



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, January 16, 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.



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

**REGULAR BOARD MEETING**

**AGENDA**

**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**

**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

**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)**

**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**

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

**OPEN SESSION**

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

**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)

**NEW BUSINESS**

1. Discussion/Action: Annual Audit Presentation for Fiscal Year 2016-2017  
(by Chris Brown, Fedak and Brown)
2. Discussion/Action: Brown Act AB 1234 and Sexual Harassment Training to be held annually, or as required by law  
(by Lynk and Israel)
3. Discussion/Action: Transfer of funds from District’s General Account to the District’s LAIF (“Savings”) Account.

**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 – 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, 2017

## ADJOURNMENT

### ADA Compliance Issues

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**Cabazon Water District**  
14618 Broadway Street • P.O. Box 297  
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**FINANCE & AUDIT COMMITTEE MEETING**

**MINUTES**

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

**Meeting Date:**  
Tuesday, December 19, 2017 – 5:00 PM

**CALL TO ORDER,**  
**PLEDGE OF ALLEGIANCE,**  
**ROLL CALL @ 5:08 pm**

**Director Israel - Present**

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

**\*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 \$582,200. The District's total liabilities are approximately \$1.17 million.
  - Profit and Loss Budget Comparison
  - Line 2 Base Rate: This is the flat, fixed monthly charge to all residents for water service. YTD is at 35% 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 64% due to increased water usage during the Summer months.
- Line 4 DPHO Contract: This is the amount of the flat and variable charge to DPHO, which is segregated until their contract expires.
- Line 6 Fire Flow Income: YTD is over budget due to more fees for fire flow services received than were anticipated.
- Line 13 Basic Facilities Fee: YTD is at 70% due to a new 5/8" service on Main St. and an upgrade to 3/4" meter.
- Line 100 Grant & Loan Processing Fee: YTD is at 83% due to water loan grant administration fee for the period covering October 1, 2017 to September 30, 2018.

As of November 30<sup>th</sup> the fiscal year-to-date net income is \$32,219.

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

**PUBLIC COMMENT**

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**ADJOURNMENT**

Motion to adjourn at 17:14 hr. made by Director Israel.

Director Israel - Aye

Meeting adjourned at 17:14 hr. on December 19, 2017

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Robert Lynk, Board Chair  
Board of Directors  
Cabazon Water District

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Elizabeth Lemus, Secretary  
Board of Directors  
Cabazon Water District

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**REGULAR BOARD MEETING  
MINUTES**

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

**Meeting Date:**  
December 19, 2017 – 6:00 PM

**CALL TO ORDER**

**PLEDGE OF ALLEGIANCE**

**REMEMBRANCE OF OUR SERVICE MEN AND WOMEN**

**ROLL CALL @ 6:07 pm**

Director Martin Sanderson - Present  
Director Maxine Israel - Present  
Director Sarah Wargo – Present at 18:55 hr.  
Director Alan Davis - Present  
Director Robert Lynk - Present

Calvin Louie, General Manager - Present  
Elizabeth Lemus, Board Secretary - Present  
Cindy Byerrum, Financial Consultant - Absent  
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**

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**1. Approval of:**

- a. Finance and Audit Committee Meeting Minutes and warrants approved by the committee of November 17, 2017
- b. Regular Board Meeting Minutes and warrants of November 17, 2017

**Motion to approve consent calendar item(s) (a.) Finance and Audit Committee Meeting Minutes and warrants approved by the committee of November 17, 2017 (b.) Regular Board Meeting Minutes and warrants of November 17, 2017 made by Director Davis and 2<sup>nd</sup> by Director Israel**

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

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

**\*Note: Since Director Wargo was running late, the Board decided to move on to the updates, old, and new business, in an attempt to allow time for Director Wargo to appear and participate in the Closed Session and Board Reorganization items. The following is in the order of which was discussed:**

**UPDATES**

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

**OLD BUSINESS**

1. Discussion: Sustainable Ground Water Update  
(by General Manager Louie & Steve Anderson)
2. Discussion/Action: Customer Concern: Travis Lacy – Misc. charges

Although Mr. Lacy was previously invited to attend this meeting, he was not present.

**Motion to deny Mr. Lacy's request for a discount/adjustment regarding misc. charges due to the customer removing his water meter from the meter box before District staff arrived made by Director Israel and 2<sup>nd</sup> by Director Sanderson.**

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

**NEW BUSINESS**

1. Discussion/Action: Senate Bill 415: Potential adoption of an even-year only election (elections to no longer be held during odd-years).

Legal provided the opinion that because the District's voter turnout was not significantly impacted/different during odd-year voting, the District could continue its current election year practices (elections during odd years)

The consensus of the Board (Israel, Sanderson, Davis, and Lynk) was to leave the current election process as is for the time being, in light of Legals opinion. Director Wargo was absent during this discussion.

2. Discussion/Action: RESOLUTION 05-2017: Revision of Authorized Signer for the District Chase Bank Accounts. Request to add Director Martin Sanderson as an authorized signer, and to remove former Director Teresa Bui as a signer on District Accounts.

Motion to approve RESOLUTION 05-2017: Revision of Authorized Signer for the District Chase Bank Accounts; to add Director Martin Sanderson as an authorized signer, and to remove former Director Teresa Bui as a signer on District Accounts made by Director Israel and 2<sup>nd</sup> by Director Davis.

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

\*Note: the Board took a short recess at 18:35 hr., and resumed the meeting at 18:55 hr. By that time, Director Wargo was present.

**REORGANIZATION**

**Background Information:** In the past, the Cabazon Water District's Board of Directors has undergone reorganization after each election. (by General Manager Louie)

1. Discussion/Nomination/Vote: Board President  
(Board President to Chair the Meeting)

Motion to elect Director Lynk as the Board President. Made by Director Wargo and Director Israel.

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

2. Discussion/Nomination/Vote: Board Vice President

Motion to elect Director Davis as the Board Vice President. Made by Director Israel and Director Wargo.

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

3. Discussion/Nomination/Vote: Ad hoc Committees

- **Finance and Audit Committee (2 Directors)**  
(former member Bui, current member Israel)

Regularly meets one hour before regular board meetings, third Tuesday of each month, in addition to two to three times to review and sign payables as needed.

Director Lynk, as the Board Chair, appointed Directors Israel and Director Wargo to be the FAC members. They both accepted the position. No objections were voiced by Board or Public.

- **Personnel Committee (2 Directors)**

Meets when necessary.

Director Lynk, as the Board Chair, appointed Directors Wargo and himself to be the Personnel Committee members. No objections were voiced by Board or Public.

- **San Gorgonio Pass Water Task Force**  
(1 Director) (current member Director Israel)

Meets once a month and an additional meeting if assigned to a sub-committee. Meetings held at the City of Banning, Council Chamber and City Hall.

Director Lynk, as the Board Chair, appointed Directors Israel the San Gorgonio Pass Water Task Force Position. She accepted the position. No objections were voiced by Board or Public.

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speaker will be notified that he/she has one (1) minute remaining. AB 1234 ORAL REPORTS (Gov. Code Sec. 53232.3(d))

**CLOSED SESSION (Entered into at 19:00 hr.)**

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

**OPEN SESSION (at 20:45 hr.)**

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

No action taken, and nothing to report at this time.

**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.

Director Lynk, Davis, and Israel: Agenda item to hold *annual* Brown Act and Sexual Harassment training.

**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 – January 16, 2018, 5:00 pm
  - b. Regular Board Meeting – Tuesday – January 16, 2018, 6:00 pm
  - c. Personnel Committee – None
  - d. San Geronio Pass Regional Water Alliance – Alliance Meeting – January 24, 2018

**ADJOURNMENT**

Motion to adjourn at 19:54 hr. made by Director Lynk.

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

Meeting adjourned at 19:54 hr. on Tuesday, December 19, 2017

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Robert Lynk, Board Chair  
Board of Directors  
Cabazon Water District

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Elizabeth Lemus, Secretary  
Board of Directors  
Cabazon Water District

ADA Compliance Issues

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**Cabazon Water District**  
**Profit & Loss**  
*December 2017*

	Dec-17	YTD	Budget	YTD 50%
<b>1 Operating Income</b>				
2 <b>Base Rate - Water Bills</b>	\$ 56,927	\$ 339,749	\$ 801,200	42%
3 <b>Commodity Sales</b>	21,379	183,293	252,600	73%
4 <b>DHPO Contract</b>	17,039	114,335	193,800	59%
5 <b>Fire Sales - Water Bills</b>	196	1,177	2,200	54%
6 <b>Fire Flow Income</b>	-	300	150	200%
7 <b>Meter Install and Removal</b>	-	-	80	0%
8 <b>Penalty Fees - Water Bills</b>	3,586	25,775	34,600	74%
9 <b>Lien Reinstatement Fees</b>	-	-	1,000	0%
10 <b>New Account Fees - Water Bills</b>	180	1,050	1,500	70%
11 <b>Incident Fee - Water Bills</b>	-	250	140	179%
12 <b>Returned Check Fees</b>	90	330	500	66%
13 <b>Basic Facilities Fee</b>	19,660	42,980	33,200	129%
14 <b>Stand By Fees - Tax Revenue</b>	-	14,189	113,600	12%
15 <b>Total Operating Income:</b>	119,058	723,428	1,434,570	50%
<b>16 Non-Operating Income</b>				
17 <b>Property Taxes</b>	3,736	5,051	60,900	8%
18 <b>Cell Tower Lease Income</b>	2,006	10,031	23,100	43%
19 <b>Misc. Non-Operating Income</b>	378	1,374	-	0%
20 <b>Interest Income</b>	444	4,112	7,400	56%
21 <b>Total Non-Operating Income</b>	2,829	15,517	30,500	51%
22 <b>Total Income</b>	125,623	743,996	1,525,970	49%
<b>23 Expense</b>				
24 <b>Payroll</b>				
26 <b>Directors Fees</b>	900	6,800	20,000	34%
25 <b>Management &amp; Cust. Service:</b>				
27 <b>Customer Accounts</b>	5,195	24,978	43,800	57%
28 <b>Business Admin Manager</b>	4,154	30,893	54,200	57%
29 <b>Office Assistant</b>	-	2,465	8,100	30%
30 <b>General Manager</b>	6,468	45,819	84,900	54%
31 <b>Total Mgmt. &amp; Cust. Service:</b>	15,817	104,156	191,000	55%
32 <b>Field Workers</b>	11,078	52,677	85,000	62%
33 <b>Total Payroll</b>	26,895	156,833	276,000	57%
34 <b>Employee Benefits Expense</b>				
35 <b>Workers Comp.</b>	-	4,143	14,100	29%
35 <b>Employee Health Care</b>	7,396	36,959	62,300	59%
36 <b>Pension</b>	5,638	29,909	54,200	55%
37 <b>Total Employee Benefits Expense</b>	13,034	71,011	130,600	54%
38 <b>Payroll Taxes</b>	2,077	13,257	27,200	49%
39 <b>Total Payroll - All Expenses:</b>	42,906	247,901	453,800	55%

