



**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, September 18, 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  
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**REGULAR BOARD MEETING**

**AGENDA**

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

**Meeting Date:**  
September 18, 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 August 21, 2018
- b. Regular Board Meeting Minutes and warrants of August 21, 2018

**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)

**CLOSED SESSION**

- (1) CONFERENCE WITH LEGAL COUNSEL – Personnel Item(s)
- (2) CONFERENCE WITH LABOR NEGOTIATORS:  
Agency Representatives: (Calvin Louie, Ellie Lemus, Joe Ortiz) Employee Organization: (SEIU)

**NEW BUSINESS**

1. Discussion/Action: Approval of Fiscal Year 2017-2018 Audited Financial Statements
2. Discussion/Action: Approval of the 2018-2021 Union SEIU Local 721 Employee Memorandum Of Understanding (MOU)
3. Discussion/Action: Marking customer water shut-off valves  
(by Director Wargo and Director Sanderson)
4. Discussion/Action: Reward – Information regarding missing District Property.
5. Discussion/Action: Backhoe training for District Field Crew Staff & OSHA Certified Training for District Field Crew Staff (Lancaster Safety Consulting, Inc.)

**OLD BUSINESS**

1. Discussion: Sustainable Groundwater Management Act (SGMA) Update  
(by General Manager Louie)
2. Discussion/Action: Proposed Changes to Current District Boundary and Sphere of Influence
3. Discussion/Action: Proposed Amendment of the District's Fiscal Year 2018-2019 Approved Budget

**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 – October 16, 2018, 5:00 pm
- b. Regular Board Meeting – Tuesday – October 16, 2018, 6:00 pm
- c. Personnel Committee – None
- d. San Gorgonio Pass Regional Water Alliance – Alliance Meeting – September 26, 2018, 5:00 pm

## 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, August 21, 2018 – 5:00 PM

CALL TO ORDER  
PLEDGE OF ALLEGIANCE  
ROLL CALL

Director Wargo - Present  
Director Israel - Present

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

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

FINANCE & AUDIT COMMITTEE

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

Balance Sheet:

- The District's combined cash and LAIF balance is about \$824,260. The District's total liabilities are approximately \$1.247 million.

Profit and Loss:

- Line 3 Base Rate: This is the flat, fixed monthly charge to all residents for water service. YTD is trending at 8%.

- Line 4 Commodity Sales: This is the variable income from charges linked to the consumption of water. YTD is at 10% due to higher usage in the summer months.
- Line 9 New Account Fees: These fees are difficult to budget for accuracy due to their unexpected nature.
- Line 10 Incident Fees: These fees are difficult to budget for accuracy due to their unexpected nature.
- Line 19 Interest Income: YTD is at 28% due to receiving higher interest rates than anticipated on funds held in LAIF.
- Line 65 Postage: YTD is at 9% due to the timing of postage purchases.
- Line 110 Meter Replacements & Other Capital: YTD purchases include (30) 5/8" meters.

As of July 31st, the fiscal year-to-date net income is \$33,827.

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

**PUBLIC COMMENT**

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**ADJOURNMENT**

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

Director Wargo - Aye  
Director Israel - Aye

Meeting adjourned at 17:15 hr. on Tuesday, August 21, 2018

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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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**REGULAR BOARD MEETING**

**MINUTES**

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

**Meeting Date:**  
August 21, 2018 – 6:00 PM

**CALL TO ORDER**

**PLEDGE OF ALLEGIANCE**

**REMEMBRANCE OF OUR SERVICE MEN AND WOMEN**

**ROLL CALL**

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

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

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

**CONSENT CALENDAR**

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

**1. Approval of:**

- a. Finance and Audit Committee Meeting Minutes and warrants approved by the committee of July 17, 2018
- b. Regular Board Meeting Minutes and warrants of July 17, 2018

**Motion to approve consent calendar item(s) (a.) Finance and Audit Committee Meeting Minutes and warrants approved by the committee of July 17, 2018, (b.) Regular Board Meeting Minutes and warrants of July 17, 2018 made by Director Israel and 2<sup>nd</sup> by Director Davis.**

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

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

#### UPDATES

1. Update: **San Gorgonio Pass Regional Water Alliance Update (by Director Israel)**
  - Informational discussion regarding Prop 3.
2. Update: **Manager's Operations Report (by General Manager Louie)**
  - 50100 Main St. property – ice house building cleared. Fencing will be installed in near future.
  - CWD Field locating buried gate valves throughout town and updating District maps.
  - Working with District engineers to apply for grant funding opportunities.

#### OLD BUSINESS

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

#### NEW BUSINESS

1. Discussion/Action: **Customer Concern: McClune, Blanche Ave., Acct. No. 5-5021MC**

The customer was charged \$317 for a weekend call-out, where a leak was on the customer's side of the meter, and the customer broke the shut-off valve at the meter. The customer was disputing the emergency call-out bill.

Motion to have McClune pay \$160 to settle this account made by Director Sanderson, 2<sup>nd</sup> by Director \_\_\_\_\_. No second. Motion failed.



Motion to have McClune pay \$250 to settle this account, and to have the District spray-paint customer shut-off valves, made by Director Wargo, 2<sup>nd</sup> by Director \_\_\_\_\_. No second. Motion failed.

Amended motion to have McClune pay \$250 to settle this account, and to have the District tag all customer shut-off valves, in addition to sending notification letters to customers explaining shut-off valves, etc. made by Director Lynk, 2<sup>nd</sup> by Director \_\_\_\_\_. No second. Motion failed.

Motion to have McClune pay \$250 to settle this account, made by Director Wargo and 2<sup>nd</sup> by Director Sanderson.

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

A short break was taken from 19:00 hr. to 19:09 hr., when the meeting resumed.

2. Discussion/Action: Approval of the General Manager's 7<sup>th</sup> Amendment to his employment contract.

Motion to approve the General Manager's 7<sup>th</sup> Amendment to his employment contract made by Director Wargo and 2<sup>nd</sup> by Director Davis.

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

\*Note: The Board proceeded to Agenda New Business Item 4: Proposed Changes to current District Boundary and Sphere of Influence, before discussing New Business Item 3: Proposed Amendment of the District's Fiscal Year 2018-2019 Approved Budget.

