	66,481
Non-operating revenues	101,251	89,421	11,830
Total revenues	<u>1,300,950</u>	<u>1,222,639</u>	<u>78,311</u>
Expenses:			
Operating expenses	1,087,732	1,016,514	71,218
Depreciation	328,920	327,617	1,303
Non-operating expenses	25,345	27,819	(2,474)
Total expenses	<u>1,441,997</u>	<u>1,371,950</u>	<u>70,047</u>
Change in net position	(141,047)	(149,311)	8,264
Net position, beginning of year (note 7)	<u>7,584,570</u>	<u>7,733,881</u>	<u>(149,311)</u>
Net position, end of year	<u>\$ 7,443,523</u>	<u>7,584,570</u>	<u>(141,047)</u>

The statements of revenues, expenses, and changes in net position show how the District's net position changed during the fiscal years. In the case of the District, net position decreased by \$141,047 and \$149,311 for the fiscal years ended June 30, 2017 and 2016, respectively.

A closer examination of the sources of changes in net position reveals that:

In fiscal year 2017, the District's net position decreased 1.86% or \$141,047 to \$7,443,523. In fiscal year 2016, the District's net position decreased 1.93% or \$149,311 to \$7,584,570. See note 8 for further discussion.

In fiscal year 2017, the District's operating revenues increased 5.87% or \$66,481, due primarily to increases of \$44,048 in water consumption sales and \$25,870 in facility fees. In fiscal year 2016, the District's operating revenues decreased 6.13% or \$73,958 due primarily to a decrease of \$79,949 in water consumption sales.

In fiscal year 2017, the District's operating expenses increased 7.01% or \$71,218, due primarily to an increase of \$125,270 in general and administrative expenses; which was offset by a decrease of \$66,972 in transmission and distribution. In 2016, the District's operating expenses decreased 12.46% or \$144,658, due primarily to a decrease of \$195,403 in transmission and distribution; which was offset by an increase of \$47,169 in general and administrative expenses.

Cabazon Water District
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2017 and 2016

Capital Asset Administration

At the end of fiscal years 2017 and 2016, the District's investment in capital assets amounted to \$7,788,246 and \$7,999,364 (net of accumulated depreciation), respectively. This investment in capital assets includes land, transmission and distribution systems, wells, tanks, reservoirs, pumps, buildings and structures, equipment, vehicles and construction-in-process, etc. Major capital assets additions during the years include improvements to the transmission and distribution system and source of supply, and purchase of vehicles.

Changes in capital assets for 2017 were as follows:

	<u>Balance 2016</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2017</u>
Capital assets:				
Non-depreciable assets	\$ 712,335	66,062	-	778,397
Depreciable assets	11,987,765	51,740	-	12,039,505
Accumulated depreciation	<u>(4,700,736)</u>	<u>(328,920)</u>	<u>-</u>	<u>(5,029,656)</u>
Total capital assets, net	<u>\$ 7,999,364</u>	<u>(211,118)</u>	<u>-</u>	<u>7,788,246</u>

Changes in capital assets for 2016 were as follows:

	<u>Balance 2015</u>	<u>Additions/ Transfers</u>	<u>Transfers/ Deletions</u>	<u>Balance 2016</u>
Capital assets:				
Non-depreciable assets	\$ 779,026	13,094	(79,785)	712,335
Depreciable assets	11,820,917	190,358	(23,510)	11,987,765
Accumulated depreciation	<u>(4,396,629)</u>	<u>(327,617)</u>	<u>23,510</u>	<u>(4,700,736)</u>
Total capital assets, net	<u>\$ 8,203,314</u>	<u>(124,165)</u>	<u>(79,785)</u>	<u>7,999,364</u>

Debt Administration

Changes in long-term debt in 2017 were as follows:

	<u>Balance 2016</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 2017</u>
Long-term debt:				
Loans payable	\$ 1,297,119	-	(111,323)	1,185,796
Total loans payable	<u>\$ 1,297,119</u>	<u>-</u>	<u>(111,323)</u>	<u>1,185,796</u>

Changes in long-term debt in 2016 were as follows:

	<u>Balance 2015</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 2016</u>
Long-term debt:				
Loans payable	\$ 1,405,507	-	(108,388)	1,297,119
Total loans payable	<u>\$ 1,405,507</u>	<u>-</u>	<u>(108,388)</u>	<u>1,297,119</u>

Cabazon Water District
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2017 and 2016

Conditions Affecting Current Financial Position

Management is unaware of any conditions which could have a significant impact on the District's current financial position, net position or operating results in terms of past, present and future.

Requests for Information

This financial report is designed to provide the District's funding sources, customers, stakeholders and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District's General Manager at 14618 Broadway Street, P.O. Box 297, Cabazon, California 92230.