**Cabazon Water District**  
**Profit & Loss**  
*December 2017*

		Dec-17	YTD	Budget	YTD 50%
40	<b>Operational Expenses</b>				
41	<b>Facilities, Wells, T&amp;D</b>				
42	<b>Lab Fees</b>	655	2,450	8,000	31%
43	<b>Site Landscaping &amp; Maint</b>	45	270	700	39%
44	<b>Meters</b>	-	2,093	5,000	42%
45	<b>Generator Service Contractor</b>	-	367	2,400	15%
46	<b>Utilities - Wells</b>	11,580	62,870	117,900	53%
47	<b>SCADA</b>	-	131	4,900	3%
48	<b>Line R&amp;M Contractor</b>	-	-	12,500	0%
49	<b>Line R&amp;M Materials</b>	2,211	10,640	60,000	18%
50	<b>Well Maintenance</b>	9,862	24,179	36,000	67%
51	<b>Security</b>	940	8,567	24,410	35%
52	<b>Engineering Services</b>	11,324	59,086	80,900	73%
53	<b>Chlorinators</b>	-	61	4,180	1%
54	<b>Facilities, Wells, T&amp;D - Other</b>	-	343	10,000	3%
55	<b>Total Facilities, Wells, T&amp;D</b>	36,617	171,058	366,890	47%
56	<b>Utilities - Office</b>				
57	<b>Electricity</b>	1,107	7,620	15,100	50%
58	<b>Gas</b>	46	187	710	26%
59	<b>Telephone</b>	796	4,693	10,500	45%
60	<b>Trash Pickup &amp; Office Cleaning</b>	358	2,147	4,400	49%
61	<b>Total Utilities - Office</b>	2,306	14,647	30,710	48%
62	<b>Office Expenses</b>				
63	<b>Water Billing System</b>	177	1,064	2,500	43%
64	<b>Supplies &amp; Equipment</b>	69	1,029	9,700	11%
65	<b>Copier and Supplies</b>	999	2,633	8,100	33%
66	<b>Dues &amp; Subscriptions</b>	88	88	1,700	5%
67	<b>Postage</b>	741	3,530	12,900	27%
68	<b>Printing &amp; Publications</b>	-	240	6,100	4%
69	<b>Leases &amp; Rents</b>	82	165	300	55%
70	<b>Computer Services</b>	2,650	15,933	36,800	43%
71	<b>Office Radio</b>	-	-	500	0%
72	<b>Office Storage</b>	500	3,000	6,100	49%
73	<b>Air Conditioning Servicing</b>	379	2,274	4,500	51%
74	<b>Fire Alarm System Servicing</b>	-	288	600	48%
75	<b>Office Expenses - Other</b>	242	836	1,300	64%
76	<b>Total Office Expenses</b>	5,928	31,078	91,100	34%
77	<b>Support Services</b>				
78	<b>Temporary Labor</b>	680	5,690	10,000	57%
79	<b>Financial Audit</b>	500	7,355	22,100	33%
80	<b>Accounting</b>	1,120	12,364	30,000	41%

**Cabazon Water District**  
**Profit & Loss**  
*December 2017*

		Dec-17	YTD	Budget	YTD 50%
81	Legal Services	1,756	26,791	115,100	23%
82	Bank Service Charges	166	420	1,500	28%
83	Payroll Service	295	1,860	5,100	36%
84	General Liability Insurance	943	5,658	21,900	26%
85	<b>Total Support Services</b>	5,460	60,137	205,700	29%
86	Training/Travel	785	5,689	7,000	81%
87	Other Fees/SWRCB	2,285	4,790	19,600	24%
88	<b>Service Tools &amp; Equipment</b>				
89	Shop Supplies and Small Tools	162	567	6,100	9%
90	Vehicle Fuel	1,220	6,635	12,200	54%
91	Employee Uniforms	-	334	1,500	22%
92	Safety	-	-	500	0%
93	Tractor Expenses	-	456	5,500	8%
94	Equipment Rental	-	159	1,000	16%
95	Service Trucks - R&M	1,359	6,223	14,400	43%
96	Water Ops Phone & Internet	85	426	3,600	12%
97	Communications	-	-	3,300	0%
98	<b>Total Service Tools &amp; Equipment</b>	2,826	14,800	48,100	31%
99	<b>Non-Operating Expenses</b>				
100	Grant & Loan Processing Fee	-	1,325	1,600	83%
101	DWR Interest on Loans	-	5,841	11,236	52%
102	DHPO Interest Expense	-	6,120	10,802	57%
103	Bad Debt Expense	-	-	1,200	0%
104	Miscellaneous	-	1,321	5,000	26%
105	Website Support	110	960	1,300	74%
106	DHPO Capacity Fees	3,500	12,250	-	0%
107	<b>Total Non-Operating Expenses</b>	3,610	27,818	31,138	89%
108	Depreciation Expense	22,192	133,150	266,300	50%
109	<b>Total Expense</b>	124,913	711,068	1,520,338	47%
110	<b>Net Income (Loss)</b>	<b>709</b>	<b>32,928</b>	<b>5,632</b>	<b>585%</b>

# Cabazon Water District

## Balance Sheet

December 31, 2017

	<u>Dec 31, 17</u>
1 <b>ASSETS</b>	
2 <b>Current Assets</b>	
3 <b>Checking/Savings</b>	
4 11020 · General Bank Account-Chase	223,498
5 11030 · Payroll Bank Account-Chase	49,270
6 11040 · Trust Account- Chase - Cus Dep	9,897
7 11050 · Local Petty Cash	100
8 <b>Total Checking/Savings</b>	<u>282,765</u>
9 12000 · Accounts Receivable	194,709
10 13010 · LAIF	358,089
11 13020 · Bank of NY Trustee Accounts	56,967
12 13040 · Prepaid Expenses	7,115
13 13060 · Inventory Total	80,438
14 <b>Total Other Current Assets</b>	<u>697,318</u>
15 <b>Total Current Assets</b>	<u>997,554</u>
16 <b>Fixed Assets</b>	
17 14200 · Construction in Process	
18 14204 · CIP Cabazon Outlets Expansion	9,692
19 14209 · CIP Super Map	9,455
20 14210 · CIP 50100 Main St. Property	69,701
21 <b>Total 14200 · Construction in Process</b>	<u>88,849</u>
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	(5,162,807)
32 <b>Total Fixed Assets</b>	<u>7,655,979</u>
33 <b>TOTAL ASSETS</b>	<u><u>8,653,533</u></u>
34 <b>LIABILITIES &amp; EQUITY</b>	
35 <b>Liabilities</b>	
36 <b>Current Liabilities</b>	
37 Accounts Payable	1,388
38 <b>Other Current Liabilities</b>	
39 21250 · Developer Deposits	
40 21251 · Dollar General	12,265
41 <b>Total 21250 · Developer Deposits</b>	<u>12,265</u>
42 21300 · Customer Deposits	
43 21330 · Customer Deposits - Co 1	4,600

# Cabazon Water District

## Balance Sheet

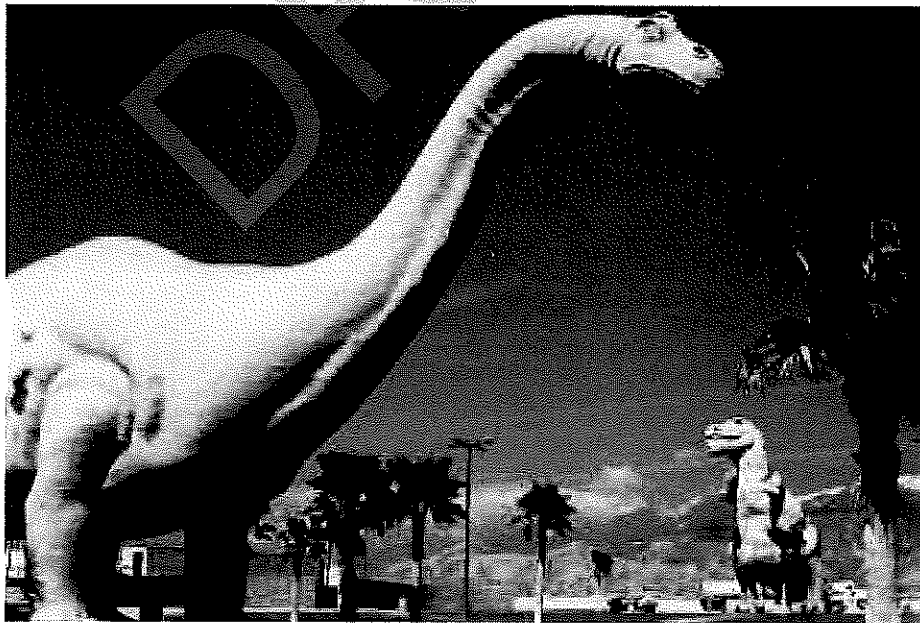
December 31, 2017

	<u>Dec 31, 17</u>	
44	21340 · Customer Deposits - Co 2	4,834
45	Total 21300 · Customer Deposits	9,434
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	142,624
53	Total Current Liabilities	144,012
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	1,033,069
69	Net Income	32,928
60	Total Equity	7,476,452
61	TOTAL LIABILITIES & EQUITY	8,653,533



**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,

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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>
<b>Assets:</b>			
Current assets	\$ 960,600	1,001,425	(40,825)
Capital assets, net	<u>7,788,246</u>	<u>7,999,364</u>	<u>(211,118)</u>
<b>Total assets</b>	<u>8,748,846</u>	<u>9,000,789</u>	<u>(251,943)</u>
<b>Liabilities:</b>			
Current liabilities	233,783	230,423	3,360
Non-current liabilities	<u>1,071,540</u>	<u>1,185,796</u>	<u>(114,256)</u>
<b>Total liabilities</b>	<u>1,305,323</u>	<u>1,416,219</u>	<u>(110,896)</u>
<b>Net position:</b>			
Net investment in capital assets	6,602,450	6,702,245	(99,795)
Restricted for debt service	59,568	62,577	(3,009)
Unrestricted	<u>781,505</u>	<u>819,748</u>	<u>(38,243)</u>
<b>Total net position</b>	<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>
<b>Revenues:</b>			
Operating revenues	\$ 1,199,699	1,133,218	66,481
Non-operating revenues	101,251	89,421	11,830
<b>Total revenues</b>	<u>1,300,950</u>	<u>1,222,639</u>	<u>78,311</u>
<b>Expenses:</b>			
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)
<b>Total expenses</b>	<u>1,441,997</u>	<u>1,371,950</u>	<u>70,047</u>
<b>Change in net position</b>	(141,047)	(149,311)	8,264
<b>Net position, beginning of year (note 7)</b>	<u>7,584,570</u>	<u>7,733,881</u>	<u>(149,311)</u>
<b>Net position, end of year</b>	<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	(4,700,736)	(328,920)	-	(5,029,656)
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	(4,396,629)	(327,617)	23,510	(4,700,736)
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>
<b>Current assets:</b>		
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>
<b>Non-current assets:</b>		
Capital assets – non-depreciable assets (note 4)	778,397	712,335
Capital assets – depreciable assets, net (note 4)	<u>7,009,849</u>	<u>7,287,029</u>
Total non-current assets	<u>7,788,246</u>	<u>7,999,364</u>
<b>Total assets</b>	<u>8,748,846</u>	<u>9,000,789</u>
<b>Current liabilities:</b>		
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)	<u>114,256</u>	<u>111,323</u>
Total current liabilities	<u>233,783</u>	<u>230,423</u>
<b>Non-current liabilities:</b>		
Long-term liabilities – due in more than one year:		
Loans payable (note 6)	<u>1,071,540</u>	<u>1,185,796</u>
Total non-current liabilities	<u>1,071,540</u>	<u>1,185,796</u>
<b>Total liabilities</b>	<u>1,305,323</u>	<u>1,416,219</u>
<b>Net position: (note 8)</b>		
Net investment in capital assets	6,602,450	6,702,245
Restricted	59,568	62,577
Unrestricted	<u>781,505</u>	<u>819,748</u>
<b>Total net position</b>	<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>
<b>Operating revenues:</b>		
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
<b>Total operating revenues</b>	<u>1,199,699</u>	<u>1,133,218</u>
<b>Operating expenses:</b>		
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
<b>Total operating expenses</b>	<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)
<b>Operating loss</b>	<u>(216,953)</u>	<u>(210,913)</u>
<b>Non-operating revenue (expense)</b>		
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
<b>Total non-operating revenues, net</b>	<u>75,906</u>	<u>61,602</u>
<b>Change in net position</b>	<u>(141,047)</u>	<u>(149,311)</u>
<b>Net position, beginning of year (note 7)</b>	<u>7,584,570</u>	<u>7,733,881</u>
<b>Net position, end of year</b>	<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
<b>Cash flows from operating activities:</b>		
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)
<b>Cash flows from non-capital financing activities:</b>		
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
<b>Cash flows from capital and related financing activities:</b>		
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)
<b>Cash flows from investing activities:</b>		
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
<b>Reconciliation of cash and cash equivalents to statements of financial position:</b>		
Cash and cash equivalents	\$ 583,024	652,260
Cash and cash equivalents – restricted	59,568	62,577
<b>Total cash and cash equivalents</b>	<b>\$ 642,592</b>	<b>714,837</b>

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>
<b>Reconciliation of operating income(loss) to net cash provided by operating activities:</b>		
Operating income(loss)	\$ (216,953)	(210,913)
<b>Adjustments to reconcile operating income(loss) to net cash provided by operating activities:</b>		
Depreciation	328,920	327,617
Other non-operating	204	481
<b>Changes in assets and liabilities:</b>		
(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.