3. Discussion/Action: Proposed Changes to Current District Boundary and Sphere of Influence

Motion to table any decision regarding proposed changes to the current District Boundary and Sphere of Influence until the September Board Meeting made by Director Lynk and 2<sup>nd</sup> by Director \_\_\_\_\_.

\*Note: There was no second or roll call vote, but it was the consensus of the Board to table this item. There were no objections voiced.

4. Discussion/Action: Proposed Amendment of the District's Fiscal Year 2018-2019 Approved Budget

- The Business Manager recommended to the Board that they not approve an amended budget until the September 2018 Board Meeting. There were a few other line items that might be changed, so it would make sense to amend the budget all at one time.

- The Board expressed that they would wait until the September 2018 Board Meeting to amend the budget, but that they did not want the \$50,000 allocated budget funds for Line Item 113: New Vehicle Purchase to be used in the interim.

Motion to table an amendment of the District's Fiscal Year 2018-2019 Approved Budget until the September Board Meeting, and to place a "freeze" on the current approved budget in specific regards to Line Item 113: New Vehicle Purchase (of funds up to \$50,000) made by Director Wargo and 2<sup>nd</sup> by Director Lynk.

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

### 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.
  - Louie – expressed to the Board that he would like the Business Manager to be sent to notary school for the District's benefit. There were no financial study reports prepared, but it was very roughly estimated that the expense could be around \$500 to \$600 for notary training/certification. The Board Chair responded that this was more of an administrative/management decision, and the General Manager should make this determination.
- Suggested agenda items from Board Members.
  - Director Wargo and Director Sanderson: agenda item request regarding the District marking customer water shut-off valves.

- Director Lynk and Director Israel: Closed Session agenda item request regarding a Personnel Item.

## 2. Management Comments

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## 3. Board Member Comments

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- Director Lynk: Expressed his concerns regarding micromanagement; it was not the Board's place to micromanage the District's General Manager, but when an item is placed on the Board Agenda, the Board is essentially "forced" to partake in a micromanaging situation, since it has now come across as an agenda item.

## MISCELLANEOUS

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

- a. Finance & Audit Workshop – Tuesday – September 18, 2018, 5:00 pm
- b. Regular Board Meeting – Tuesday – September 18, 2018, 6:00 pm
- c. Personnel Committee – None
- d. San Gorgonio Pass Regional Water Alliance – Alliance Meeting – August 29, 2018, 5:00 pm

## ADJOURNMENT

Motion to adjourn at 19:39 hr. made by Director Sanderson and 2<sup>nd</sup> by Director Davis.

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

Meeting adjourned at 19:39 hr. on Tuesday, August 21, 2018

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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

August 2018

	Aug-18	Current YTD	Budget	YTD (17%)
<b>1 REVENUES</b>				
<b>2 OPERATING INCOME</b>				
3 Base Rate - Water Bills	69,123	137,058	811,800	17%
4 Commodity Sales	35,456	69,243	327,500	21%
5 DHPO Contract	20,971	45,679	225,900	20%
6 Fire Sales - Water Bills	226	451	2,500	18%
7 Fire Flow Income	-	-	400	0%
8 Penalty Fees - Water Bills	3,963	8,176	48,300	17%
9 New Account Fees - Water Bills	275	540	1,800	30%
10 Incident Fee - Water Bills	-	-	400	0%
11 Returned Check Fees	60	90	600	15%
12 Basic Facilities Fee	-	-	64,900	0%
13 Stand By Fees - Tax Revenue	3,443	3,443	113,600	3%
<b>14 TOTAL OPERATING INCOME</b>	<b>133,517</b>	<b>264,680</b>	<b>1,597,700</b>	<b>17%</b>
<b>15 NON-OPERATING INCOME</b>				
16 Property Taxes	298	427	60,900	1%
17 Cell Tower Lease Income	4,093	6,139	22,100	28%
18 Misc. Non-Operating Income	-	-	-	0%
19 Interest Income	540	983	10,200	10%
<b>20 TOTAL NON-OPERATING INCOME</b>	<b>4,930</b>	<b>7,549</b>	<b>93,200</b>	<b>8%</b>
<b>21 TOTAL REVENUES</b>	<b>138,448</b>	<b>272,229</b>	<b>1,690,900</b>	<b>16%</b>
<b>22 EXPENSES</b>				
<b>23 PAYROLL</b>				
24 Directors Fees	1,100	3,700	20,000	19%
25 Management & Customer Service				
26 Customer Accounts	5,676	9,517	51,700	18%
27 Business Admin Manager	7,381	12,189	65,200	19%
28 General Manager	10,139	16,608	84,100	20%
<b>29 Total Management &amp; Customer Service</b>	<b>23,195</b>	<b>38,314</b>	<b>201,000</b>	<b>19%</b>
30 Field Workers	19,618	30,788	144,200	21%
31 Employee Benefits Expense				
32 Workers Comp.	1,017	1,130	8,700	13%
33 Employee Health Care	6,387	13,170	95,800	14%
34 Pension	5,308	10,658	70,200	15%
<b>35 Total Employee Benefits Expense</b>	<b>12,712</b>	<b>24,958</b>	<b>174,700</b>	<b>14%</b>
36 Payroll Taxes	3,079	5,933	30,100	20%
<b>37 TOTAL PAYROLL</b>	<b>59,704</b>	<b>103,692</b>	<b>570,000</b>	<b>18%</b>
<b>38 OPERATIONAL EXPENSES</b>				
39 Facilities, Wells, T&D				
40 Lab Fees	1,684	2,661	7,500	35%
41 Site Landscaping & Maintenance	45	45	700	6%
42 Meters	-	300	4,600	7%