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Basic Financial Statements

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**Cabazon Water District
Statements of Net Position
June 30, 2017 and 2016**

	<u>2017</u>	<u>As Restated 2016</u>
Current assets:		
Cash and cash equivalents (note 2)	\$ 583,024	652,260
Cash and cash equivalents – restricted (note 2)	59,568	62,577
Accrued interest receivable	812	812
Accounts receivable – water sales, net (note 3)	201,986	175,058
Property taxes and assessments receivable	14,870	13,205
Materials and supplies inventory	80,438	87,158
Prepaid and other assets	19,902	10,355
Total current assets	<u>960,600</u>	<u>1,001,425</u>
Non-current assets:		
Capital assets – non-depreciable assets (note 4)	778,397	712,335
Capital assets – depreciable assets, net (note 4)	7,009,849	7,287,029
Total non-current assets	<u>7,788,246</u>	<u>7,999,364</u>
Total assets	<u>8,748,846</u>	<u>9,000,789</u>
Current liabilities:		
Accounts payable and accrued expenses	66,385	76,693
Accrued wages and related payables	6,723	5,186
Customer advances and deposits	30,169	12,168
Accrued interest payable on long-term debt	5,980	6,708
Long-term liabilities – due within one year:		
Compensated absences (note 5)	10,270	18,345
Loans payable (note 6)	114,256	111,323
Total current liabilities	<u>233,783</u>	<u>230,423</u>
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Loans payable (note 6)	1,071,540	1,185,796
Total non-current liabilities	<u>1,071,540</u>	<u>1,185,796</u>
Total liabilities	<u>1,305,323</u>	<u>1,416,219</u>
Net position: (note 8)		
Net investment in capital assets	6,602,450	6,702,245
Restricted	59,568	62,577
Unrestricted	781,505	819,748
Total net position	<u>\$ 7,443,523</u>	<u>7,584,570</u>

See accompanying notes to the basic financial statements

Cabazon Water District
Statements of Revenues, Expenses and Changes in Net Position
For the Fiscal Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>As Restated 2016</u>
Operating revenues:		
Water consumption sales	\$ 1,022,111	978,063
Connection fees	2,549	2,975
Standby fees	111,171	113,639
Facility fees	27,680	1,810
Other charges	36,188	36,731
Total operating revenues	<u>1,199,699</u>	<u>1,133,218</u>
Operating expenses:		
Pumping and water treatment	128,453	115,630
Transmission and distribution	64,446	131,418
Customer accounts	46,233	46,136
General and administrative	848,600	723,330
Total operating expenses	<u>1,087,732</u>	<u>1,016,514</u>
Operating income before depreciation and amortization	111,967	116,704
Depreciation	(328,920)	(327,617)
Operating loss	<u>(216,953)</u>	<u>(210,913)</u>
Non-operating revenue (expense)		
Property taxes	64,633	59,157
Rental income – cellular antennas	25,608	23,139
Investment earnings	10,806	7,125
Interest expense – long-term debt	(25,345)	(28,300)
Other non-operating revenue (expense), net	204	481
Total non-operating revenues, net	<u>75,906</u>	<u>61,602</u>
Change in net position	<u>(141,047)</u>	<u>(149,311)</u>
Net position, beginning of year (note 7)	<u>7,584,570</u>	<u>7,733,881</u>
Net position, end of year	<u>\$ 7,443,523</u>	<u>7,584,570</u>

See accompanying notes to the basic financial statements

**Cabazon Water District
Statements of Cash Flows
For the Fiscal Years Ended June 30, 2017 and 2016**

	2017	As Restated 2016
Cash flows from operating activities:		
Cash receipts from customers for water sales	\$ 1,079,601	1,012,214
Proceeds from standby fees	111,171	113,639
Cash paid to employees for salaries and wages	(281,199)	(205,982)
Cash paid to vendors and suppliers for materials and services	(826,002)	(934,267)
Net cash (used in)provided by operating activities	83,571	(14,396)
Cash flows from non-capital financing activities:		
Proceeds from rental income – cellular antennas	25,608	23,139
Proceeds from property taxes	62,968	64,629
Net cash provided by non-capital financing activities	88,576	87,768
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(117,802)	(123,667)
Principal paid on long-term debt	(111,323)	(108,388)
Interest paid on long-term debt	(26,073)	(29,007)
Net cash used in capital and related financing activities	(255,198)	(261,062)
Cash flows from investing activities:		
Interest earnings	10,806	6,788
Net cash provided by investing activities	10,806	6,788
Net decrease in cash and cash equivalents	(72,245)	(180,902)
Cash and cash equivalents, beginning of year	714,837	895,739
Cash and cash equivalents, end of year	\$ 642,592	714,837
Reconciliation of cash and cash equivalents to statements of financial position:		
Cash and cash equivalents	\$ 583,024	652,260
Cash and cash equivalents – restricted	59,568	62,577
Total cash and cash equivalents	\$ 642,592	714,837

Continued on next page

See accompanying notes to the basic financial statements

Cabazon Water District
Statements of Cash Flows, continued
For the Fiscal Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>As Restated 2016</u>
Reconciliation of operating income(loss) to net cash provided by operating activities:		
Operating income(loss)	\$ <u>(216,953)</u>	<u>(210,913)</u>
Adjustments to reconcile operating income(loss) to net cash provided by operating activities:		
Depreciation	328,920	327,617
Other non-operating	204	481
Changes in assets and liabilities:		
(Increase)decrease in assets:		
Accounts receivable – water sales and services, net	(26,928)	(7,791)
Materials and supplies inventory	6,720	15,895
Prepaid and other assets	(9,547)	617
Increase(decrease) in liabilities:		
Accounts payable and accrued expenses	(10,308)	(147,702)
Accrued wages and related payables	1,537	1,218
Compensated absences	(8,075)	5,756
Customer advances and deposits	18,001	426
Total adjustments	<u>300,524</u>	<u>196,517</u>
Net cash provided by operating activities	<u>\$ 83,571</u>	<u>(14,396)</u>

See accompanying notes to the basic financial statements

Cabazon Water District
Notes to the Financial Statements
For the Fiscal Years Ended June 30, 2017 and 2016

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

The Cabazon Water District (District) was formed on May 21, 1954, and provides potable water and water services within a 7,040 acre service area between the cities of Beaumont and Palm Springs within the County of Riverside. The District is governed by a five-member Board of Directors who serves four year terms.