<b>Authorized Investment Type</b>	<b>Maximum Maturity</b>	<b>Maximum Percentage of Portfolio</b>	<b>Maximum Investment in One Issuer</b>
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 Balance 2016</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 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 1<sup>st</sup> and April 1<sup>st</sup> 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 1<sup>st</sup> and October 1<sup>st</sup> 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 recognize 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	2,175,000
Net position as of June 30, 2015, as restated	\$ 7,733,881

**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>
<b>Net investment in capital assets:</b>		
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>
<b>Restricted:</b>		
Cash and cash equivalents – restricted	<u>59,568</u>	<u>62,577</u>
Total restricted	<u>59,568</u>	<u>62,577</u>
<b>Unrestricted:</b>		
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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## TECHNICAL MEMORANDUM

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**TO:** CALVIN LOUIE, GENERAL MANGER  
CABAZON WATER DISTRICT

**FROM:** GREG HENRY, CONSULTANT  
KIM BOEHLER, PROJECT MANAGER

**SUBJECT:** CAPACITY CHARGE STUDY

**DATE:** JANUARY 11, 2018

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### PURPOSE

The Cabazon Water District (District) retained NBS to conduct a water capacity charge study (the Study) to ensure these charges reflect the cost of capital infrastructure needed to serve future customers. The purpose of this Study is to summarize the results of our analysis, and present the updated capacity charges<sup>1</sup> that are imposed on new or upsized connections. Capacity charges are one-time fees intended to reflect the cost of existing infrastructure and planned improvements available to serve future customers. Capacity charges are subject to Government Code section 66013, which prescribes the means by which public agencies may impose water capacity charges.

The attachment to this transmittal includes the quantitative nexus analysis used to develop the water capacity charges for the District.

Various methodologies have been and are currently used to calculate water capacity charges. The most common include establishing the charges based on:

- The value of existing (historical) system assets, often called a “buy-in” methodology.
- The value of planned future improvements, also called the “incremental” or “system development” methodology.

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<sup>1</sup> Otherwise known as system development charges, impact fees or connection fees.



- A combination of these two approaches.

This Study uses the combination approach, which requires future customers to pay both their fair share of existing system assets as well as their share of the planned future capital improvements needed to provide them with capacity in the District's water system. As a result, future customers connecting to the District's water system would enter as equal participants with regard to their financial commitment and obligations to the utility.

In calculating the water capacity charges, the replacement-cost-new-less-depreciation (RCNLD) value of existing system assets was used to calculate the buy-in component of the capacity charge. The Handy Whitman Index of Public Utility Construction Costs<sup>2</sup>, which is a regionally specific construction index that tracks water utility construction costs, was used to estimate the replacement value of the existing system assets. The District can use the Handy Whitman Index or the Engineering News Record Construction Cost Index going forward to adjust capacity charges in future years to offset the impacts of inflation. All calculations in this Study for both existing and future planned assets are in 2017 dollars, and are rounded to the nearest dollar.

## PROJECTED FUTURE GROWTH AND FUTURE CUSTOMERS

Larger meters have the potential to use more of the system's capacity, compared to smaller meters. The potential capacity demanded is proportional to the maximum hydraulic flow through each meter size as established by the AWWA<sup>3</sup> hydraulic capacity ratios. The AWWA hydraulic capacity ratios (also known as flow factors, or meter equivalencies) used in this study are shown in the fourth column of **Figure 1**.

As an example, a 2-inch meter has a greater capacity, or potential peak demand than a 5/8-inch meter. The "equivalency to a 5/8-inch meter" is calculated by dividing the maximum capacity or flow of larger meters by the capacity of the base (5/8-inch) meter size, which is typically the most common residential meter size.

The meter flow factors shown in Figure 1 are the ratio of potential flow through each meter size compared to the flow through a 5/8-inch meter. The 5/8-inch meter is the most common meter size for the utility and is used to compare the capacities of the larger meters. For example, column 4 in Figure 1 shows that a two-inch meter has the equivalent maximum flow of eight 5/8-inch meters, or, stated differently, eight times the equivalent maximum flow of one 5/8-inch meter.

The actual number of meters by size is multiplied by the corresponding meter equivalency (flow factor) to calculate the total number of equivalent meters. The number of equivalent meters is used as a proxy for the potential demand that each customer can place on the water system. A significant portion of a water system's peak capacity, and in turn the utility's fixed capital costs, are related to meeting system capacity requirements. Therefore, the capacity charge for a new connection will be proportional to the service's meter equivalence.

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<sup>2</sup> *The Handy-Whitman Index of Public Utility Construction Costs, Whitman, Requardt & Assoc., LLP, Bulletin No. 184.*

<sup>3</sup> "AWWA" is the American Water Works Association.



The equivalent meter calculation is summarized for standard use meters in Figure 1 (and in Table 1 of the Technical Appendix) and the result of this analysis is that while there are currently 885 connections to the water system, there are 1,489 water meter equivalent (i.e., 5/8 x 3/4-inch) units.

**Figure 1. Meter Equivalence**

Meter Size	Existing Water Meters	Meter Equivalence		Water Meter Equivalent Units
		Maximum Flow (gpm) <sup>1</sup>	Flow Factor for 5/8 x 3/4 inch Base Meter	
5/8 x 3/4 Inch	816	20	1.00	816.0
3/4 Inch	23	30	1.50	34.5
1 Inch	13	50	2.50	32.5
1 1/2 Inch	5	100	5.00	25.0
2 Inch	21	160	8.00	168.0
3 Inch	3	320	16.00	48.0
4 Inch	2	500	25.00	50.0
6 Inch	1	1,000	50.00	50.0
8 Inch	-	2,800	140.00	-
12 Inch	1	5,300	265.00	265.0
<b>Total<sup>2</sup></b>	<b>885</b>			<b>1,489.0</b>

1. Source: AWWA M1, Table B-2. Assumes displacement meters for 5/8" through 2" and Compound Class I for 3" through 12".

2. Total Accounts include District and other unbilled meters and represents the full existing capacity of the system.

The District's capital improvement plan, which is the basis for defining the costs of planned future capital assets, extends through FY 2022/23. Therefore, for this Study, only growth through FY 2022/23 is considered to maintain a consistent timeframe. Per District staff projections there will be, on average, two new 5/8- inch meter connections per year over the next five years. In **Figure 2** (and Table 2 of the Technical Appendix), expected growth is used to calculate the percentage of total capacity represented by future customers. The future customers are expected to represent 0.7 percent of the total meter equivalents in the District.

**Figure 2. Existing and Projected Customers through FY 2022/23**

Demographic Statistics	Existing Total	Projected Service Total (thru FY 2022/23) <sup>1</sup>	Allocation Factors		Cumulative Change	
			Existing Customers	Future Customers	Number of Units	% Increase
Meter Equivalent Units	1,489	1,499	99.3%	0.7%	10	0.7%

1. Staff assumes approximately 2 new connections each year over the next five years.

## EXISTING AND PLANNED FUTURE ASSETS

The capital assets addressed in this Study include existing assets and planned capital improvements (i.e., the buy-in and incremental assets). Existing assets are often valued using “book value” (i.e., original cost less depreciation). However, replacement costs provide a more accurate estimate of these asset values. Ideally, replacement values reflect the actual field condition of the assets (i.e., whether they are behind or ahead of the depreciation curve based on actual condition rather than the remaining years of expected life). Unfortunately, this information was not available for this Study, and the estimated RCNLD based upon the 2017 value was developed as the cost basis for the new capacity charges.

For the purpose of this Study, assets that have exceeded their useful life (as defined in the District’s asset records) were considered to have no remaining value and so no RCNLD value. The resulting RCNLD value of existing assets are summarized in **Figure 3** (and Table 3 of the Technical Appendix) as the System Buy-In Cost Basis. The detailed asset listing can be found in Exhibit A of the Technical Appendix.

**Figure 3. Summary of Existing Asset Values**

Asset Category <sup>1</sup>	Original Values <sup>1</sup>		Asset Cost Less Depreciation	Replication Values <sup>3</sup>		System Buy- In Cost Basis <sup>4</sup>
	Asset Cost	Depreciation to Date <sup>2</sup>		Asset Cost	Depreciation to Date	
Buildings & Structures	\$ 12,281	\$ 4,625	\$ 7,655	\$ 17,652	\$ 7,512	\$ 10,140
Intangibles	11,032	11,032	0	6,307	6,307	-
Land	689,548	-	689,548	689,548	-	689,548
Office Furn & Equip	71,808	52,155	19,653	30,999	10,455	20,544
Source of Supply	1,541,487	449,467	1,092,021	1,750,985	513,212	1,237,773
Tools & Equipment	123,319	118,672	4,646	76,992	72,240	4,752
Trans & Distribution	10,173,270	4,301,094	5,872,176	19,194,499	8,781,477	10,413,021
Vehicles	106,309	92,611	13,698	70,263	56,217	14,046
<b>Total Capital Facilities &amp; Equipment</b>	<b>\$ 12,729,054</b>	<b>\$ 5,029,656</b>	<b>\$ 7,699,397</b>	<b>\$ 21,837,244</b>	<b>\$ 9,447,420</b>	<b>\$ 12,389,824</b>

1. Detailed capital asset list and current depreciation provided by Staff via file (Exhibit A). Source: 6.30.17 Fixed Asset listing.xlsx.

2. Assets provided with Depreciation through June 2017.

3. Replication values are calculated by escalating the original values (from Districts fixed asset report) from service date to 2017 values using historical cost inflation factors from the Handy-Whitman Index of Public Utility Construction Costs, for Water Utility Construction in the Pacific Region. The percentage change in the asset cost is shown in column M of the Existing Assets Detail tab, labeled "Adjusted % of Original Value".

4. Cost basis is the replication value less accumulated depreciation.

RCNLD costs were allocated to existing customers based on the 99.3-percent allocation factor shown in Figure 1 (and 0.7-percent allocation factor for future customers). The resulting allocation of \$82,654, representing the value of exiting system assets, to future customers is shown in **Figure 4** (and Table 4 of the Technical Appendix).



**Figure 4. Existing Asset Values Allocated to Future Customers**

Asset Category <sup>1</sup>	System Buy-In Cost Basis <sup>2</sup>	Allocation Basis (%) <sup>3</sup>		Distribution of Cost Basis (\$)	
		Existing Customers	Future Customers	Existing Customers	Future Customers
Buildings & Structures	\$ 10,140	99.3%	0.7%	\$ 10,072	\$ 68
Intangibles	-	0.0%	0.0%	-	-
Land	689,548	99.3%	0.7%	684,948	4,600
Office Furn & Equip	20,544	99.3%	0.7%	20,407	137
Source of Supply	1,237,773	99.3%	0.7%	1,229,516	8,257
Tools & Equipment	4,752	99.3%	0.7%	4,720	32
Trans & Distribution	10,413,021	99.3%	0.7%	10,343,555	69,466
Vehicles	14,046	99.3%	0.7%	13,952	94
<b>Total Capital Facilities &amp; Equipment</b>	<b>\$ 12,389,824</b>	<b>99.3%</b>	<b>0.7%</b>	<b>\$ 12,307,170</b>	<b>\$ 82,654</b>

1. Detailed capital asset list and current depreciation provided by Staff via file (Exhibit A). Source: 6.30.17 Fixed Asset listing.xlsx.

2. Cost basis is the replication value less accumulated depreciation.

3. Refer to Figure 1 or Table 1 of the Technical Appendix: proportionate allocation between existing and future

The estimated cost of planned future improvements (in 2017 dollars) is used to calculate the system development component of the capacity charge. Staff provided the list of capital projects as well as an allocation of the capacity provided by each improvement assigned to future customers. Future customers were allocated \$1,135 of these future capital project costs, as shown in **Figure 5** (and Table 7 of the Technical Appendix).

**Figure 5. Planned Asset Values Allocated to Future Customers**

Facility / Equipment	Current Cost Estimate (Dollars) <sup>1</sup>	System Development Cost Basis for Consideration <sup>2</sup>	% Allocation		Distribution of Cost Basis (\$)	
			Existing Customers	Future Customers	Existing Customers	Future Customers
Vehicle	\$ 16,000	\$ 16,000	99.3%	0.7%	\$ 15,893	\$ 107
Property Purchase & Prep	154,189	154,189	99.3%	0.7%	153,160	1,029
Meter Replacement <sup>3</sup>	74,953	74,953	100.0%	0.0%	74,953	-
<b>Total</b>	<b>\$ 245,141</b>	<b>\$ 245,141</b>	<b>99.5%</b>	<b>0.5%</b>	<b>\$ 244,006</b>	<b>\$ 1,135</b>

1. Capital project costs & equipment purchases; source files: Updated FY 16-17 With December.xlsx

2. Cost basis is the replication value less accumulated depreciation.

3. Staff has set a target 150 new meters each year. It is assumed each new meter will cost \$75, including installation.

For each account there is one, unique meter, so there is no excess capacity available for future customers.