# Cabazon Water District

## Profit & Loss

August 2018

	Aug-18	Current YTD	Budget	YTD (17%)	
43	Generator Service Contractor	-	-	1,300	0%
44	Utilities - Wells	4,168	8,735	126,100	7%
45	SCADA	1	56	300	19%
46	Line R&M Contractor	-	-	12,500	0%
47	Line R&M Materials	31	1,591	60,000	3%
48	Well Maintenance	1,026	1,336	36,200	4%
49	Security	867	2,201	18,400	12%
50	Engineering Services	11,346	11,346	33,600	34%
51	Chlorinators	-	-	100	0%
52	Facilities, Wells, T&D - Other	611	4,287	10,000	43%
53	<b>Total Facilities, Wells, T&amp;D</b>	<b>19,780</b>	<b>32,556</b>	<b>311,300</b>	<b>10%</b>
54	Utilities - Office				
55	Electricity	2,045	4,263	15,900	27%
56	Gas	27	52	710	7%
57	Telephone	796	1,550	9,500	16%
58	Trash Pickup & Office Cleaning	364	727	4,400	17%
59	<b>Total Utilities - Office</b>	<b>3,231</b>	<b>6,593</b>	<b>30,510</b>	<b>22%</b>
60	Office Expenses				
61	Water Billing System	177	355	2,100	17%
62	Supplies & Equipment	541	707	9,700	7%
63	Copier and Supplies	237	237	6,000	4%
64	Dues & Subscriptions	-	-	1,700	0%
65	Postage	-	691	7,700	9%
66	Printing & Publications	-	509	6,100	8%
67	Leases & Rents	-	-	300	0%
68	Computer Services	2,657	2,704	36,800	7%
69	Office Radio	-	-	500	0%
70	Office Storage	500	1,000	6,200	16%
71	Air Conditioning Servicing	398	796	4,600	17%
72	Fire Alarm System Servicing	52	104	700	15%
73	Office Expenses - Other	152	152	1,300	12%
74	<b>Total Office Expenses</b>	<b>4,714</b>	<b>7,255</b>	<b>83,700</b>	<b>9%</b>
75	Support Services				
76	Temporary Labor	-	-	10,000	0%
77	Financial Audit	1,200	1,200	22,100	5%
78	Accounting	3,246	5,246	30,000	17%
79	Legal Services	5,898	10,316	53,600	19%
80	Bank Service Charges	91	137	700	20%
81	Payroll Service	432	753	4,100	18%
82	Website Support	75	150	1,700	9%
83	General Liability Insurance	1,946	3,418	21,000	16%
84	<b>Total Support Services</b>	<b>12,888</b>	<b>21,221</b>	<b>143,200</b>	<b>15%</b>
85	Training/Travel	250	352	8,000	4%

# Cabazon Water District

## Profit & Loss

August 2018

	Aug-18	Current YTD	Budget	YTD (17%)
86 Other Fees/SWRCB	2,134	2,513	6,200	41%
87 Service Tools & Equipment				
88 Shop Supplies and Small Tools	861	1,018	21,100	5%
89 Vehicle Fuel	396	861	12,800	7%
90 Employee Uniforms	-	-	1,500	0%
91 Safety	-	-	500	0%
92 Tractor Expenses	-	-	1,000	0%
93 Equipment Rental	-	-	2,100	0%
94 Service Trucks - R&M	65	157	13,900	1%
95 Water Ops Phone & Internet	88	176	900	20%
96 Total Service Tools & Equipment	1,410	2,211	53,800	4%
97 <b>NON-OPERATING EXPENSES</b>				
98 Grant & Loan Processing Fee	-	-	1,600	0%
99 DWR Interest Expense	-	-	10,300	0%
100 DHPO Interest Expense	-	-	9,800	0%
101 Bad Debt Expense	-	-	1,200	0%
102 Miscellaneous	60	60	1,600	4%
103 Prior Year Income / Expense	-	-	-	0%
104 Depreciation Expense	22,192	44,383	266,300	17%
105 <b>TOTAL NON-OPERATING EXPENSES</b>	22,252	44,444	290,800	15%
106 <b>TOTAL EXPENSES</b>	126,363	220,838	1,497,510	15%
107 <b>TOTAL INCOME BEFORE CAPITAL &amp; GSA</b>	12,084	51,392	193,390	27%
108 DHPO Capacity Credit	(1,750)	(3,500)	(21,000)	17%
<b>CAPITAL PROJECTS</b>				
109 Main Street Improvements (Icehouse Imp.)	-	-	(60,000)	0%
110 Meter Replacements & Other Capital	-	(1,600)	(22,000)	7%
111 New Vehicle Purchase	-	-	(50,000)	0%
112 <b>TOTAL CAPITAL PROJECTS</b>	-	(1,600)	(132,000)	1%
113 <b>DEBT - PRINCIPAL</b>				
114 Debt Service Principal - DWR	-	-	(38,400)	0%
115 Debt Service Principal - DHPO (Zion)	-	-	(78,900)	0%
116 <b>TOTAL DEBT - PRINCIPAL</b>	-	-	(117,300)	0%
117 <b>SGMA / GSA</b>	-	-	(60,000)	0%
118 <b>NET INCOME / (LOSS)</b>	<b>10,334</b>	<b>46,292</b>	<b>(136,910)</b>	

*No assurance is provided on these financial statements.*

*The financial statements do not include a statement of cash flows.*

*Substantially all disclosures required by accounting principles generally accepted in the United States are not included.*

# Cabazon Water District

## Balance Sheet

August 31, 2018

**August 2018**

1	<b>ASSETS</b>	
2	Current Assets	
3	Checking/Savings	
4	General Bank Account-Chase	189,481
5	Payroll Bank Account-Chase	43,226
6	Trust Account-Chase (Cust. Deposits)	16,182
7	Local Petty Cash	100
8	Total Checking/Savings	<u>248,989</u>
9	Accounts Receivable	227,745
10	LAIF	558,805
11	Bank of NY Trustee Accounts	69,315
12	Prepaid Expenses	27,471
13	Inventory Total	93,672
14	Total Other Current Assets	<u>977,008</u>
15	Total Current Assets	<u>1,229,922</u>
16	Fixed Assets	
17	Construction in Process	
18	CIP Cabazon Outlets Expansion	
19	CIP Super Map	22,342
20	CIP 50100 Main St. Property	114,740
21	Total Construction in Process	<u>137,082</u>
22	Tools and Equipment	123,319
23	Source of Supply	1,552,226
24	Transmission & Distribution	10,216,143
25	Buildings & Structures	12,281
26	Water Treatment	8,800
27	Office Furniture and Equipment	71,808
28	Intangible Plant	11,032
29	Vehicles	106,309
30	Land	689,548
31	Accumulated Depreciation	<u>(5,396,522)</u>
32	Total Fixed Assets	<u>7,532,025</u>
33	<b>TOTAL ASSETS</b>	<b><u>8,761,948</u></b>
34	<b>LIABILITIES &amp; EQUITY</b>	
35	Liabilities	
36	Current Liabilities	
37	Accounts Payable	9,744
38	Other Current Liabilities	
39	Misc Short Term Liability	17
40	Customer Deposits	
41	Customer Deposits - Co 1	6,050
42	Customer Deposits - Co 2	5,334
43	Total Customer Deposits	<u>11,384</u>
44	Accrued Vacation Pay	10,051
45	DWR-HS Payable - Current	38,425