B. Basis of Accounting and Measurement Focus

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs of providing water to its service area on a continuing basis be financed or recovered primarily through user charges (water sales), capital grants and similar funding. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

Operating revenues and expenses, such as water sales and water purchases, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Management, administration, and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses.

C. Financial Reporting

In June 2015, the GASB issued Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness or information about postemployment benefits other than pensions (other postemployment benefits of OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

This Statement replaces Statements No. 43 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57 – *OPEB Measurements by Agent Employers and Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25 – *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No.50 – *Pension Disclosures*.

In August 2015, the GASB issued Statement No. 77 – *Tax Abatement Disclosures*. The objective of this Statement is to improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Financial statement users need information about certain limitations on a government's ability to raise resources. This includes limitations on revenue-raising capacity resulting from governmental programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens. Tax abatements are widely used by state and local governments, particularly to encourage economic development.

Cabazon Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2017 and 2016

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

C. Financial Reporting, continued

In December 2015, the GASB issued Statement No. 78 – *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that meet certain criteria.

In January 2016, the GASB issued Statement No. 80 – *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*. The objective of this statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member.

In March 2016, the GASB issued Statement No. 82 – *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position

1. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, and disclosures of contingent assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the date of the financial statements and the reported changes in net position during the reporting period. Actual results could differ from those estimates.

2. Cash and Cash Equivalents

Substantially all of the District's cash is invested in interest bearing accounts. The District considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

3. Investments

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

Cabazon Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2017 and 2016

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

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

4. Fair Value Measurement and Application

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset, as follows:

Level 1 – Valuations based on quoted prices in active markets for identical assets.

Level 2 – Valuation based on directly observable and indirectly observable inputs. These inputs are derived principally from or corroborated by observable market data through correlation or market-corroborated inputs. The concept of market-corroborated inputs incorporates observable market data such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 – Valuation based on unobservable inputs where assumptions are made based on factors such as prepayment rates, probability of defaults, loss severity and other assumptions that are internally generated and cannot be observed in the market.

5. Accounts Receivable and Allowance for Uncollectible Accounts

The District extends credit to customers in the normal course of operations. When management deems customer accounts uncollectible, the District uses the allowance method for the reservation and write-off of those accounts.

6. Property Taxes and Assessments

The County of Riverside Assessor's Office assesses all real and personal property within the County each year. The County of Riverside Tax Collector's Office bills and collects the District's share of property taxes and assessments. In 1993, the County adopted the alternative method of secured property tax apportionment available under Chapter 3, Part 8, Division 1 (commencing section 4701) of the Revenue and Taxation Code of the State (also known as the "Teeter Plan"). This alternative method provides for funding each taxing entity included in the Teeter Plan with its total secured property taxes during the year the taxes are levied, including any amount uncollected at fiscal year-end. Under this plan, the County assumes an obligation under a debenture or similar demand obligation to advance funds to cover expected delinquencies, and by such financing, Cabazon Water District receives the full amount of secured property taxes levied each year and, therefore, no longer experiences delinquent taxes. Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countywide assessed valuations.

Property taxes receivable at year-end are related to property taxes collected by the County of Riverside, which have not been credited to the District's cash balance as of June 30. The property tax calendar is as follows:

Lien date	March 1
Levy date	July 1
Due dates	November 1 and March 1
Collection dates	December 10 and April 10

Cabazon Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2017 and 2016

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

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

7. Materials and Supplies Inventory

Materials and supplies inventory consists primarily of water meters, and pipes and pipefittings for construction and repair to the District's water transmission and distribution system. Inventory is valued at cost using a first-in, first-out cost method. Inventory items are charged to expense at the time that individual items are withdrawn from inventory or consumed.

8. Prepaid Expenses

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in the basic financial statements.

9. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at \$1,000. Donated assets are recorded at estimated fair market value at the date of donation. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

- Transmission and distribution mains – 15 to 40 years
- Reservoirs and tanks – 10 to 40 years
- Wells – 10 to 30 years
- Buildings and structures – 5 to 40 years
- Office furniture and equipment – 5 to 10 years
- Tools and equipment – 7 to 20 years
- Vehicles – 5 years

10. Compensated Absences

The District's policy is to permit employees to accumulate earned vacation up to a total of 240 hours with amounts exceeding the limit being paid out as part of the employee's regular compensation. Upon termination of employment, employees are paid all unused vacation and 50% of any unused sick time for non-exempt employees

11. Net Position

The District follows the financial reporting requirements of the GASB and reports net position under the following classifications:

- *Net Investment in Capital Assets Component of Net Position* – This component of net position consists of capital assets, net of accumulated depreciation, and reduced by any debt outstanding against the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position
- *Restricted Component of Net Position* – This component of net position consists of assets that have restrictions placed upon their use by external constraints imposed either by creditors (debt covenants), grantors, contributors, or laws and regulations of other governments or constraints imposed by law through enabling legislation.