## ADJUSTMENTS TO THE COST BASIS

Before the capacity charges are developed, an adjustment was applied to the cost basis to account for existing cash reserves. Existing cash reserves are treated as an asset, since they were contributed by existing customers and are available to pay for capital and/or operating costs of the water utility. The cash reserves are, in a sense, no different from any other system asset. The existing cash reserves allocated to

future customers are summarized in **Figure 6** (and Table 6 of the Technical Appendix). This calculation also uses the same 0.7-percent allocation factor from Figure 2. The allocation of cash reserves to future customers is \$3,869.

**Figure 6. Cash Reserves Allocated to Future Customers**

Water Cash Reserves	Beginning Cash	% Allocation		\$ - Allocation	
		Existing Customers	Future Customers	Existing Customers	Future Customers
Cash in Banks (Operating) <sup>1</sup>	\$ 580,000	99.3%	0.7%	\$ 576,131	\$ 3,869

1. As of July 1, 2017 Source: Email from Cindy Byerrum sent October 22,2017

There was also a credit to the cost basis related to outstanding debt. This credit was included because some existing assets were at least partially funded with debt that will be paid for in future years by the “existing customers” at that time. Since new connections pay their share of existing asset values, including the remaining outstanding debt on those same assets would double count the asset values in the capacity charges. Therefore, a credit is given in the capacity charge calculation for the value of future principal, to avoid double-charging new customers for debt-funded assets. Included as part of the debt is a payback to Desert Hills Premium Outlets (DHPO) for assets which they owned, and which became part of the District when the joined. DHPO assets added to the capacity of the District (and are included in Figure 4. Existing Asset Values Allocated to Future Customers. **Figure 7** (and Table 5 of the Technical Appendix) shows that the credit provided to future customers in the capacity charge development is \$6,300.

**Figure 7. Outstanding Debt Allocated to New Customers**

Debt	Outstanding Principal (thru 2026)	% Allocation <sup>1</sup>		\$ - Allocation	
		Existing Customers	Future Customers	Existing Customers	Future Customers
DWR Loan No E58416	\$ 375,734	99.3%	0.7%	\$ 373,227	\$ 2,507
Zion First National Installment Sale Agreement	453,087	99.3%	0.7%	450,064	3,023
DHPO Payback	115,500	99.3%	0.7%	114,729	771
<b>Grand Total</b>	<b>\$ 944,321</b>	<b>99.3%</b>	<b>0.7%</b>	<b>\$ 938,021</b>	<b>\$ 6,300</b>

1. Outstanding principal is allocated to existing and future services based on projected growth in the system. See Table 1 for detail.

## CALCULATED CAPACITY CHARGES

The sum of the existing and planned asset values (that is, the system buy-in and system development costs in Figures 4 and 5), along with the adjustment for existing cash reserves (Figure 6), defines the total cost basis allocated to future customers. **Figure 8** (and Table 8 of the Technical Appendix) summarizes how this cost basis is developed. The costs associated with System Buy-In component have been separated from those associated with System Expansion component, as shown below in Figure 8.



**Figure 8. Summary of Capacity Charge Calculation**

System Asset Values Allocated to Future Development			
Projected Increase In Connections to the Water System		Customers	
Increase in 5/8x3/4-inch Equivalent Meters		<b>10</b>	
System Asset Values Allocated to Future Development		Buy In	Expansion
<i>System Asset Values Allocated to New Development</i>			
Existing System Buy-In		\$ 82,654	\$ -
Future System Expansion		-	1,135
Total: Existing & Future System Costs		\$ 82,654	\$ 1,135
<i>Adjustments to Cost Basis:</i>			
Cash Reserves		\$ 3,869	\$ -
Outstanding Long-Term Debt (Principal) Allocated to Future Users		(6,300)	-
Total: Adjustments to Cost Basis		\$ (2,430)	\$ -
<b>Total Adjusted Cost Basis for New Development</b>		<b>\$ 80,224</b>	<b>\$ 1,135</b>

The total adjusted cost basis is then divided by the number of future customers, measured in meter equivalents expected to connect to the system (that is, the 10 shown in Figure 2). This calculation results in the new maximum charge the District can charge for water connections (per meter equivalent unit) as shown in **Figure 9** (and Table 9 of the Technical Appendix).

**Figure 9. Calculated Water Capacity Charge**

Summary of Costs Allocated to Capacity Charge	Adjusted System Cost Basis (Buy In)	Adjusted System Cost Basis (Expansion)	Planned Additional Meter Equivalents	Maximum Capacity Charge (\$/Meter Equivalent) (Buy In)	Maximum Capacity Charge (\$/Meter Equivalent) (Expansion)
Maximum Water Connection Meter Equivalent	\$ 80,224	\$ 1,135	10	<b>\$ 8,022</b>	<b>\$ 114</b>

Given the calculated maximum charge per meter equivalent shown in Figure 9, **Figure 10** (and Table 10 of the Technical Appendix) shows the maximum capacity charge for each meter size based on the estimated reasonable cost of providing the services for which the capacity charges will be imposed. Moreover, the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the District's services in providing the system facilities required to serve the payor. The charges are scaled based on the hydraulic capacity of each size meter connected to the system.

Figure 10. Capacity Charge Based on Meter Size

Meter Size	Equivalency Factor		Unit Cost (\$/Meter Equivalent)	Capacity Charge (Buy-In Component Cost) Per Meter	Capacity Charge (Expansion Component Cost) Per Meter	Total Capacity Charge Per Meter
	Maximum Continuous Flow (gpm) <sup>1</sup>	Equivalency to 5/8 x 3/4-inch Base Meter Size				
5/8 x 3/4 Inch	20	1.00	\$8,022	\$8,022	\$114	<b>\$8,136</b>
3/4 Inch	30	1.50	\$8,022	\$12,034	\$170	<b>\$12,204</b>
1 Inch	50	2.50	\$8,022	\$20,056	\$284	<b>\$20,340</b>
1 1/2 Inch	100	5.00	\$8,022	\$40,112	\$568	<b>\$40,679</b>
2 Inch	160	8.00	\$8,022	\$64,179	\$908	<b>\$65,087</b>
3 Inch	320	16.00	\$8,022	\$128,358	\$1,817	<b>\$130,174</b>
4 Inch	500	25.00	\$8,022	\$200,559	\$2,838	<b>\$203,397</b>
6 Inch	1,000	50.00	\$8,022	\$401,118	\$5,677	<b>\$406,794</b>
12 Inch	5,300	265.00	\$8,022	\$2,125,923	\$30,087	<b>\$2,156,010</b>

1. Source: AWWA M1, Table B-2. Assumes displacement meters for 5/8" through 2", Compound Class I for 3" through 8", and Turbine Class II for 10" through 12" meters.

## CONSULTANT RECOMMENDATIONS

NBS recommends the District take the following actions:

- **Approve and Accept this Study:** NBS recommends the District Board of Directors formally approve and adopt this Study and its recommendations, and proceed with the steps required to implement the new water capacity charges. This Study provides documentation of the analysis and the basis for calculation of the proposed capacity charges.
- **Implement New Capacity Charges:** Based on the analysis presented in this Study, NBS recommends the District Board of Directors implement the new capacity charge of \$8,136 per meter equivalent, as developed in this Study. This is the maximum the District can charge per equivalent meter unit.
- **Annually Review Charges and Revenue:** Any time an agency adopts new rates, charges and fees, they should be periodically reviewed — even more so when new capital facilities are planned and/or significant replacement projects are undertaken. This will help ensure the revenue generated is sufficient to meet the costs of capital projects, the fiscal health of the District is maintained, and future customers bear their fair share of the District's water system costs.

## PRINCIPAL ASSUMPTIONS AND CONSIDERATIONS

In preparing this Study and the recommendations included herein, NBS has relied on a number of principal assumptions and considerations with regard to financial matters, number of customer accounts, conditions and events that may occur in the future. This information and assumptions, including the District's asset records, financial information and customer billing data (provided by District staff), were provided by sources we believe to be reliable, although NBS has not independently verified this data.

While we believe NBS' use of such information and assumptions is reasonable for the purpose of this Study and its recommendations, some assumptions will invariably not materialize as stated herein or may vary significantly due to unanticipated events and circumstances. Therefore, the actual results can be expected to vary from those projected to the extent that actual future conditions differ from those assumed by us or provided to us by others.

# TECHNICAL APPENDIX



**CABAZON WATER DISTRICT**  
**Water Capacity Fee Analysis**  
**Table of Contents**

**Table of Contents**

Exhibit Number	Pages	Function
1	2	Demographic Data and Projections
2	3-4	Summary of Existing Capital Facilities and Equipment for Consideration (System Buy-In)
3	5	Cash Reserves and Debt Service Allocation
4	6	Planned Capital Facilities and Equipment for Consideration (System Development)
5	7	Updated Unit Cost Calculation
6	8	Updated Water Connection Fees
7	<i>Not Printed</i>	Inflation Factors from Handy-Whitman Index Used for Estimation of Existing System Asset Values
A	9-16	Detail of Existing Capital Facilities and Equipment for Consideration (System Buy-In)

**CABAZON WATER DISTRICT**  
**Water Capacity Charge Analysis**  
**Demographic Data and Projections**

**Table 1 - METER EQUIVALENT UNITS**

Meter Size	Existing Water Meters <sup>1</sup>	Meter Equivalence		Water Meter Equivalent Units
		Maximum Flow (gpm) <sup>2</sup>	Flow Factor for 5/8 x 3/4 inch Base Meter	
5/8 x 3/4 Inch	816	20	1.00	816.0
3/4 Inch	23	30	1.50	34.5
1 Inch	13	50	2.50	32.5
1 1/2 Inch	5	100	5.00	25.0
2 Inch	21	160	8.00	168.0
3 Inch	3	320	16.00	48.0
4 Inch	2	500	25.00	50.0
6 Inch	1	1,000	50.00	50.0
8 Inch	-	2,800	140.00	-
12 Inch	1	5,300	265.00	265.0
<b>Total<sup>3</sup></b>	<b>885</b>			<b>1,489.0</b>

1. Consumption and Meters from source files: 2014, 2015, 2016 Usage & Meter CUSI Report.xls (data combined and summarized in baseData.xlsx)
2. Source: *AWWA M1, Table B-2*. Assumes displacement meters for 5/8" through 2" and Compound Class I for 3" through 12".
3. Total Accounts include District and other unbilled meters and represents the full existing capacity of the system.

**Table 2 - EXISTING AND PROJECTED SERVICE NUMBERS**

Demographic Statistics	Existing Total	Projected Service Total (thru FY 2022/23) <sup>1</sup>	Allocation Factors		Cumulative Change	
			Existing Customers	Future Customers	Number of Units	% Increase
Meter Equivalent Units	1,489	1,499	99.3%	0.7%	10	0.7%

1. Staff assumes approximately 2 new connections each year over the next five years.

**CABAZON WATER DISTRICT**  
**Water Capacity Charge Analysis**  
**Existing Capital Facilities and Equipment for Consideration (System Buy-In)**

**Table 3 - CALCULATION OF SYSTEM BUY-IN COST BASIS**

Asset Category <sup>1</sup>	Original Values <sup>1</sup>		Asset Cost Less Depreciation	Replication Values <sup>3</sup>		System Buy-In Cost Basis <sup>4</sup>
	Asset Cost	Depreciation to Date <sup>2</sup>		Asset Cost	Depreciation to Date	
Buildings & Structures	\$ 12,281	\$ 4,625	\$ 7,655	\$ 17,652	\$ 7,512	\$ 10,140
Intangibles	11,032	11,032	0	6,307	6,307	-
Land	689,548	-	689,548	689,548	-	689,548
Office Furn & Equip	71,808	52,155	19,653	30,999	10,455	20,544
Source of Supply	1,541,487	449,467	1,092,021	1,750,985	513,212	1,237,773
Tools & Equipment	123,319	118,672	4,646	76,992	72,240	4,752
Trans & Distribution	10,173,270	4,301,094	5,872,176	19,194,499	8,781,477	10,413,021
Vehicles	106,309	92,611	13,698	70,263	56,217	14,046
<b>Total Capital Facilities &amp; Equipment</b>	<b>\$ 12,729,054</b>	<b>\$ 5,029,656</b>	<b>\$ 7,699,397</b>	<b>\$ 21,837,244</b>	<b>\$ 9,447,420</b>	<b>\$ 12,389,824</b>

1. Detailed capital asset list and current depreciation provided by Staff via file (Exhibit A). Source: 6.30.17 Fixed Asset listing.xlsx.  
 2. Assets provided with Depreciation through June 2017.  
 3. Replication values are calculated by escalating the original values (from Districts fixed asset report) from service date to 2017 values using historical cost inflation factors from the Handy-Whitman Index of Public Utility Construction Costs, for Water Utility Construction in the Pacific Region. The percentage change in the asset cost is shown in column M of the Existing Assets Detail tab, labeled "Adjusted % of Original Value".  
 4. Cost basis is the replication value less accumulated depreciation.