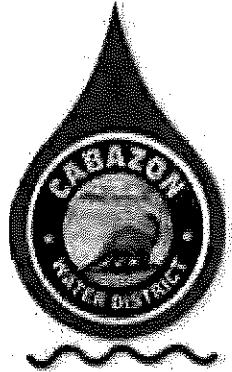
# Cabazon Water District

## Balance Sheet

August 31, 2018

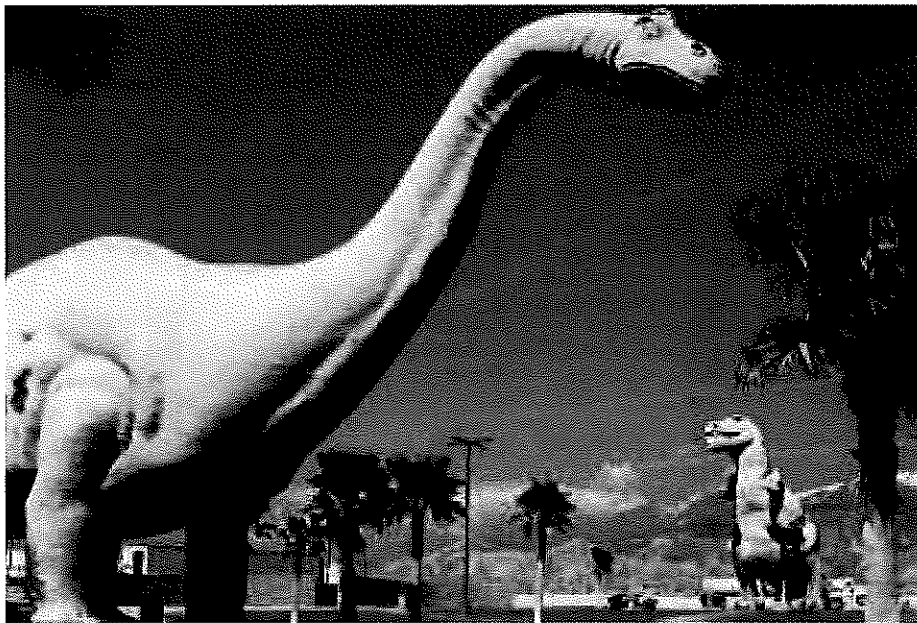
		<u>August 2018</u>
46	Current Portion Zion's Bank Ln	78,870
47	Accrued Payroll	7,565
48	Accrued Payroll Taxes	553
49	Accrued Interest	5,225
50	Employee Deductions	538
51	Accrued Expenses	15,563
52	Total Other Current Liabilities	<u>168,192</u>
53	Total Current Liabilities	177,936
54	Long Term Liabilities	
55	DWR-H Loan Payable (Payoff '26)	318,500
56	Zion's Bank Long Term (2023)	335,745
57	RCEDA Loan Payable	300,000
58	Total Long Term Liabilities	<u>954,245</u>
59	Total Liabilities	<u>1,132,181</u>
60	Total Equity	<u>7,629,766</u>
61	<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b><u>8,761,948</u></b>





**Cabazon Water District  
Annual Financial Report**

**For the Fiscal Years Ended June 30, 2018 and 2017**



**Cabazon Water District**  
**Annual Financial Report**  
**For the Fiscal Years Ended June 30, 2018 and 2017**

**Cabazon Water District**  
**Board of Directors as of June 30, 2018**

<u>Name</u>	<u>Title</u>	<u>Elected/ Appointed</u>	<u>Current Term</u>
Robert Lynk	Chair	Elected	12/2017 - 12/2021
Alan Davis	Vice Chair	Elected	12/2015 - 12/2019
Maxine Israel	Director	Elected	12/2015 - 12/2019
Sarah Wargo	Director	Appointed	12/2017 - 12/2021
Martin Sanderson	Director	Elected	12/2017 - 12/2021

**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, 2018 and 2017**

**Cabazon Water District  
Annual Financial Report  
For the Fiscal Years Ended June 30, 2018 and 2017**

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# **Introductory Section**





September 18, 2018

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, 2018 and 2017, 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 six (6) full-time employees organized into two departments. The District's Board of Directors meets each month. Meetings are publicly noticed and citizens are encouraged to attend.

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

**District Services**

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

**Economic Condition and Outlook**

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

**Internal Control Structure**

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

**Budgetary Control**

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

**Investment Policy**

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

**Water Rates and District Revenues**

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

**Audit and Financial Reporting**

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



**Other References**

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

**Acknowledgements**

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

Respectfully submitted,

---

Calvin Louie  
General Manager

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## **Financial Section**



## **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, 2018 and 2017, 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 opinion.

#### ***Opinion***

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, 2018 and 2017, 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.

#### *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 September 18, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance. This report can be found on pages 30 and 31.

**Fedak & Brown LLP**  
Cypress, California  
September 18, 2018

**Cabazon Water District**  
*Management's Discussion and Analysis*  
**For the Fiscal Years Ended June 30, 2018 and 2017**

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, 2018 and 2017. 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 2018, the District's net position increased 3.31% or \$246,698 to \$7,690,221. In fiscal year 2017, the District's net position decreased 1.86% or \$141,047 to \$7,443,523. See note 7 for further discussion.
- In fiscal year 2018, the District's operating revenues increased 21.96% or \$263,445, due primarily to increases of \$224,221 in water consumption sales and \$26,416 in facility fees. 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 2018, the District's operating expenses increased 0.51% or \$5,512. In 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.