Cabazon Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2017 and 2016

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

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

- *Unrestricted Component of Net Position* – This component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the net investment in capital assets or restricted component of net position.

12. Water Sales

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

13. Budgetary Policies

The District adopts an annual non-appropriated budget for planning, control, and evaluation purposes. Budgetary control and evaluation are affected by comparisons of actual revenues and expenses with planned revenues and expenses for the period. Encumbrance accounting is not used to account for commitments related to unperformed contracts for construction and services.

(2) Cash and Investments

Cash and investments as of June 30, are classified in the accompanying financial statements as follows:

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 583,024	652,260
Cash and cash equivalents – restricted	59,568	62,577
Total	<u>\$ 642,592</u>	<u>714,837</u>

Cash and investments as of June 30, consist of the following:

	<u>2017</u>	<u>2016</u>
Cash on hand	\$ 100	100
Deposits with bank	226,605	220,825
Investments	415,887	493,912
Total	<u>\$ 642,592</u>	<u>714,837</u>

As of June 30, the District's authorized deposits had the following maturities:

	<u>2017</u>	<u>2016</u>
Deposits in California Local Agency Investment Fund (LAIF)	194 days	167 days

Cabazon Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2017 and 2016

(2) Cash and Investments, continued

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

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury obligations	5 years	None	None
Federal agency and bank obligations	5 years	None	None
Certificates-of-deposit (negotiable or placed)	5 years	30%	10%
Commercial paper (prime)	270 days	10%	10%
Money market mutual funds	N/A	20%	None
State and local bonds, notes and warrants	N/A	None	None
California Local Agency Investment Fund (LAIF)	N/A	None	None

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies.

Of the bank balances, up to \$250,000 as of June 30, 2017 and 2016, is federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. 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.

Cabazon Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2017 and 2016

(2) Cash and Investments, continued

Investment in State Investment Pool, continued

The District's deposit and withdrawal restrictions and limitations are as follows:

- Same day transaction processing occurs for orders received before 10:00 a.m.
- Next day transactions processing occurs for orders received after 10:00 a.m.
- Maximum limit of 15 transactions (combination of deposits and withdrawals) per month.
- Minimum transaction amount requirement of \$5,000, in increments of \$1,000.
- Withdrawals of \$10,000,000 or more require 24 hours advance.
- Prior to funds transfer, an authorized person must call LAIF to do a verbal transaction.

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. One of the ways that the District can manage its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio matures or comes close to maturity evenly over time as necessary to provide for cash flow requirements and liquidity needed for operations.

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

Maturities of investments at June 30, 2017, consisted of the following:

<u>Investment Type</u>	<u>Total</u>	<u>Remaining maturity 12 months or less</u>
Local Agency Investment Fund (LAIF)	\$ 356,319	356,319
Held by bond trustee:		
Money market funds	59,568	59,568
	<u>\$ 415,887</u>	<u>415,887</u>

Maturities of investments at June 30, 2016, consisted of the following:

<u>Investment Type</u>	<u>Total</u>	<u>Remaining maturity 12 months or less</u>
Local Agency Investment Fund (LAIF)	\$ 431,335	431,335
Held by bond trustee:		
Money market funds	62,577	62,577
	<u>\$ 493,912</u>	<u>493,912</u>

Cabazon Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2017 and 2016

(2) Cash and Investments, continued

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

Credit ratings of investments as of June 30, 2017, were as follows:

<u>Investment Type</u>	<u>Total</u>	<u>Minimum legal rating</u>	<u>Rating as of year-end AAA</u>	<u>Not Rated</u>
Local Agency Investment Fund (LAIF)	\$ 356,319	N/A	-	356,319
Held by bond trustee:				
Money market funds	59,568	AAA	59,568	-
	<u>\$ 415,887</u>		<u>59,568</u>	<u>356,319</u>

Credit ratings of investments as of June 30, 2016, were as follows:

<u>Investment Type</u>	<u>Total</u>	<u>Minimum legal rating</u>	<u>Rating as of year-end AAA</u>	<u>Not Rated</u>
Local Agency Investment Fund (LAIF)	\$ 431,335	N/A	-	431,335
Held by bond trustee:				
Money market funds	62,577	AAA	62,577	-
	<u>\$ 493,912</u>		<u>62,577</u>	<u>431,335</u>

Concentration of Credit Risk

The District's investment policy contains no limitations on the amounts that can be invested in any one issuer as beyond that stipulated by the California Government Code. There were no investments in any one issuer (other than for U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District's investments as of June 30, 2017 and 2016.