**CABAZON WATER DISTRICT**  
**Water Capacity Charge Analysis**  
**Existing Capital Facilities and Equipment for Consideration (System Buy-In)**

**Table 4 - ALLOCATION OF SYSTEM BUY-IN COST BASIS TO EXISTING AND FUTURE CUSTOMERS**

Asset Category <sup>1</sup>	System Buy-In Cost Basis <sup>2</sup>	Allocation Basis (%) <sup>3</sup>			Distribution of Cost Basis (\$)		
		Exclude from Analysis	Existing Customers	Future Customers	Exclude from Analysis	Existing Customers	Future Customers
Buildings & Structures	\$ 10,140	0.0%	99.3%	0.7%	\$ -	\$ 10,072	\$ 68
Intangibles	-	0.0%	0.0%	0.0%	-	-	-
Land	689,548	0.0%	99.3%	0.7%	-	684,948	4,600
Office Furn & Equip	20,544	0.0%	99.3%	0.7%	-	20,407	137
Source of Supply	1,237,773	0.0%	99.3%	0.7%	-	1,229,516	8,257
Tools & Equipment	4,752	0.0%	99.3%	0.7%	-	4,720	32
Trans & Distribution	10,413,021	0.0%	99.3%	0.7%	-	10,343,555	69,466
Vehicles	14,046	0.0%	99.3%	0.7%	-	13,952	94
<b>Total Capital Facilities &amp; Equipment</b>	<b>\$ 12,389,824</b>	<b>0.0%</b>	<b>99.3%</b>	<b>0.7%</b>	<b>\$ -</b>	<b>\$ 12,307,170</b>	<b>\$ 82,654</b>

1. Detailed capital asset list and current depreciation provided by Staff via file (Exhibit A). Source: 6.30.17 Fixed Asset listing.xlsx.

2. Cost basis is the replication value less accumulated depreciation.

3. Refer to Table 1: proportionate allocation between existing and future users.



CABAZON WATER DISTRICT

Water Capacity Charge Analysis

Allocation of Cash Reserves and Outstanding Debt to Existing and Future Services

EXHIBIT 3

Table 5 - ALLOCATION OF DEBT TO EXISTING AND FUTURE CUSTOMERS

Debt	Outstanding Principal (thru 2026)	% Allocation		Total	\$ - Allocation		Total ( )
		Existing Customers	Future Customers		Existing Customers	Future Customers	
DWR Loan No E58416	\$ 375,734	99.3%	0.7%	100%	\$ 373,227	\$ 2,507	\$ 375,734
Zion First National Installment Sale Agreement	453,087	99.3%	0.7%	100%	450,064	3,023	453,087
DHPO Payback	115,500	99.3%	0.7%	100%	114,729	771	115,500
<b>Grand Total</b>	<b>\$ 944,321</b>	<b>99.3%</b>	<b>0.7%</b>	<b>100%</b>	<b>\$ 938,021</b>	<b>\$ 6,300</b>	<b>\$ 944,321</b>

1. Outstanding principal is allocated to existing and future services based on projected growth in the system. See Table 1 for detail.
2. DHPO payback due to additional capacity provided when DHPO connected to the system.

Table 6 - ALLOCATION OF CASH RESERVES TO EXISTING AND FUTURE CUSTOMERS

Water Cash Reserves	Beginning Cash	% Allocation		Total	\$ - Allocation		Total
		Existing Customers	Future Customers		Existing Customers	Future Customers	
Cash in Banks (Operating) <sup>1</sup>	\$ 580,000	99.3%	0.7%	100.0%	\$ 576,131	\$ 3,869	\$ 580,000

1. As of July 1, 2017 Source: Email from Cindy Byerrum sent October 22,2017

**CABAZON WATER DISTRICT**  
**Water Capacity Charge Analysis**  
**Water Planned Capital Facilities and Equipment for Consideration (System Development)**

**Table 7 - ALLOCATION OF PLANNED ASSETS TO EXISTING AND FUTURE CUSTOMERS**

Facility / Equipment	Current Cost Estimate (Dollars) <sup>1</sup>	System Development Cost Basis for Consideration <sup>2</sup>	% Allocation			Distribution of Cost Basis (\$)		
			Exclude from Analysis	Existing Customers	Future Customers	Exclude from Analysis	Existing Customers	Future Customers
Vehicle	\$ 16,000	\$ 16,000	0%	99.3%	0.7%	\$ -	\$ 15,893	\$ 107
Property Purchase & Prep	154,189	154,189	0%	99.3%	0.7%	-	153,160	1,029
Meter Replacement <sup>3</sup>	74,953	74,953	0%	100.0%	0.0%	-	74,953	-
<b>Total</b>	<b>\$ 245,141</b>	<b>\$ 245,141</b>	<b>0.0%</b>	<b>99.5%</b>	<b>0.5%</b>	<b>\$ -</b>	<b>\$ 244,006</b>	<b>\$ 1,135</b>

1. Capital project costs & equipment purchases; source files: Updated FY 16-17 With December.xlsx  
 2. Cost basis is the replication value less accumulated depreciation.  
 3. Staff has set a target 150 new meters each year. It is assumed each new meter will cost \$75, including installation.  
 For each account there is one, unique meter, so there is no excess capacity available for future customers.



**CABAZON WATER DISTRICT**  
**Water Capacity Charge Analysis**  
**Unit Cost Calculation**

**Table 8 - DEVELOPMENT OF THE MAXIMUM CAPACITY CHARGE FOR A 5/8-INCH METER EQUIVALENT**

System Asset Values Allocated to Future Development		Customers	
Projected Increase In Connections to the Water System		10	
Increase in 5/8x3/4-inch Equivalent Meters <sup>1</sup>		10	
System Asset Values Allocated to Future Development		Buy In	Expansion
<i>System Asset Values Allocated to New Development</i>			
Existing System Buy-In <sup>2</sup>	\$ 82,654	\$ -	\$ -
Future System Expansion <sup>3</sup>	-	1,135	1,135
Total: Existing & Future System Costs	\$ 82,654	\$ 1,135	
<i>Adjustments to Cost Basis:</i>			
Cash Reserves	\$ 3,869	\$ -	
Outstanding Long-Term Debt (Principal) Allocated to Future Users	(6,300)	-	
Total: Adjustments to Cost Basis	\$ (2,430)	\$ -	
<b>Total Adjusted Cost Basis for New Development</b>	<b>\$ 80,224</b>	<b>\$ 1,135</b>	
<b>Maximum Water Capacity Charge Per 5/8-inch meter</b>	<b>\$ 8,022</b>	<b>\$ 114</b>	
<b>Total Capacity Charge</b>	<b>\$ 8,022</b>	<b>\$ 8,136</b>	

**Table 9 - DEVELOPMENT OF WATER CAPACITY CHARGE PER METER EQUIVALENT UNIT**

Summary of Capacity Charge	Adjusted System Cost Basis (Buy In)	Adjusted System Cost Basis (Expansion)	Planned Additional Meter Equivalent Units	Maximum Capacity Charge (\$/Meter Equivalent) (Buy In)	Maximum Capacity Charge (\$/Meter Equivalent) (Expansion)
Maximum Capacity Charge Per Water Meter Equivalent Unit	\$ 80,224	\$ 1,135	10	\$ 8,022	\$ 114

1. Refer to Exhibit 1 (Demographics) for growth projections.  
 2. Refer to Exhibits 2 and 3 for detail of existing assets.  
 3. Refer to Exhibit 5 for detail related to planned assets.

**CABAZON WATER DISTRICT**  
**Water Capacity Charge Analysis**  
**Water Fee Classification and Calculation of Maximum Charge**

**Table 10 - WATER CAPACITY CHARGE BASED ON METER SIZE**

Meter Size	Equivalency Factor		Unit Cost (\$/Meter Equivalent)	Capacity Charge (Buy-In Component Cost) Per Meter	Capacity Charge (Expansion Component Cost) Per Meter	Total Capacity Charge Per Meter
	Maximum Continuous Flow (gpm) <sup>1</sup>	Equivalency to 5/8 x 3/4-inch Base Meter Size				
5/8 x 3/4 Inch	20	1.00	\$8,022	\$8,022	\$114	\$8,136
3/4 Inch	30	1.50	\$8,022	\$12,034	\$170	\$12,204
1 Inch	50	2.50	\$8,022	\$20,056	\$284	\$20,340
1 1/2 Inch	100	5.00	\$8,022	\$40,112	\$568	\$40,679
2 Inch	160	8.00	\$8,022	\$64,179	\$908	\$65,087
3 Inch	320	16.00	\$8,022	\$128,358	\$1,817	\$130,174
4 Inch	500	25.00	\$8,022	\$200,559	\$2,838	\$203,397
6 Inch	1,000	50.00	\$8,022	\$401,118	\$5,677	\$406,794
12 Inch	5,300	265.00	\$8,022	\$2,125,923	\$30,087	\$2,156,010

1. Source: AWWA M1, Table B-2. Assumes displacement meters for 5/8" through 2", Compound Class I for 3" through 8", and Turbine Class II for 10" through 12" meters.