**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. They also provide 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, 2018 and 2017**

**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 29.

**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 \$7,690,221 and \$7,443,523 as of June 30, 2018 and 2017, respectively.

By far the largest portion of the District's net position (85.6% and 88.7% as of June 30, 2018 and 2017, 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 2018 and 2017, the District showed a positive balance in its unrestricted net position of \$1,050,077 and \$781,505. See note 7 for further discussion.

**Condensed Statements of Net Position**

	<u>2018</u>	<u>2017</u>	<u>Change</u>
<b>Assets:</b>			
Current assets	\$ 1,211,877	960,600	251,277
Capital assets, net	<u>7,650,546</u>	<u>7,788,246</u>	<u>(137,700)</u>
<b>Total assets</b>	<u>8,862,423</u>	<u>8,748,846</u>	<u>113,577</u>
<b>Liabilities:</b>			
Current liabilities	217,957	233,783	(15,826)
Non-current liabilities	<u>954,245</u>	<u>1,071,540</u>	<u>(117,295)</u>
<b>Total liabilities</b>	<u>1,172,202</u>	<u>1,305,323</u>	<u>(133,121)</u>
<b>Net position:</b>			
Net investment in capital assets	6,579,006	6,602,450	(23,444)
Restricted for debt service	61,138	59,568	1,570
Unrestricted	<u>1,050,077</u>	<u>781,505</u>	<u>268,572</u>
<b>Total net position</b>	<u>\$ 7,690,221</u>	<u>7,443,523</u>	<u>246,698</u>



**Cabazon Water District**  
*Management's Discussion and Analysis, continued*  
**For the Fiscal Years Ended June 30, 2018 and 2017**

**Statements of Revenues, Expenses, and Changes in Net Position**

	<u>2018</u>	<u>2017</u>	<u>Change</u>
<b>Revenues:</b>			
Operating revenues	\$ 1,463,144	1,199,699	263,445
Non-operating revenues	99,468	101,251	(1,783)
<b>Total revenues</b>	<u>1,562,612</u>	<u>1,300,950</u>	<u>261,662</u>
<b>Expenses:</b>			
Operating expenses	1,093,244	1,087,732	5,512
Depreciation	322,482	328,920	(6,438)
Non-operating expenses	22,383	25,345	(2,962)
<b>Total expenses</b>	<u>1,438,109</u>	<u>1,441,997</u>	<u>(3,888)</u>
<b>Net income(loss) before capital contributions</b>	124,503	(141,047)	265,550
<b>Capital contributions</b>	<u>122,195</u>	<u>-</u>	<u>122,195</u>
<b>Changes in net position</b>	246,698	(141,047)	387,745
<b>Net position, beginning of year</b>	<u>7,443,523</u>	<u>7,584,570</u>	<u>(141,047)</u>
<b>Net position, end of year</b>	<u>\$ 7,690,221</u>	<u>7,443,523</u>	<u>246,698</u>

The statements of revenues, expenses, and changes in net position show how the District's net position changed during the fiscal years.

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

In fiscal year 2018, the District's net position increased 3.31% or \$246,698 to \$7,690,221. In fiscal year 2017, the District's net position decreased 1.86% or \$141,047 to \$7,443,523. See note 7 for further discussion.

In fiscal year 2018, the District's operating revenues increased 21.96% or \$263,445, due primarily to increases of \$224,221 in water consumption sales and \$26,416 in facility fees. 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 2018, the District's operating expenses increased 0.51% or \$5,512. In 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.

**Capital Asset Administration**

At the end of fiscal years 2018 and 2017, the District's investment in capital assets amounted to \$7,650,546 and \$7,788,246 (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.

**Cabazon Water District**  
*Management's Discussion and Analysis, continued*  
**For the Fiscal Years Ended June 30, 2018 and 2017**

**Capital Asset Administration, continued**

Changes in capital assets for 2018 were as follows:

	<u>Balance 2017</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2018</u>
Capital assets:				
Non-depreciable assets	\$ 778,397	184,782	(159,465)	803,714
Depreciable assets	12,039,505	159,465	-	12,198,970
Accumulated depreciation	<u>(5,029,656)</u>	<u>(322,482)</u>	<u>-</u>	<u>(5,352,138)</u>
Total capital assets, net	<u>\$ 7,788,246</u>	<u>21,765</u>	<u>(159,465)</u>	<u>7,650,546</u>

Changes in capital assets for 2017 were as follows:

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

**Debt Administration**

Changes in long-term debt in 2018 were as follows:

	<u>Balance 2017</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 2018</u>
Long-term debt:				
Loans payable	\$ 1,185,796	-	(114,256)	1,071,540
Total loans payable	<u>\$ 1,185,796</u>	<u>-</u>	<u>(114,256)</u>	<u>1,071,540</u>

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>

**Cabazon Water District**  
*Management's Discussion and Analysis, continued*  
**For the Fiscal Years Ended June 30, 2018 and 2017**

**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.

**Basic Financial Statements**

**Cabazon Water District  
Statements of Net Position  
June 30, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b>Current assets:</b>		
Cash and cash equivalents (note 2)	\$ 811,600	583,024
Cash and cash equivalents – restricted (note 2)	61,138	59,568
Accrued interest receivable	2,457	812
Accounts receivable – water sales, net (note 3)	206,903	201,986
Property taxes and assessments receivable	16,098	14,870
Materials and supplies inventory	93,672	80,438
Prepaid and other assets	20,009	19,902
<b>Total current assets</b>	1,211,877	960,600
<b>Non-current assets:</b>		
Capital assets – non-depreciable assets (note 4)	803,714	778,397
Capital assets – depreciable assets, net (note 4)	6,846,832	7,009,849
<b>Total non-current assets</b>	7,650,546	7,788,246
<b>Total assets</b>	8,862,423	8,748,846
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	61,558	66,385
Accrued wages and related payables	8,118	6,723
Customer advances and deposits	15,710	30,169
Accrued interest payable on long-term debt	5,225	5,980
Long-term liabilities – due within one year:		
Compensated absences (note 5)	10,051	10,270
Loans payable (note 6)	117,295	114,256
<b>Total current liabilities</b>	217,957	233,783
<b>Non-current liabilities:</b>		
Long-term liabilities – due in more than one year:		
Loans payable (note 6)	954,245	1,071,540
<b>Total non-current liabilities</b>	954,245	1,071,540
<b>Total liabilities</b>	1,172,202	1,305,323
<b>Net position: (note 7)</b>		
Net investment in capital assets	6,579,006	6,602,450
Restricted	61,138	59,568
Unrestricted	1,050,077	781,505
<b>Total net position</b>	\$ 7,690,221	7,443,523