(3) Accounts Receivable

The balance at June 30 consists of the following:

	<u>2017</u>	<u>2016</u>
Accounts receivable - water sales and services	\$ 232,902	203,694
Allowance for uncollectible accounts	(30,916)	(28,636)
	<u>\$ 201,986</u>	<u>175,058</u>

Cabazon Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2017 and 2016

(4) Capital Assets

Changes in capital assets for 2017 were as follows:

	<u>As Restated</u> <u>Balance</u> <u>2016</u>	<u>Additions/</u> <u>Transfers</u>	<u>Deletions/</u> <u>Transfers</u>	<u>Balance</u> <u>2017</u>
Non-depreciable assets:				
Land	\$ 689,548	-	-	689,548
Construction-in-process	22,787	66,062	-	88,849
Total non-depreciable assets	<u>712,335</u>	<u>66,062</u>	<u>-</u>	<u>778,397</u>
Depreciable assets:				
Transmission and distribution mains	10,173,269	-	-	10,173,269
Source of supply	1,519,523	21,965	-	1,541,488
Tools and equipment	118,016	5,303	-	123,319
Buildings and structures	12,281	-	-	12,281
Office furniture and equipment	63,188	8,620	-	71,808
Vehicles	90,456	15,852	-	106,308
Intangible plant	11,032	-	-	11,032
Total depreciable assets	<u>11,987,765</u>	<u>51,740</u>	<u>-</u>	<u>12,039,505</u>
Accumulated depreciation:				
Transmission and distribution mains	(4,052,856)	(248,238)	-	(4,301,094)
Source of supply	(381,538)	(67,928)	-	(449,466)
Tools and equipment	(115,838)	(2,835)	-	(118,673)
Buildings and structures	(3,881)	(744)	-	(4,625)
Office furniture and equipment	(46,547)	(5,608)	-	(52,155)
Vehicles	(89,156)	(3,455)	-	(92,611)
Intangible plant	(10,920)	(112)	-	(11,032)
Total accumulated depreciation	<u>(4,700,736)</u>	<u>(328,920)</u>	<u>-</u>	<u>(5,029,656)</u>
Total depreciable assets, net	<u>7,287,029</u>	<u>(277,180)</u>	<u>-</u>	<u>7,009,849</u>
Total capital assets, net	<u>\$ 7,999,364</u>			<u>7,788,246</u>

Major capital assets additions during the year include improvements to the source of supply and vehicles. See note 7 for further discussion.

Cabazon Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2017 and 2016

(4) Capital Assets, continued

Changes in capital assets for 2016 were as follows:

	<u>As Restated Balance 2015</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>As Restated Balance 2016</u>
Non-depreciable assets:				
Land	\$ 689,548	-	-	689,548
Construction-in-process	89,478	13,094	(79,785)	22,787
Total non-depreciable assets	<u>779,026</u>	<u>13,094</u>	<u>(79,785)</u>	<u>712,335</u>
Depreciable assets:				
Transmission and distribution mains	10,087,650	109,129	(23,510)	10,173,269
Source of supply	1,448,564	70,959	-	1,519,523
Tools and equipment	118,016	-	-	118,016
Buildings and structures	10,623	1,658	-	12,281
Office furniture and equipment	54,576	8,612	-	63,188
Vehicles	90,456	-	-	90,456
Intangible plant	11,032	-	-	11,032
Total depreciable assets	<u>11,820,917</u>	<u>190,358</u>	<u>(23,510)</u>	<u>11,987,765</u>
Accumulated depreciation:				
Transmission and distribution mains	(3,829,327)	(247,039)	23,510	(4,052,856)
Source of supply	(313,650)	(67,888)	-	(381,538)
Tools and equipment	(113,460)	(2,378)	-	(115,838)
Buildings and structures	(3,381)	(500)	-	(3,881)
Office furniture and equipment	(41,761)	(4,786)	-	(46,547)
Vehicles	(84,380)	(4,776)	-	(89,156)
Intangible plant	(10,670)	(250)	-	(10,920)
Total accumulated depreciation	<u>(4,396,629)</u>	<u>(327,617)</u>	<u>23,510</u>	<u>(4,700,736)</u>
Total depreciable assets, net	<u>7,424,288</u>	<u>(137,259)</u>	<u>-</u>	<u>7,287,029</u>
Total capital assets, net	<u>\$ 8,203,314</u>			<u>7,999,364</u>

Major capital assets additions during the year include improvements to the transmission and distribution system and source of supply. See note 7 for further discussion.

(5) Compensated Absences

The changes in compensated absences balances at June 30 were as follows:

	<u>Balance 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 2017</u>
\$	<u>18,345</u>	<u>18,116</u>	<u>(26,191)</u>	<u>10,270</u>
	<u>Balance 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 2016</u>
\$	<u>12,589</u>	<u>18,077</u>	<u>(12,321)</u>	<u>18,345</u>

Cabazon Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2017 and 2016

(6) Long-Term Debt

Changes in long-term debt in 2017 were as follows:

	<u>2016</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>Balance 2017</u>
1993 Calif. Dept. of Water Resources Loan - E58416	\$ 430,499	-	(36,261)	394,238
Zions First National Bank	566,620	-	(75,062)	491,558
Riverside County Economic Development Agency	300,000	-	-	300,000
Total long-term debt	1,297,119	-	(111,323)	1,185,796
Less current portion	(111,323)			(114,256)
Total non-current	\$ 1,185,796			1,071,540

Changes in long-term debt in 2016 were as follows:

	<u>2015</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>2016</u>
1993 Calif. Dept. of Water Resources Loan - E58416	\$ 465,660	-	(35,161)	430,499
Zions First National Bank	639,847	-	(73,227)	566,620
Riverside County Economic Development Agency	300,000	-	-	300,000
Total long-term debt	1,405,507	-	(108,388)	1,297,119
Less current portion	(108,388)			(111,323)
Total non-current	\$ 1,297,119			1,185,796