CABAZON WATER DISTRICT  
Water Capacity Charge Analysis

EXHIBIT A

Fixed Assets as of 6/30/2017

Asset Number	Asset Type	Asset Description	Acquired Date <sup>1</sup>	Year in Service	Original Asset Cost	Asset Life	Life to Date Depreciation (6/30/2016)	Current Depreciation	Book Value as of June 30, 2017	Accumulated Depreciation	Asset Category (for inflation)
TE-1	Tools & Equipment	Emergency generator pu Well 2	6/7/2002	2002	35,665	15	33,486	2,179	(0)	35,665	6
TE-2	Tools & Equipment	Ergo Jackhammer	4/8/2002	2002	1,815	7	1,815	-	-	1,815	6
TE-3	Tools & Equipment	John Deere 310 SG Loader	6/20/2005	2005	80,536	7	80,536	-	-	80,536	6
TE-4	Tools & Equipment	Backhoe ECU and Teeth	9/30/2016	2016	3,243	7	-	347	2,896	347	6
TE-5	Tools & Equipment	Safety Harness (50' Tripod	9/30/2016	2016	2,060	5	-	309	1,751	309	6
SS-1	Source of Supply	Well 2 Generator Facility	5/15/2002	2002	38,588	15	36,445	2,143	-	38,588	3
SS-2	Source of Supply	Well 2 Generator Facility	2/26/2003	2003	109,770	15	97,573	7,318	4,879	104,891	3
SS-3	Source of Supply	Wells- Jensen	8/25/1997	1997	11,528	15	11,528	(0)	-	11,528	2
SS-4	Source of Supply	Water Source Plant	8/25/1997	1997	16,805	15	16,805	-	-	16,805	3
SS-5	Source of Supply	Structures - Jensen	8/25/1997	1997	1,962	20	1,814	98	50	1,912	4
SS-6	Source of Supply	Water Treatment	8/25/1997	1997	16,534	15	16,534	-	-	16,534	4
SS-7	Source of Supply	Jensen Res Cty Cont Cap	6/30/2002	2002	46,839	40	16,394	1,171	29,274	17,565	4
SS-8	Source of Supply	SCADA	2/28/2010	2010	127,203	15	45,581	8,480	73,142	54,061	6
SS-9	Source of Supply	DHPO Interconnection	5/31/2012	2012	190,442	30	26,450	6,348	157,643	32,798	11
SS-10	Source of Supply	DHPO Interconnection - Addl	7/1/2012	2012	108,405	30	14,454	3,614	90,338	18,068	11
SS-11	Source of Supply	Almond Vault	4/30/2013	2013	4,530	30	478	151	3,901	629	4
SS-12	Source of Supply	Well Repairs	1/31/2013	2013	9,337	30	1,063	311	7,963	1,375	2
SS-13	Source of Supply	Infrastructure	6/30/2012	2012	158,234	30	18,460	5,274	134,499	23,735	2
SS-14	Source of Supply	Well Repairs	4/15/2012	2012	108,936	15	32,094	7,262	69,580	39,356	2
SS-15	Source of Supply	Well Repairs	8/1/2011	2011	1,502	5	1,177	300	25	1,477	2
SS-16	Source of Supply	DHPO 2014	11/30/2013	2013	101,961	30	8,780	3,399	89,782	12,179	2
SS-17	Source of Supply	DHPO 2014	11/30/2013	2013	148,010	30	12,745	4,934	130,331	17,679	2
SS-18	Source of Supply	Adder for Concrete Block security wall, steel security dc	1/6/2014	2014	19,595	15	3,266	1,306	15,023	4,572	2
SS-19	Source of Supply	Well Repairs 2014	1/1/2015	2015	74,721	30	3,736	2,491	68,495	6,227	2
SS-20	Source of Supply	Wells 4 5 Pump Rehab 2014	12/1/2014	2014	90,617	30	4,783	3,021	82,813	7,803	3
SS-21	Source of Supply	Well #5 - built retaining wall for discharged well water at	3/15/2015	2015	3,600	15	300	240	3,060	540	2
SS-22	Source of Supply	(2) Grundfos DDA 7 5-16 pump (chlorinators for wells)	10/31/2014	2014	4,038	15	449	269	3,320	718	3
SS-23	Source of Supply	(1) Octave meter with pulse module, (2) bolt and nut ki	11/1/2014	2014	11,402	15	1,267	760	9,375	2,027	3
SS-24	Source of Supply	Octave Meter with Pulse Module - Well #5 per Calvin E	12/15/2014	2014	5,025	15	503	335	4,188	838	3
SS-25	Source of Supply	11/11/2014 valve built in shop - 8" full port check valve	2/28/2015	2015	5,395	15	480	360	4,555	839	11
SS-26	Source of Supply	11/21/14 valve built in shop. Deep well pump control v	2/28/2015	2015	4,563	15	406	304	3,853	710	11
SS-27	Source of Supply	Well #5 - install controls for waste valve and rewire par	5/31/2015	2015	6,092	15	440	406	5,246	846	3
SS-28	Source of Supply	Well #5 Telemetry Implementation (install SCADA at v	5/31/2015	2015	14,130	15	1,020	942	12,167	1,962	3
SS-29	Source of Supply	DHPO	7/1/2015	2015	8,087	30	270	270	7,548	539	3
SS-30	Source of Supply	Almond Vault-Control Vault	7/1/2015	2015	18,257	15	1,217	1,217	15,823	2,434	3
SS-31	Source of Supply	Almond Vault-PRV	7/1/2015	2015	38,963	15	2,598	2,598	33,768	5,195	3
SS-32	Source of Supply	Almond Vault-Submersible liberty 287 pump	7/1/2015	2015	5,651	15	377	377	4,898	754	3
SS-33	Source of Supply	Well 2 Motor Repair	2/28/2017	2017	15,370	15	-	342	15,029	342	3
SS-34	Source of Supply	Well 2 - 500 AMP Breaker	3/14/2017	2017	6,594	15	-	128	6,466	128	3

CABAZON WATER DISTRICT  
Water Capacity Charge Analysis

EXHIBIT A

Fixed Assets as of 6/30/2017

Asset Number	Asset Type	Asset Description	Acquired Date <sup>1</sup>	Year in Service	Original Asset Cost	Asset Life	Life to Date Depreciation (6/30/2016)	Current Depreciation	Book Value as of June 30, 2017	Accumulated Depreciation	Asset Category (for inflation)
TD-1	Trans & Distribution	Pipeline	12/16/1991	1991	19,350	40	11,855	484	7,012	12,339	13
TD-2	Trans & Distribution	Krieger & Stewart	3/18/1992	1992	3,824	40	2,323	96	1,406	2,418	13
TD-3	Trans & Distribution	Millard Canyon W	6/30/1996	1996	5,194,307	40	2,624,404	129,858	2,440,045	2,754,262	13
TD-4	Trans & Distribution	Gravity System	12/8/1997	1997	1,546	15	1,546	-	0	1,546	13
TD-5	Trans & Distribution	Gravity System	12/22/1997	1997	1,546	15	1,546	-	0	1,546	13
TD-6	Trans & Distribution	Pumping Equip - JE	8/25/1997	1997	22,017	15	22,017	-	0	22,017	3
TD-7	Trans & Distribution	Reservoirs & Tanks	8/25/1997	1997	148,155	15	148,155	-	-	148,155	7
TD-8	Trans & Distribution	Water Mains - Jens	8/25/1997	1997	84,917	15	84,917	-	(0)	84,917	3
TD-10	Trans & Distribution	Meters Jensen	8/25/1997	1997	19,608	15	19,608	-	(0)	19,608	19
TD-12	Trans & Distribution	Other Equip Jens	8/25/1997	1997	5,493	15	5,493	-	0	5,493	6
TD-13	Trans & Distribution	Adjustments to C	8/25/1997	1997	55,245	40	26,011	1,381	27,853	27,392	6
TD-14	Trans & Distribution	Seminole Pipeline	1/28/1998	1998	254,280	40	117,075	6,357	130,848	123,432	11
TD-15	Trans & Distribution	Jensen Engineering	8/25/1997	1997	19,468	40	9,168	487	9,813	9,655	13
TD-16	Trans & Distribution	Seminole Pipeline	1/1/1999	1999	45,720	40	19,432	1,143	25,145	20,575	13
TD-17	Trans & Distribution	Jensen / Southeast	1/1/1999	1999	650,416	40	285,182	16,260	348,973	301,443	13
TD-18	Trans & Distribution	Irrigation Pipeline	6/29/2000	2000	11,933	5	11,933	-	-	11,933	13
TD-19	Trans & Distribution	Pipeline 2"	10/15/1999	1999	5,200	5	5,200	-	-	5,200	13
TD-21	Trans & Distribution	Pipes 3"	11/20/2000	2000	9,776	5	9,776	-	-	9,776	13
TD-22	Trans & Distribution	CWC	6/30/1984	1984	134,999	40	134,999	-	-	134,999	13
TD-23	Trans & Distribution	Apache Vault	9/14/2001	2001	5,040	15	4,984	56	-	5,040	2
TD-24	Trans & Distribution	Almond Vault	9/21/2001	2001	3,585	15	3,525	60	-	3,585	2
TD-25	Trans & Distribution	Southeast Inter Pipeline	10/22/2001	2001	23,398	15	22,878	520	0	23,398	13
TD-26	Trans & Distribution	Jensen 1.0 MG Reservoir	3/7/2002	2002	18,521	15	17,848	673	0	18,521	7
TD-27	Trans & Distribution	8" Main Line - Helen St	10/7/2002	2002	23,797	40	8,180	595	15,022	8,775	13
TD-28	Trans & Distribution	8" Hot Tap Ext (Bonita)	9/12/2002	2002	4,197	40	1,451	105	2,641	1,556	13
TD-29	Trans & Distribution	Butterfly Valves (2)	11/16/1999	1999	1,046	7	1,046	-	-	1,046	13



CABAZON WATER DISTRICT  
Water Capacity Charge Analysis

EXHIBIT A

Fixed Assets as of 6/30/2017

Asset Number	Asset Type	Asset Description	Acquired Date <sup>1</sup>	Year in Service	Original Asset Cost	Asset Life	Life to Date Depreciation (6/30/2016)	Current Depreciation	Book Value as of June 30, 2017	Accumulated Depreciation	Asset Category (for inflation)
TD-30	Trans & Distribution	FA Projects	12/31/2003	2003	41,551	15	35,070	2,770	3,711	37,840	13
TD-31	Trans & Distribution	SE 1713 Pipeline	7/31/2005	2005	318,420	40	86,902	7,961	223,557	94,863	13
TD-32	Trans & Distribution	Desert Hills Pipeline	6/30/2006	2006	349,381	40	87,320	8,735	253,327	96,054	13
TD-33	Trans & Distribution	Electrical panel for wells	6/18/2007	2007	19,272	40	4,356	482	14,434	4,838	3
TD-34	Trans & Distribution	Distribution	8/31/2007	2007	632	15	358	42	232	400	13
TD-35	Trans & Distribution	Apache and Bonita	2/1/2010	2010	40,265	15	12,974	2,684	24,606	15,659	13
TD-36	Trans & Distribution	Altitude Valve for Jensen Well	3/25/2010	2010	8,234	15	2,287	549	5,398	2,836	13
TD-37	Trans & Distribution	Coat Seminole Tank	5/31/2013	2013	29,800	15	6,126	1,987	21,688	8,112	13
TD-38	Trans & Distribution	Hypochloride	6/1/2011	2011	2,066	15	557	138	1,372	694	3
TD-39	Trans & Distribution	Ida Refurbishment	12/15/2011	2011	17,340	15	4,046	1,156	12,138	5,202	3
TD-40	Trans & Distribution	SCADA	11/15/2013	2013	106,354	15	14,181	7,090	85,083	21,271	3
TD-41	Trans & Distribution	Service Order: 814-14; August 21, 2014; Tank 2 control	8/31/2014	2014	3,841	15	256	256	3,329	512	3
TD-42	Trans & Distribution	Elm St. Tank #3 (.5 million gallon) interior recoating - or	6/1/2015	2015	39,600	15	2,640	2,640	34,320	5,280	4
TD-43	Trans & Distribution	14944 Broadway Meter Replacement	8/10/2015	2015	2,400	15	147	160	2,093	307	19
TD-44	Trans & Distribution	49980-50030 Main Service	11/23/2015	2015	43,520	15	1,692	2,901	38,926	4,594	13
TD-45	Trans & Distribution	14966 Broadway Meter Replacement	8/19/2015	2015	2,400	15	133	160	2,107	293	19
TD-46	Trans & Distribution	15140 Plum St Meter Replacement	8/20/2015	2015	1,800	15	100	120	1,580	220	19
TD-47	Trans & Distribution	15136 Plum St Meter Replacement	8/20/2015	2015	1,800	15	100	120	1,580	220	19
TD-48	Trans & Distribution	15268 & 15256 Plum St Meter Replacement	8/20/2015	2015	2,400	15	133	160	2,107	293	19
TD-49	Trans & Distribution	48804 Mojave St Meter Replacement	11/5/2015	2015	2,400	15	93	160	2,147	253	19
TD-50	Trans & Distribution	49894 Fuller Meter Install	5/5/2016	2016	6,100	15	68	407	5,626	474	19
TD-51	Trans & Distribution	51955 Esperanza Meter Install	8/20/2015	2015	6,000	15	333	400	5,267	733	19
TD-52	Trans & Distribution	52200 Esperanza Meter Replacement	11/3/2015	2015	4,200	15	187	280	3,733	467	19
TD-53	Trans & Distribution	52273 Esperanza Meter Replacement	11/3/2015	2015	4,200	15	187	280	3,733	467	19
TD-54	Trans & Distribution	50910 Seminole Hydrant Replacement	2/2/2016	2016	8,705	15	242	580	7,883	822	21
TD-55	Trans & Distribution	14011 Broadway Meter Replacement	6/20/2016	2016	11,230	15	-	749	10,481	749	19
TD-56	Trans & Distribution	15118 Elm New Service	9/11/2015	2015	3,600	15	200	240	3,160	440	19
TD-57	Trans & Distribution	49295 & 49309 Blanche Meter Replacement	6/6/2016	2016	4,980	15	28	332	4,620	360	19
TD-58	Trans & Distribution	52208 Lois Meter Replacement	8/20/2015	2015	1,698	15	94	113	1,490	207	19
TD-59	Trans & Distribution	52209 Lois Meter Replacement	8/20/2015	2015	1,698	15	94	113	1,490	207	19
TD-60	Trans & Distribution	DHPO System	5/15/2012	2012	2,320,000	50	191,400	46,400	2,082,200	237,800	19