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, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b>Operating revenues:</b>		
Water consumption sales	\$ 1,246,332	1,022,111
Connection fees	2,477	2,549
Standby fees	110,539	111,171
Facility fees	54,096	27,680
Other charges	49,700	36,188
	<b>1,463,144</b>	<b>1,199,699</b>
<b>Operating expenses:</b>		
Pumping and water treatment	144,355	128,453
Transmission and distribution	22,494	64,446
Customer accounts	50,052	46,233
General and administrative	876,343	848,600
	<b>1,093,244</b>	<b>1,087,732</b>
Operating income before depreciation and amortization	369,900	111,967
Depreciation	(322,482)	(328,920)
	<b>47,418</b>	<b>(216,953)</b>
<b>Non-operating revenue(expense)</b>		
Property taxes	69,449	64,633
Rental income – cellular antennas	22,068	25,608
Investment earnings	7,275	10,806
Interest expense – long-term debt	(22,383)	(25,345)
Other non-operating revenue, net	676	204
	<b>77,085</b>	<b>75,906</b>
<b>Net income(loss) before capital     contributions</b>	<b>124,503</b>	<b>(141,047)</b>
<b>Capital contributions</b>		
Contributed capital assets	122,195	-
	<b>246,698</b>	<b>(141,047)</b>
<b>Net position, beginning of year</b>	<b>7,443,523</b>	<b>7,584,570</b>
<b>Net position, end of year</b>	<b>\$ 7,690,221</b>	<b>7,443,523</b>

See accompanying notes to the basic financial statements

**Cabazon Water District**  
**Statements of Cash Flows**  
**For the Fiscal Years Ended June 30, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b>Cash flows from operating activities:</b>		
Cash receipts from customers for water sales	\$ 1,333,229	1,079,601
Proceeds from standby fees	110,539	111,171
Cash paid to employees for salaries and wages	(324,414)	(281,199)
Cash paid to vendors and suppliers for materials and services	(785,146)	(826,002)
<b>Net cash provided by operating activities</b>	<b>334,208</b>	<b>83,571</b>
<b>Cash flows from non-capital financing activities:</b>		
Proceeds from rental income – cellular antennas	22,068	25,608
Proceeds from property taxes	68,221	62,968
<b>Net cash provided by non-capital financing activities</b>	<b>90,289</b>	<b>88,576</b>
<b>Cash flows from capital and related financing activities:</b>		
Acquisition and construction of capital assets	(87,730)	(117,802)
Proceeds from capital contributions	25,143	-
Principal paid on long-term debt	(114,256)	(111,323)
Interest paid on long-term debt	(23,138)	(26,073)
<b>Net cash used in capital and related financing activities</b>	<b>(199,981)</b>	<b>(255,198)</b>
<b>Cash flows from investing activities:</b>		
Interest earnings	5,630	10,806
<b>Net cash provided by investing activities</b>	<b>5,630</b>	<b>10,806</b>
<b>Net increase(decrease) in cash and cash equivalents</b>	<b>230,146</b>	<b>(72,245)</b>
Cash and cash equivalents, beginning of year	642,592	714,837
Cash and cash equivalents, end of year	<b>\$ 872,738</b>	<b>642,592</b>
<b>Reconciliation of cash and cash equivalents to statements of net position:</b>		
Cash and cash equivalents	\$ 811,600	583,024
Cash and cash equivalents – restricted	61,138	59,568
<b>Total cash and cash equivalents</b>	<b>\$ 872,738</b>	<b>642,592</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, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b>Reconciliation of operating income(loss) to net cash provided by operating activities:</b>		
Operating income(loss)	\$ 47,418	(216,953)
<b>Adjustments to reconcile operating income(loss) to net cash provided by operating activities:</b>		
Depreciation	322,482	328,920
Other non-operating	676	204
<b>Change in assets and liabilities:</b>		
(Increase)decrease in assets:		
Accounts receivable – water sales and services, net	(4,917)	(26,928)
Materials and supplies inventory	(13,234)	6,720
Prepaid and other assets	(107)	(9,547)
Increase(decrease) in liabilities:		
Accounts payable and accrued expenses	(4,827)	(10,308)
Accrued wages and related payables	1,395	1,537
Compensated absences	(219)	(8,075)
Customer advances and deposits	(14,459)	18,001
<b>Total adjustments</b>	<b>286,790</b>	<b>300,524</b>
<b>Net cash provided by operating activities</b>	<b>\$ 334,208</b>	<b>83,571</b>
<b>Non-cash investing, capital, and financing transactions:</b>		
Changes in fair-market value of funds deposited with LAIF	\$ (4,568)	3,256
Capital contributions	97,052	-
	<b>\$ 92,484</b>	<b>3,256</b>

See accompanying notes to the basic financial statements



**Cabazon Water District**  
**Notes to the Financial Statements**  
**For the Fiscal Years Ended June 30, 2018 and 2017**

**(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. 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.

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.

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.

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]).

**Cabazon Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2018 and 2017**

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

**C. Financial Reporting, continued**

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.

**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.

**4. 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.

**5. 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.

**Cabazon Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2018 and 2017**

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

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

**5. Property Taxes and Assessments, continued**

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

**6. Materials and Supplies Inventory**

Materials and supplies inventory consists primarily of water meters, and pipes and pipefittings for construction and repair of 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.