1993 California Dept. of Water Resources Loan – E58416

In 1993 the Cabazon Water District contracted with the California Department of Water Resources for a \$979,860, 30-year loan under the 1984 California Safe Drinking Water Bond Law to fund capital improvements in order to comply with the California Safe Drinking Water Standards. Terms of the loan call for monthly debt service deposits by the District with a trustee. Principal and interest payments of \$24,346 are payable semi-annually on October 1st and April 1st each year at a rate of 2.955%, with the obligation maturing in 2027. Annual debt service requirements on the 1993 California Dept. of Water Resources Loan are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 37,314	11,377	48,691
2019	38,425	10,266	48,691
2020	39,550	9,141	48,691
2021	40,763	7,928	48,691
2022	41,959	6,732	48,691
2023-2027	196,227	14,291	210,518
Total	394,238	59,735	453,973
Current	(37,314)		
Non-current	\$ 356,924		

Cabazon Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2017 and 2016

(6) Long-Term Debt, continued

Zions First National Bank

In 2013, the Cabazon Water District entered into a loan agreement with Zions First National Bank in the amount of \$787,309 to refinance the 1993 California Dept. of Water Resources Loan – E62039, and provide funding for the construction and upgrade of District transmission mains. Terms of the loan call for semi-annual debt service payments of principal and interest payable on April 1st and October 1st of each year at a rate of 2.49%, maturing in 2023. Annual debt service requirements on the loan are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 76,942	11,761	88,703
2019	78,870	9,833	88,703
2020	80,846	7,857	88,703
2021	82,872	5,831	88,703
2022	84,948	3,755	88,703
2023	87,080	1,623	88,703
Total	491,558	40,660	532,218
Current	(76,942)		
Non-current	\$ 414,616		

Riverside County Economic Development Agency

In 1997, the Cabazon Water District contracted with the Riverside County Economic Development Agency for a \$300,000 loan to construct water improvements, in conjunction with MKA Cabazon Partnership Construction Agreement. The agreement calls for a zero interest loan with funds to be repaid with connection fees as development occurs. The unpaid balance has been classified as long-term as no connections are anticipated in 2017.

(7) Restatement of Net Position

Capital Assets

In fiscal year 2012, the District did not recognized capital assets contributed to the District. As a result, the District recorded a prior period adjustment to net position in the amount of \$2,455,000.

The effects of the restatement are summarized as follows:

Net position as of June 30, 2015, as previously stated	\$ 5,278,881
Effect of adjustment to capital assets – non-depreciable	280,000
Effect of adjustment to capital assets, net	<u>2,175,000</u>
Net position as of June 30, 2015, as restated	<u>\$ 7,733,881</u>

Cabazon Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2017 and 2016

(8) Net Position

Calculation of net position as of June 30 were as follows:

	<u>2017</u>	<u>2016</u>
Net investment in capital assets:		
Capital assets, net	\$ 7,788,246	7,999,364
Loans payable – current portion	(114,256)	(111,323)
Loans payable – non-current portion	<u>(1,071,540)</u>	<u>(1,185,796)</u>
Total net investment in capital assets	<u>6,602,450</u>	<u>6,702,245</u>
Restricted:		
Cash and cash equivalents – restricted	<u>59,568</u>	<u>62,577</u>
Total restricted	<u>59,568</u>	<u>62,577</u>
Unrestricted:		
Non-spendable unrestricted net position:		
Materials and supplies inventory	80,438	87,158
Prepaid and other assets	<u>19,902</u>	<u>10,355</u>
Total non-spendable unrestricted net position	<u>100,340</u>	<u>97,513</u>
Spendable unrestricted net position is designated as follows:		
Operating reserve	<u>681,165</u>	<u>722,235</u>
Total spendable unrestricted net position	<u>681,165</u>	<u>722,235</u>
Total unrestricted net position	<u>781,505</u>	<u>819,748</u>
Total net position	<u>\$ 7,443,523</u>	<u>7,584,570</u>

(9) Defined Benefit Pension Plan

The District provides pension benefits to all covered employees under the Collective Bargaining Agreement to the Service Employees International Union National Industry Pension Fund. The District's contribution is based on 15% of gross wages. The District's contributions to the Plan were \$52,127 and \$40,565 at June 30, 2017 and 2016, respectively.

(10) Deferred Compensation Savings Plan

In 2003, as amended in 2008, the District offered a Profit Sharing 401(a) Plan (Plan), to qualified employees. Participation in the Plan is open to employees who do not meet the eligibility requirements for pension benefits under the terms of a separate collective bargaining agreement. At June 30, 2017 and 2016, the Plan included two participants, respectively. The market value of all assets held in trust by the District's 401(a) Plan at June 30, 2017 and 2016, amounted to \$146,940 and \$104,577, respectively.

Cabazon Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2017 and 2016

(11) 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 insured for a variety of potential exposures. The following is a summary of the insurance policies carried by the District as of June 30, 2017:

- Property: Blanket limit of \$6,058,000 with a \$1,000 deductible per incident.
- Bodily injury and property damage: \$1,000,000 per occurrence and \$3,000,000 in the aggregate.
- Personal and advertising injury: \$1,000,000 per person or organization and \$3,000,000 in the aggregate.
- Professional liability: \$1,000,000 per claim and \$3,000,000 in the aggregate.
- Wrongful acts: \$1,000,000 per claim and \$3,000,000 in the aggregate with a \$1,000 deductible.
- Employment practices liability: \$1,000,000 per claim and \$3,000,000 in the aggregate.
- Employee benefits liability: \$1,000,000 per person and \$3,000,000 in the aggregate.
- Automobile: \$1,000,000 per occurrence with a \$1,000,000 combined single limit.
- Crime coverage: \$5,000 to \$250,000 limits per occurrence varying by type of infraction.
- Excess liability: \$4,000,000 employer's liability excluded.