CABAZON WATER DISTRICT  
Water Capacity Charge Analysis

EXHIBIT A

Fixed Assets as of 6/30/2017

Asset Number	Asset Type	Asset Description	Acquired Date <sup>1</sup>	Year in Service	Original Asset Cost	Asset Life	Life to Date Depreciation (6/30/2016)	Current Depreciation	Book Value as of June 30, 2017	Accumulated Depreciation	Asset Category (for inflation)
BS-1	Buildings & Structures	Storage Unit	2/2/1997	1997	3,109	40	1,504	78	1,527	1,582	2
BS-2	Buildings & Structures	Mobile Storage Container	10/3/2007	2007	2,688	15	1,613	179	896	1,792	3
BS-3	Buildings & Structures	Gate	2/24/2014	2014	2,500	15	389	167	1,944	556	2
BS-4	Buildings & Structures	Conference Room Doorway	1/21/2014	2014	2,325	15	375	155	1,795	530	2
BD-5	Buildings & Structures	Flag Pole @ 14618 Broadway	6/23/2016	2016	1,659	10	-	166	1,493	166	2
WT-1	Source of Supply	Chlorine Distribution Tank	4/13/2015	2015	8,800	5	2,053	1,760	4,987	3,813	4
OF-1	Office Furn & Equip	Software upgrade - Water Billing	4/30/2005	2005	24,710	3	24,710	-	-	24,710	6
OF-2	Office Furn & Equip	2 toughbooks	5/15/2010	2010	9,559	3	9,559	-	-	9,559	6
OF-3	Office Furn & Equip	Fireproof filing cabinet	11/3/2009	2009	2,082	3	2,082	-	-	2,082	6
OF-4	Office Furn & Equip	four fireproof filing cabinets	7/6/2009	2009	3,525	3	3,525	-	-	3,525	6
OF-5	Office Furn & Equip	Radios - FCC Changes	2/15/2014	2014	2,379	3	1,823	555	-	2,379	6
OF-6	Office Furn & Equip	Credenza	3/5/2014	2014	1,389	7	463	198	728	661	6
OF-7	Office Furn & Equip	Roof Ladder	1/1/2015	2015	2,000	7	429	286	1,286	714	6
OF-8	Office Furn & Equip	New Computers	3/1/2015	2015	8,932	5	2,233	1,786	4,913	4,020	6
OF-9	Office Furn & Equip	Board Room Projector	7/1/2015	2015	4,804	5	961	961	2,882	1,922	6
OF-10	Office Furn & Equip	Board Room 2 network cameras and cabling (record m	7/1/2015	2015	3,408	5	762	762	2,285	1,523	6
OF-11	Office Furn & Equip	Intrusion Security System (14935 1/2 Almond St.)	8/31/2016	2016	4,408	7	-	525	3,883	525	6
OF-12	Office Furn & Equip	Polycom Conference Phone	7/31/2016	2016	2,866	7	-	375	2,491	375	6
OF-13	Office Furn & Equip	Wireless Projector System and Cabling for Small Confer	8/31/2016	2016	1,346	7	-	160	1,186	160	6
IN-1	Intangibles	Intangible Plant	8/25/1997	1997	7,277	15	7,277	-	-	7,277	1
IN-2	Intangibles	Jensen Legal re: water Rights	8/25/1997	1997	3,755	15	3,646	109	0	3,755	1
VE-1	Vehicles	2000 GMC Sierra Truck	9/25/2001	2001	22,952	5	22,952	-	0	22,952	6
VE-2	Vehicles	2009 Tundra	3/30/2009	2009	30,116	5	30,116	-	-	30,116	6
VE-3	Vehicles	Rear End on Truck	10/3/2007	2007	2,600	5	2,600	-	-	2,600	6
VE-4	Vehicles	Roll covers- two	8/31/2012	2012	5,385	5	4,085	1,077	224	5,162	6
VE-5	Vehicles	Tundra Service Truck	4/24/2010	2010	29,404	5	29,404	-	-	29,404	6
VE-6	Vehicles	2016 Ford Fiesta Meter Reading Car	9/30/2016	2016	15,852	5	-	2,378	13,474	2,378	6
LA-1	Land	Land CWC Acquisition	6/30/1984	1984	36,581	-	-	-	36,581	-	-
LA-2	Land	Land	12/26/1969	1969	8,274	-	-	-	8,274	-	-
LA-3	Land	Land	12/31/1992	1992	20,000	-	-	-	20,000	-	-
LA-4	Land	Land - Water Impr	6/30/1994	1994	14,154	-	-	-	14,154	-	-
LA-5	Land	Land - Water Impr	6/30/1994	1994	60,600	-	-	-	60,600	-	-
LA-6	Land	Land-TaiFuCost	6/30/1995	1995	22,365	-	-	-	22,365	-	-
LA-7	Land	Land - Water Impr	6/30/1995	1995	1,200	-	-	-	1,200	-	-
LA-8	Land	Land - Capital Imp	6/30/1995	1995	4,000	-	-	-	4,000	-	-
LA-9	Land	Land - Capital Imp	6/30/1995	1995	11,000	-	-	-	11,000	-	-
LA-10	Land	Land - BMT Concrete Well	6/30/1996	1996	12,500	-	-	-	12,500	-	-
LA-11	Land	Jland Jensen	2/5/1997	1997	18,687	-	-	-	18,687	-	-
LA-12	Land	Land - Elm St	10/31/2004	2004	200,187	-	-	-	200,187	-	-
LA-13	Land	Land - DHPO	5/15/2012	2012	280,000	-	-	-	280,000	-	-

**TOTAL** \$12,729,054 \$4,700,736.47 \$328,920 \$7,699,397 \$5,029,656



CABAZON WATER DISTRICT  
Water Capacity Charge Analysis

EXHIBIT A

Fixed Assets as of 6/30/2017

Asset Number	Asset Type	Asset Description	Replication Value			System Buy-In Cost Basis	Allocation Basis (%)		Distribution of Cost Basis (\$)	
			Adjusted % of Original Value	Asset Cost	Accumulated Depreciation		Existing Services	Future Services	Existing Services	Future Services
TE-1	Tools & Equipment	Emergency generator pu Well 2	201%	71,568	71,568	(0)	99.33%	0.67%	(0)	(0)
TE-2	Tools & Equipment	Ergo Jackhammer	No Remaining Value	-	-	-	99.33%	0.67%	-	-
TE-3	Tools & Equipment	John Deere 310 SG Loader	No Remaining Value	-	-	-	99.33%	0.67%	-	-
TE-4	Tools & Equipment	Backhoe ECU and Teeth	102%	3,317	355	2,961	99.33%	0.67%	2,942	20
TE-5	Tools & Equipment	Safety Harness (50' Tripod	102%	2,107	316	1,791	99.33%	0.67%	1,779	12
SS-1	Source of Supply	Well 2 Generator Facility	No Remaining Value	-	-	-	99.33%	0.67%	-	-
SS-2	Source of Supply	Well 2 Generator Facility	193%	211,498	202,098	9,401	99.33%	0.67%	9,338	63
SS-3	Source of Supply	Wells- Jensen	No Remaining Value	-	-	-	99.33%	0.67%	-	-
SS-4	Source of Supply	Water Source Plant	No Remaining Value	-	-	-	99.33%	0.67%	-	-
SS-5	Source of Supply	Structures - Jensen	200%	3,924	3,825	99	99.33%	0.67%	99	1
SS-6	Source of Supply	Water Treatment	No Remaining Value	-	-	-	99.33%	0.67%	-	-
SS-7	Source of Supply	Jensen Res Cty Cont Cap	171%	80,227	30,085	50,142	99.33%	0.67%	49,807	335
SS-8	Source of Supply	SCADA	130%	165,861	70,491	95,370	99.33%	0.67%	94,734	636
SS-9	Source of Supply	DHPO Interconnection	103%	196,971	33,923	163,048	99.33%	0.67%	161,961	1,088
SS-10	Source of Supply	DHPO Interconnection - Addl	103%	112,122	18,687	93,435	99.33%	0.67%	92,811	623
SS-11	Source of Supply	Almond Vault	112%	5,086	706	4,379	99.33%	0.67%	4,350	29
SS-12	Source of Supply	Well Repairs	112%	10,483	1,543	8,940	99.33%	0.67%	8,880	60
SS-13	Source of Supply	Infrastructure	114%	180,376	27,056	153,320	99.33%	0.67%	152,297	1,023
SS-14	Source of Supply	Well Repairs	114%	124,179	44,863	79,316	99.33%	0.67%	78,787	529
SS-15	Source of Supply	Well Repairs	116%	1,748	1,719	29	99.33%	0.67%	29	0
SS-16	Source of Supply	DHPO 2014	112%	114,470	13,673	100,798	99.33%	0.67%	100,125	672
SS-17	Source of Supply	DHPO 2014	112%	166,170	19,848	146,321	99.33%	0.67%	145,345	976
SS-18	Source of Supply	Adder for Concrete Block security wall, steel security do	108%	21,215	4,950	16,265	99.33%	0.67%	16,156	109
SS-19	Source of Supply	Well Repairs 2014	105%	78,605	6,550	72,054	99.33%	0.67%	71,574	481
SS-20	Source of Supply	Wells 4 5 Pump Rehab 2014	117%	105,921	9,121	96,800	99.33%	0.67%	96,154	646
SS-21	Source of Supply	Well #5 - built retaining wall for discharged well water at	105%	3,787	568	3,219	99.33%	0.67%	3,198	21
SS-22	Source of Supply	(2) Grundfos DDA 7 5-16 pump (chlorinators for wells)	117%	4,719	839	3,880	99.33%	0.67%	3,855	26
SS-23	Source of Supply	(1) Octave meter with pulse module, (2) bolt and nut ki	117%	13,328	2,369	10,959	99.33%	0.67%	10,886	73
SS-24	Source of Supply	Octave Meter with Pulse Module - Well #5 per Calvin E	117%	5,874	979	4,895	99.33%	0.67%	4,862	33
SS-25	Source of Supply	11/11/2014 valve built in shop - 8" full port check valve	102%	5,509	857	4,652	99.33%	0.67%	4,621	31
SS-26	Source of Supply	11/21/14 valve built in shop. Deep well pump control v	102%	4,660	725	3,935	99.33%	0.67%	3,908	26
SS-27	Source of Supply	Well #5 - install controls for waste valve and rewire par	113%	6,884	956	5,928	99.33%	0.67%	5,888	40
SS-28	Source of Supply	Well #5 Telemetry Implementation (install SCADA at V	113%	15,966	2,217	13,748	99.33%	0.67%	13,657	92
SS-29	Source of Supply	DHPO	113%	9,138	609	8,529	99.33%	0.67%	8,472	57
SS-30	Source of Supply	Almond Vault-Control Vault	113%	20,630	2,751	17,879	99.33%	0.67%	17,760	119
SS-31	Source of Supply	Almond Vault-PRV	113%	44,027	5,870	38,157	99.33%	0.67%	37,903	255
SS-32	Source of Supply	Almond Vault-Submersible liberty 287 pump	113%	6,386	851	5,534	99.33%	0.67%	5,497	37
SS-33	Source of Supply	Well 2 Motor Repair	100%	15,370	342	15,029	99.33%	0.67%	14,928	100
SS-34	Source of Supply	Well 2 - 500 AMP Breaker	100%	6,594	128	6,466	99.33%	0.67%	6,423	43