**7. 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.

**8. 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

**9. 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.

**Cabazon Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2018 and 2017**

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

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

**10. 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.
- *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.

**11. Water Sales**

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

**12. 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:

	<b>2018</b>	<b>2017</b>
Cash and cash equivalents	\$ 811,600	583,024
Cash and cash equivalents – restricted	61,138	59,568
Total	\$ 872,738	642,592

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

	<b>2018</b>	<b>2017</b>
Cash on hand	\$ 100	100
Deposits with bank	255,152	226,605
Investments	617,486	415,887
Total	\$ 872,738	642,592

**Cabazon Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2018 and 2017**

**(2) Cash and Investments, continued**

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

	2018	2017
Deposits in California Local Agency Investment Fund (LAIF)	193 days	194 days

***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.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
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 public agencies.

Of the bank balances, up to \$250,000 as of June 30, 2018 and 2017, 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.

**Cabazon Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2018 and 2017**

**(2) Cash and Investments, continued**

***Investment in State Investment Pool***

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by 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.

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 transaction 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, 2018, consisted of the following:

<u>Investment Type</u>	<u>Total</u>	<u>Remaining maturity 12 months or less</u>
Local Agency Investment Fund (LAIF)	\$ 556,348	556,348
Held by bond trustee:		
Money market funds	61,138	61,138
	<u>\$ 617,486</u>	<u>617,486</u>

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>

**Cabazon Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2018 and 2017**

**(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 the California Government Code (where applicable), 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, 2018, 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)	\$ 556,348	N/A	-	556,348
Held by bond trustee:				
Money market funds	61,138	AAA	61,138	-
	<u>\$ 617,486</u>		<u>61,138</u>	<u>556,348</u>

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>

***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, 2018 and 2017.

**(3) Accounts Receivable**

The balance at June 30 consists of the following:

	<u>2018</u>	<u>2017</u>
Accounts receivable - water sales and services	\$ 233,717	232,902
Allowance for uncollectible accounts	(26,814)	(30,916)
	<u>\$ 206,903</u>	<u>201,986</u>

**Cabazon Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2018 and 2017**

**(4) Capital Assets**

Change in capital assets for 2018 were as follows:

	<u>Balance 2017</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2018</u>
Non-depreciable assets:				
Land	\$ 689,548	-	-	689,548
Construction-in-process	88,849	184,782	(159,465)	114,166
Total non-depreciable assets	<u>778,397</u>	<u>184,782</u>	<u>(159,465)</u>	<u>803,714</u>
Depreciable assets:				
Transmission and distribution mains	10,173,269	139,927	-	10,313,196
Source of supply	1,541,488	19,538	-	1,561,026
Tools and equipment	123,319	-	-	123,319
Buildings and structures	12,281	-	-	12,281
Office furniture and equipment	71,808	-	-	71,808
Vehicles	106,308	-	-	106,308
Intangible plant	11,032	-	-	11,032
Total depreciable assets	<u>12,039,505</u>	<u>159,465</u>	<u>-</u>	<u>12,198,970</u>
Accumulated depreciation:				
Transmission and distribution mains	(4,301,094)	(247,467)	-	(4,548,561)
Source of supply	(449,466)	(64,778)	-	(514,244)
Tools and equipment	(118,673)	(875)	-	(119,548)
Buildings and structures	(4,625)	(744)	-	(5,369)
Office furniture and equipment	(52,155)	(5,224)	-	(57,379)
Vehicles	(92,611)	(3,394)	-	(96,005)
Intangible plant	(11,032)	-	-	(11,032)
Total accumulated depreciation	<u>(5,029,656)</u>	<u>(322,482)</u>	<u>-</u>	<u>(5,352,138)</u>
Total depreciable assets, net	<u>7,009,849</u>	<u>(163,017)</u>	<u>-</u>	<u>6,846,832</u>
Total capital assets, net	<u>\$ 7,788,246</u>			<u>7,650,546</u>

Major capital assets additions during the year include improvements to the District's transmission and distribution mains and source of supply.



**Cabazon Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2018 and 2017**

**(4) Capital Assets, continued**

Change 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 District's source of supply and purchase of vehicles.

**Cabazon Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2018 and 2017**

**(5) Compensated Absences**

The changes in compensated absences balance at June 30, 2018 were as follows:

<u>Balance</u> <u>2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>2018</u>
\$ 10,270	20,096	(20,315)	10,051

The changes in compensated absences balance at June 30, 2017 were as follows:

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

**(6) Long-Term Debt**

Changes in long-term debt in 2018 were as follows:

	<u>Balance</u> <u>2017</u>	<u>Additions</u>	<u>Principal</u> <u>Payments</u>	<u>Balance</u> <u>2018</u>
1993 Calif. Dept. of Water Resources Loan - E58416	\$ 394,238	-	(37,314)	356,924
Zions First National Bank	491,558	-	(76,942)	414,616
Riverside County Economic Development Agency	300,000	-	-	300,000
Total long-term debt	1,185,796	-	(114,256)	1,071,540
Less current portion	(114,256)			(117,295)
Total non-current	\$ 1,071,540			954,245

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

	<u>Balance</u> <u>2016</u>	<u>Additions</u>	<u>Principal</u> <u>Payments</u>	<u>Balance</u> <u>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

**Cabazon Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2018 and 2017**

**(6) Long-Term Debt, continued**

***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>
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	43,208	5,483	48,691
2024-2027	153,019	8,808	161,827
Total	356,924	48,358	405,282
Current	(38,425)		
Non-current	\$ 318,499		

***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>
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	414,616	28,899	443,515
Current	(78,870)		
Non-current	\$ 335,746		

**Cabazon Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2018 and 2017**

**(6) Long-Term Debt, continued**

*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 2018.