(12) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the issue date, that has effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 75

In June 2015, the GASB issued Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

This Statement replaces the requirements of Statement No. 45 – *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57 – *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2017. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 81

In March 2016, the GASB issued Statement No. 81 – *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

Cabazon Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2017 and 2016

(12) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 81, continued

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively.

Governmental Accounting Standards Board Statement No. 83

In November 2016, the GASB issued Statement No. 83 – *Certain Asset Retirement Obligations*. This Statement (1) addresses accounting and financial reporting for certain asset retirement obligations (AROs), (2) establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs, (3) requires that recognition occur when the liability is both incurred and reasonably estimable, (4) requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred, (5) requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually, and (6) requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 84

In January 2017, the GASB issued Statement No. 84 – *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

Cabazon Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2017 and 2016

(12) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 85

In March 2017, the GASB issued Statement No. 85 – *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 86

In May 2017, the GASB issued Statement No. 86 – *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 87

In June 2017, the GASB issued Statement No. 87 – *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

(13) Commitments and Contingencies

Grant Awards

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

Litigation

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

Cabazon Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2017 and 2016

(14) Subsequent Events

Events occurring after June 30, 2017, have been evaluated for possible adjustment to the financial statements or disclosure as of December 19, 2017, which is the date the financial statements were available to be issued.

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Report on Internal Controls and Compliance

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**Independent Auditor's Report on Internal Controls Over Financial Reporting
And on Compliance and Other Matters Based on the Audits of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Board of Directors
Cabazon Water District
Cabazon, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Cabazon Water District (District), as of and for the years June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 19, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

**Independent Auditor's Report on Internal Controls Over Financial Reporting
And on Compliance and Other Matters Based on the Audits of Financial Statements
Performed in Accordance with *Government Auditing Standards, continued***

Purpose of this Report

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

Fedak & Brown LLP
Cypress, California
December 19, 2017

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2018 QUICK VIEW PROGRAM



TUESDAY, APRIL 24

	WATER 1	WATER 2	WASTEWATER	REGULATORY	MANAGEMENT
7-8:00					
8-9:00	MANDATORY OPENING SESSION/BREAKFAST (W1)				
9-10:00	Keith Jones (Utility Service Group) 3 SWRCB Contact Hours (W2)	Sampling A&B- Understanding Lab Methods Sims (CRWA) 3 SWRCB Contact Hours (W3)	Rules & Responsibilities of a Certified Operator CRWA 3 SWRCB Contact Hours (WW1)	Funding SWRCB 3 SWRCB Contact Hours (R1)	Managing Insurance Risks Glatfelter I 2 SWRCB Contact Hours I (M1)
10-11:00					Robins Borghel, LLC I 1 SWRCB Contact Hour I Todd Robbins I (M2)
11-12:00					
12-1:00	LUNCH				
1-2:00	Leak Detection Michael Sima (CRWA) And Kamstrup Water Metering 4 SWRCB Contact Hours (W4)	CCR's Deb Skelton (CRWA) 4 SWRCB Contact Hours (W5)	Sanitary SSMP CRWA 2 CEWA Contact Hours I (WW2)	Arsenic Awareness AdEdge 4 SWRCB Contact Hours (R2)	Funding Fair Jeff Ortmeier & John Wendele (CRWA) 4 SWRCB Contact Hours (M3)
2-3:00			Smoke Testing Pat Conway (CRWA) 2 CEWA Contact Hours (WW3)		
3-4:00					
4-5:00					
5-6:00	ANNUAL MEETING				
6-9:00	ANNUAL AWARDS BANQUET				

WEDNESDAY, APRIL 25

	WATER 1	WATER 2	WASTEWATER	REGULATORY	MANAGEMENT
7-8:00	Intermediate Math I Cian Reger (CRWA) 1 SWRCB Contact Hour I (W6)	Intermediate Math I Cian Reger (CRWA) 1 SWRCB Contact Hour I (W7)			
8-9:00	BREAKFAST				
10-11:00	John Schwartz (USABB) 3 SWRCB Contact Hours (W8)	SCS Engineers I Chuck Houser 3 SWRCB Contact Hours (W9)	Activated Sludge Michael Lane 3 CEWA Contact Hours (WW4)	Ten Most Common Pitfalls - Keith Jones (Utility Service Group) 3 SWRCB Contact Hours I (R3)	Lagerlof, Sencal, Gosney & Kruse, LLP 3 SWRCB Contact Hours (M4)
10-11:00					
11-12:00					
12-1:00	LUNCH WITH EXHIBITORS				
1-5:00	EXHIBITOR HOURS, RAFFLE AND RECEPTION				