CABAZON WATER DISTRICT  
Water Capacity Charge Analysis

EXHIBIT A

Fixed Assets as of 6/30/2017

Asset Number	Asset Type	Asset Description	Replication Value			System Buy-In Cost Basis	Allocation Basis (%)		Distribution of Cost Basis (\$)	
			Adjusted % of Original Value	Asset Cost	Accumulated Depreciation		Existing Services	Future Services	Existing Services	Future Services
TD-1	Trans & Distribution	Pipeline	255%	49,278	31,422	17,856	99.33%	0.67%	17,737	119
TD-2	Trans & Distribution	Krieger & Stewart	254%	9,706	6,138	3,568	99.33%	0.67%	3,544	24
TD-3	Trans & Distribution	Millard Canyon W	237%	12,286,225	6,514,724	5,771,501	99.33%	0.67%	5,732,998	38,502
TD-4	Trans & Distribution	Gravity System	231%	3,568	3,568	-	99.33%	0.67%	-	-
TD-5	Trans & Distribution	Gravity System	231%	3,568	3,568	-	99.33%	0.67%	-	-
TD-6	Trans & Distribution	Pumping Equip - JE	222%	48,968	48,968	-	99.33%	0.67%	-	-
TD-7	Trans & Distribution	Reservoirs & Tanks	No Remaining Value	-	-	-	99.33%	0.67%	-	-
TD-8	Trans & Distribution	Water Mains - Jens	222%	188,864	188,864	-	99.33%	0.67%	-	-
TD-10	Trans & Distribution	Meters Jensen	205%	40,211	40,211	-	99.33%	0.67%	-	-
TD-12	Trans & Distribution	Other Equip Jens	229%	12,593	12,593	-	99.33%	0.67%	-	-
TD-13	Trans & Distribution	Adjustments to C	229%	126,656	62,799	63,857	99.33%	0.67%	63,431	426
TD-14	Trans & Distribution	Seminole Pipeline	207%	525,996	255,328	270,668	99.33%	0.67%	268,863	1,806
TD-15	Trans & Distribution	Jensen Engineering	231%	44,935	22,285	22,650	99.33%	0.67%	22,499	151
TD-16	Trans & Distribution	Seminole Pipeline	223%	101,837	45,829	56,008	99.33%	0.67%	55,634	374
TD-17	Trans & Distribution	Jensen / Southeast	223%	1,448,740	671,435	777,305	99.33%	0.67%	772,120	5,185
TD-18	Trans & Distribution	Irrigation Pipeline	No Remaining Value	-	-	-	99.33%	0.67%	-	-
TD-19	Trans & Distribution	Pipeline 2"	No Remaining Value	-	-	-	99.33%	0.67%	-	-
TD-21	Trans & Distribution	Pipes 3"	No Remaining Value	-	-	-	99.33%	0.67%	-	-
TD-22	Trans & Distribution	CWC	No Remaining Value	-	-	-	99.33%	0.67%	-	-
TD-23	Trans & Distribution	Apache Vault	No Remaining Value	-	-	-	99.33%	0.67%	-	-
TD-24	Trans & Distribution	Almond Vault	No Remaining Value	-	-	-	99.33%	0.67%	-	-
TD-25	Trans & Distribution	Southeast Inter Pipeline	213%	49,794	49,794	-	99.33%	0.67%	-	-
TD-26	Trans & Distribution	Jensen 1.0 MG Reservoir	285%	52,802	52,802	-	99.33%	0.67%	-	-
TD-27	Trans & Distribution	8" Main Line - Helen St	202%	48,098	17,736	30,362	99.33%	0.67%	30,159	203
TD-28	Trans & Distribution	8" Hot Tap Ext (Bonita)	202%	8,483	3,145	5,338	99.33%	0.67%	5,302	36
TD-29	Trans & Distribution	Butterfly Valves (2)	No Remaining Value	-	-	-	99.33%	0.67%	-	-



CABAZON WATER DISTRICT  
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EXHIBIT A

Fixed Assets as of 6/30/2017

Asset Number	Asset Type	Asset Description	Replication Value			System Buy-In Cost Basis	Allocation Basis (%)		Distribution of Cost Basis (\$)	
			Adjusted % of Original Value	Asset Cost	Accumulated Depreciation		Existing Services	Future Services	Existing Services	Future Services
TD-30	Trans & Distribution	FA Projects	202%	83,981	76,481	7,500	99.33%	0.67%	7,450	50
TD-31	Trans & Distribution	SE 1713 Pipeline	177%	563,132	167,766	395,365	99.33%	0.67%	392,728	2,638
TD-32	Trans & Distribution	Desert Hills Pipeline	165%	576,516	158,500	418,016	99.33%	0.67%	415,228	2,789
TD-33	Trans & Distribution	Electrical panel for wells	168%	32,284	8,105	24,179	99.33%	0.67%	24,018	161
TD-34	Trans & Distribution	Distribution	157%	994	629	364	99.33%	0.67%	362	2
TD-35	Trans & Distribution	Apache and Bonita	129%	51,789	20,140	31,649	99.33%	0.67%	31,438	211
TD-36	Trans & Distribution	Altitude Valve for Jensen Well	129%	10,590	3,648	6,942	99.33%	0.67%	6,896	46
TD-37	Trans & Distribution	Coat Seminole Tank	114%	33,930	9,237	24,694	99.33%	0.67%	24,529	165
TD-38	Trans & Distribution	Hypochloride	138%	2,860	961	1,899	99.33%	0.67%	1,886	13
TD-39	Trans & Distribution	Idea Refurbishment	138%	24,002	7,201	16,802	99.33%	0.67%	16,689	112
TD-40	Trans & Distribution	SCADA	125%	132,565	26,513	106,052	99.33%	0.67%	105,344	707
TD-41	Trans & Distribution	Service Order: 814-14; August 21, 2014: Tank 2 control	117%	4,490	599	3,891	99.33%	0.67%	3,865	26
TD-42	Trans & Distribution	Elm St. Tank #3 (5 million gallon) interior recoating - or	105%	41,658	5,554	36,104	99.33%	0.67%	35,863	241
TD-43	Trans & Distribution	49980-50030 Main Service	106%	2,424	310	2,114	99.33%	0.67%	2,100	14
TD-44	Trans & Distribution	14944 Broadway Meter Replacement	106%	46,244	4,881	41,363	99.33%	0.67%	41,087	276
TD-45	Trans & Distribution	14966 Broadway Meter Replacement	101%	2,424	296	2,128	99.33%	0.67%	2,114	14
TD-46	Trans & Distribution	15140 Plum St Meter Replacement	101%	1,818	222	1,596	99.33%	0.67%	1,585	11
TD-47	Trans & Distribution	15136 Plum St Meter Replacement	101%	1,818	222	1,596	99.33%	0.67%	1,585	11
TD-48	Trans & Distribution	15268 & 15256 Plum St Meter Replacement	101%	2,424	296	2,128	99.33%	0.67%	2,114	14
TD-49	Trans & Distribution	48804 Mojave St Meter Replacement	101%	2,424	256	2,168	99.33%	0.67%	2,154	14
TD-50	Trans & Distribution	49894 Fuller Meter Install	100%	6,115	476	5,640	99.33%	0.67%	5,602	38
TD-51	Trans & Distribution	51955 Esperanza Meter Install	101%	6,060	741	5,319	99.33%	0.67%	5,284	35
TD-52	Trans & Distribution	52200 Esperanza Meter Replacement	101%	4,242	471	3,771	99.33%	0.67%	3,746	25
TD-53	Trans & Distribution	52273 Esperanza Meter Replacement	101%	4,242	471	3,771	99.33%	0.67%	3,746	25
TD-54	Trans & Distribution	50910 Seminole Hydrant Replacement	101%	8,802	831	7,970	99.33%	0.67%	7,917	53
TD-55	Trans & Distribution	14011 Broadway Meter Replacement	100%	11,258	751	10,507	99.33%	0.67%	10,437	70
TD-56	Trans & Distribution	15118 Elm New Service	101%	3,636	444	3,192	99.33%	0.67%	3,170	21
TD-57	Trans & Distribution	49295 & 49309 Blanche Meter Replacement	100%	4,992	361	4,632	99.33%	0.67%	4,601	31
TD-58	Trans & Distribution	52208 Lois Meter Replacement	101%	1,714	210	1,505	99.33%	0.67%	1,495	10
TD-59	Trans & Distribution	52209 Lois Meter Replacement	101%	1,714	210	1,505	99.33%	0.67%	1,495	10
TD-60	Trans & Distribution	DHPO System	107%	2,473,034	253,486	2,219,548	99.33%	0.67%	2,204,741	14,807

CABAZON WATER DISTRICT  
Water Capacity Charge Analysis

EXHIBIT A

Fixed Assets as of 6/30/2017

Asset Number	Asset Type	Asset Description	Replication Value		System Buy-In Cost Basis	Allocation Basis (%)		Distribution of Cost Basis (\$)	
			Adjusted % of Original Value	Asset Cost		Accumulated Depreciation	Existing Services	Future Services	Existing Services
BS-1	Buildings & Structures	Storage Unit	200%	6,218	3,154	99.33%	0.67%	3,033	20
BS-2	Buildings & Structures	Mobile Storage Container	168%	4,503	3,002	99.33%	0.67%	1,491	10
BS-3	Buildings & Structures	Gate	108%	2,707	601	99.33%	0.67%	2,091	14
BS-4	Buildings & Structures	Conference Room Doorway	108%	2,517	573	99.33%	0.67%	1,931	13
BD-5	Buildings & Structures	Flag Pole @ 14618 Broadway	103%	1,707	171	99.33%	0.67%	1,526	10
WT-1	Source of Supply	Chlorine Distribution Tank	105%	9,257	4,012	99.33%	0.67%	5,211	35
OF-1	Office Furn & Equip	Software upgrade - Water Billing	No Remaining Value	-	-	99.33%	0.67%	-	-
OF-2	Office Furn & Equip	2 toughbooks	No Remaining Value	-	-	99.33%	0.67%	-	-
OF-3	Office Furn & Equip	Fireproof filing cabinet	No Remaining Value	-	-	99.33%	0.67%	-	-
OF-4	Office Furn & Equip	four fireproof filing cabinets	No Remaining Value	-	-	99.33%	0.67%	-	-
OF-5	Office Furn & Equip	Radios - FCC Changes	No Remaining Value	-	-	99.33%	0.67%	-	-
OF-6	Office Furn & Equip	Credenza	109%	1,515	721	99.33%	0.67%	788	5
OF-7	Office Furn & Equip	Roof Ladder	106%	2,115	755	99.33%	0.67%	1,351	9
OF-8	Office Furn & Equip	New Computers	106%	9,446	4,251	99.33%	0.67%	5,161	35
OF-9	Office Furn & Equip	Board Room Projector	106%	5,080	2,032	99.33%	0.67%	3,028	20
OF-10	Office Furn & Equip	Board Room 2 network cameras and cabling (record m	106%	4,027	1,611	99.33%	0.67%	2,400	16
OF-11	Office Furn & Equip	Intrusion Security System (14935 1/2 Almond St.)	102%	4,508	537	99.33%	0.67%	3,945	26
OF-12	Office Furn & Equip	Polycom Conference Phone	102%	2,931	384	99.33%	0.67%	2,530	17
OF-13	Office Furn & Equip	Wireless Projector System and Cabling for Small Confer	102%	1,377	164	99.33%	0.67%	1,205	8
IN-1	Intangibles	Intangible Plant	No Remaining Value	-	-	99.33%	0.67%	-	-
IN-2	Intangibles	Jensen Legal re: water Rights	168%	6,307	6,307	99.33%	0.67%	-	-
VE-1	Vehicles	2000 GMC Sierra Truck	208%	47,649	47,649	99.33%	0.67%	-	-
VE-2	Vehicles	2009 Tundra	No Remaining Value	-	-	99.33%	0.67%	-	-
VE-3	Vehicles	Rear End on Truck	No Remaining Value	-	-	99.33%	0.67%	-	-
VE-4	Vehicles	Roll covers- two	119%	6,401	6,136	99.33%	0.67%	264	2
VE-5	Vehicles	Tundra Service Truck	No Remaining Value	-	-	99.33%	0.67%	-	-
VE-6	Vehicles	2016 Ford Fiesta Meter Reading Car	102%	16,212	2,432	99.33%	0.67%	13,688	92
LA-1	Land	Land CWC Acquisition	100%	36,581	-	99.33%	0.67%	36,337	244
LA-2	Land	Land	100%	8,274	-	99.33%	0.67%	8,219	55
LA-3	Land	Land	100%	20,000	-	99.33%	0.67%	19,867	133
LA-4	Land	Land - Water Impr	100%	14,154	-	99.33%	0.67%	14,060	94
LA-5	Land	Land - Water Impr	100%	60,600	-	99.33%	0.67%	60,196	404
LA-6	Land	Land-TaiFuCost	100%	22,365	-	99.33%	0.67%	22,216	149
LA-7	Land	Land - Water Impr	100%	1,200	-	99.33%	0.67%	1,192	8
LA-8	Land	Land - Capital Imp	100%	4,000	-	99.33%	0.67%	3,973	27
LA-9	Land	Land - Capital Imp	100%	11,000	-	99.33%	0.67%	10,927	73
LA-10	Land	Land - BMT Concrete Well	100%	12,500	-	99.33%	0.67%	12,417	83
LA-11	Land	Jland Jensen	100%	18,687	-	99.33%	0.67%	18,562	125
LA-12	Land	Land - Elm St	100%	200,187	-	99.33%	0.67%	198,852	1,335
LA-13	Land	Land - DHPO	100%	280,000	-	99.33%	0.67%	278,132	1,868
<b>TOTAL</b>				<b>\$21,837,244</b>	<b>\$9,447,420</b>			<b>\$12,307,170</b>	<b>\$82,654</b>