THURSDAY, APRIL 26

	WATER 1	WATER 2	WASTEWATER	REGULATORY	MANAGEMENT
7-8:00	Advanced Math I Cian Reger (CRWA) 1 SWRCB Contact Hour I (W10)	Advanced Math I Cian Reger (CRWA) 1 SWRCB Contact Hour I (W11)			
8-9:00	BREAKFAST				
9-10:00	Diagnosing & Solving Well Problems Tom Ballard (Hydrogeological Assoc., Inc.) 3 SWRCB Contact Hours (W12)	Basic SCADA Controls XIO, Inc. 3 SWRCB Contact Hours (W13)	Pumps & Motors John McClain (Resource Development) 3 SWRCB Contact Hours (WW5)	CIP - Comprehensive Planning Class (Resource Development) 3 SWRCB Contact Hours (R4)	Rates & Rate Structures Dan DeMoss (CRWA) 4 SWRCB Contact Hours (M5)
10-11:00					
11-12:00					
12-1:00	LUNCH				
1-2:00	Sanitary Survey John Wendele (CRWA) 3 SWRCB Contact Hours (W14)	Chlorine Disinfection (CRWA) 3 SWRCB Contact Hours (W15)	Wastewater Cert Review Tom Parnham (CRWA) 3 SWRCB Contact Hours (WW6)	Combined Space Pat Conway (CRWA) 4 SWRCB Contact Hours (R5)	Sustainable Management of Rural and Small Systems Angela Wendele (CRWA) 4 SWRCB Contact Hours (M6)
2-3:00					
3-4:00					
4-5:00					

Please note: This is a preliminary schedule and is subject to change. Please check our website for the most current lineup of courses.

Questions? Please contact us: California Rural Water Association
800.833.0322 • www.calruralwater.org • cubaldo@calruralwater.org



CRWA 2017 EDUCATION & EXHIBITOR EXPO
 April 23-26, 2018 • South Lake Tahoe



2018 ATTENDEE REGISTRATION

Registration fee includes:

Daily breakfast and lunch on all 3 days, Annual Awards Banquet, and Exhibitor Showcase Reception.

Meals will be provided to you only on the days you are registered.

Registration Fees - Includes Annual Awards Banquet! *(Must check box below to attend banquet.)*

Individual registration:

- Member: \$425 per person Non-member: \$525 per person
- 1 day only: \$300 Member/\$400 Non-member - Select Day: Tues. Wed. Thurs.
- Each additional guest(s) for meals: \$25
- Exhibit Hall and Industry Networking Reception with Wine and Beer Only: \$80

Have a large group? If you have three or more attendees from your system, please call us to discuss a group rate.

Fees

Annual Awards Banquet *(This event is included in the registration fee.)*

You must check the box in order to receive banquet ticket(s).

- YES!** I would like to attend the Annual Awards Banquet, Tuesday, April 25 (Included in Registration Fee)
- \$60 - Banquet Guest – Guest Name: _____

Fees

FREE

Workshops *(Please indicate which workshops you will be attending.)*

- | | | | | | | | | | | | |
|---|------------------------------|-----------------------------|-----------------------------|-----------------------------|------------------------------|------------------------------|------------------------------|-----------------------------|--|--|--|
| Tuesday | | | | Wednesday | | | | Thursday | | | |
| <input type="checkbox"/> W1
MANDATORY | <input type="checkbox"/> WW1 | <input type="checkbox"/> R1 | <input type="checkbox"/> M1 | <input type="checkbox"/> W6 | <input type="checkbox"/> WW4 | <input type="checkbox"/> W10 | <input type="checkbox"/> W14 | <input type="checkbox"/> R5 | | | |
| <input type="checkbox"/> W2 | <input type="checkbox"/> WW2 | <input type="checkbox"/> R2 | <input type="checkbox"/> M2 | <input type="checkbox"/> W7 | <input type="checkbox"/> R3 | <input type="checkbox"/> W11 | <input type="checkbox"/> WW5 | <input type="checkbox"/> M5 | | | |
| <input type="checkbox"/> W3 | <input type="checkbox"/> WW3 | | <input type="checkbox"/> M3 | <input type="checkbox"/> W8 | <input type="checkbox"/> M4 | <input type="checkbox"/> W12 | <input type="checkbox"/> WW6 | <input type="checkbox"/> M6 | | | |
| <input type="checkbox"/> W4 | | | | <input type="checkbox"/> W9 | | <input type="checkbox"/> W13 | <input type="checkbox"/> R4 | | | | |
| <input type="checkbox"/> W5 | | | | | | | | | | | |



TOTAL AMOUNT: \$

ATTENDEE INFORMATION		
Name:		
System:		
System Mailing Address:		
City:	State:	Zip:
Phone:	Fax:	
Email:		
The email address(es) above will receive all confirmation materials for the attendee(s) on this form.		
PAYMENT INFORMATION: PAYMENT MUST BE RECEIVED BEFORE REGISTRATION CAN BE PROCESSED.		
<input type="checkbox"/> Check (payable to CRWA) #:	<input type="checkbox"/> MasterCard/Visa/American Express/Other Credit Card	TOTAL - \$
Credit card number:	Expiration date:	Card code:
Name on card:	Authorized signature:	
ACCOMMODATIONS		
<input type="checkbox"/> Vegetarian	<input type="checkbox"/> Other:	

To send your registration please:

Mail to - California Rural Water Association, 1234 North Market Boulevard, CA 95834
 Fax - 916.553.4904 or Email - cubaldo@calruralwater.org