**(7) Net Position**

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

	<b>2018</b>	<b>2017</b>
<b>Net investment in capital assets:</b>		
Capital assets, net	\$ 7,650,546	7,788,246
Loans payable – current portion	(117,295)	(114,256)
Loans payable – non-current portion	(954,245)	(1,071,540)
<b>Total net investment in capital assets</b>	<b>6,579,006</b>	<b>6,602,450</b>
<b>Restricted:</b>		
Cash and cash equivalents – restricted	61,138	59,568
<b>Total restricted</b>	<b>61,138</b>	<b>59,568</b>
<b>Unrestricted:</b>		
Non-spendable unrestricted net position:		
Materials and supplies inventory	93,672	80,438
Prepaid and other assets	20,009	19,902
<b>Total non-spendable unrestricted net position</b>	<b>113,681</b>	<b>100,340</b>
Spendable unrestricted net position:		
Operating reserve	936,396	681,165
<b>Total spendable unrestricted net position</b>	<b>936,396</b>	<b>681,165</b>
<b>Total unrestricted</b>	<b>1,050,077</b>	<b>781,505</b>
<b>Total net position</b>	<b>\$ 7,690,221</b>	<b>7,443,523</b>

**(8) 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 \$61,229 and \$52,127 at June 30, 2018 and 2017, respectively.

**Cabazon Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2018 and 2017**

**(9) 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, 2018 and 2017, the Plan included two participants. The market value of all assets held in trust by the District's 401(a) Plan at June 30, 2018 and 2017, amounted to \$169,951 and \$146,940, respectively.

**(10) 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, 2018:

- Property: Blanket limit of \$6,058,000 with a \$1,000 deductible per incident.
- Property damage: \$1,000,000 per occurrence and \$10,000,000 in the aggregate.
- Personal and advertising injury: \$1,000,000 per person or organization and \$10,000,000 in the aggregate.
- Wrongful acts: \$1,000,000 per claim and \$10,000,000 in the aggregate with a \$1,000 deductible.
- Employment practices liability: \$1,000,000 per claim and \$10,000,000 in the aggregate with a \$1,000 deductible.
- Employee benefits liability: \$1,000,000 per person and \$10,000,000 in the aggregate with a \$1,000 deductible.
- Automobile: \$1,000,000 per occurrence with a \$500 deductible.
- Crime coverage: \$250,000 per occurrence with a \$1,000 deductible.
- Excess liability: \$4,000,000 employer's liability excluded.

**(11) 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. 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.

**Cabazon Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2018 and 2017**

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

***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.

***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.

***Governmental Accounting Standards Board Statement No. 88***

In April 2018, the GASB issued Statement No. 88 – *Certain Disclosures Related to Debt Including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

**Cabazon Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2018 and 2017**

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

*Governmental Accounting Standards Board Statement No. 88, continued*

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

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. 89*

In June 2018, the GASB issued Statement No. 89 – *Accounting for Interest Cost incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

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

**(12) 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.

**(13) Subsequent Events**

Events occurring after June 30, 2018, have been evaluated for possible adjustment to the financial statements or disclosure as of September 18, 2018, which is the date the financial statements were available to be issued.

# **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 ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 18, 2018.

**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**

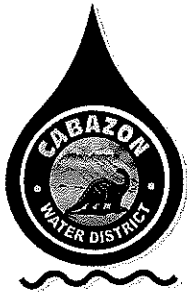
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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  
September 18, 2018



## MEMORANDUM

DATE: September 18, 2018  
TO: Board of Directors  
FROM: C. Louie – General Manager  
SUBJ: RE: Staff Report - Backhoe Operator Training & Cal/OSHA Safety & Health Training  
cc: Lemus

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### SUMMARY

Management is researching to have all field and water operations staff members trained to be competent **backhoe operators**. This would eliminate the District's current dependence of one Team member. When that individual is out sick, on vacation, or other reasons, it affects scheduling preventive maintenance projects and definitely an unforeseen water emergency. With additional Team members' familiar and competent **backhoe operators**, there would be no negative impact to Field and Water Operations.

Management is researching to hire or contract a temporary instructor to instruct District staff to operate the District backhoe during weekends. This will be more cost effective vs. sending District staff to an off-site training.

In the revised current fiscal year budget for July 1, 2018 through June 30, 2019 (FY 18/19), Management has recommended to the Financial Audit Committee (FAC) to add a line item for **Backhoe Operator Training** (the "training").

### STATEMENT OF FACTS

#### **Pros & Cons:**

Having an in-house temporary contract or part-time employee that is a current and competent heavy equipment operator will be a benefit to the District and the Team members in Field and Water Operation Department.

1. The Team members would not have to be absent from their daily duties here at the District. This enables the full complement of the Field and Water Crew to be available with manageable interruptions of the daily operations.

2. The payroll cost would be less than providing hotel and meal (per diem), salary, and transportation for the employees attending the training.
3. Team members would be taught on the District's backhoe (John Deere SG 310).
4. Team members on a regularly scheduled maintenance and repairs of the distribution system would have the opportunity to execute what they have learned on actual construction projects. Hands-on is an excellent opportunity to apply your recent training.

**Financial Impact:**

Off-site training

Heavy equipment operator training cost will depend on the school. Every school has its own training packages and curriculums. The cost varies based on the type of heavy equipment you will receive and the length of the course. Most courses are 4 to 10 weeks for each heavy equipment course desired.

Some of the heavy equipment school's tuition are between \$4,000 to \$12,000. For the sake of comparing, let's calculate a 6 week course at \$8,500.

<b>Backhoe Operating &amp; Training Estimated Cost</b>			
<b>In-House</b>		<b>6 Months 2 days out of the month 6 hours</b>	<b>Total Projected Cost</b>
*Hourly Cost for Backhoe	\$120.00		
Hourly rate for 2 Employees at time & half (overtime)	\$113.84		
Hourly Rate for Instructor	\$75.00		
<b>Total Cost per Hour</b>	<b>\$308.84</b>	72.0 hours	<b>\$22,236.12</b>

<b>Heavy Equip. School Backhoe Operating &amp; Training Estimated Cost (cont')</b>			
6 week course for three students	\$25,500.00	(\$8,500.00 per student)	
Hourly Cost for two Employees for 80.0 hours (straight time)	\$6,071.20		
Per diem (meals & lodging)	TBD		
Travel	TBD		\$31,571.20

**In-house backhoe operator training total projected cost:** \$22,236.12  
*In-house backhoe operator training total projected cost:* \*\$15,036.12  
**Heavy Equipment backhoe operator training total projected cost:** \$31,571.20

*Note\* the \$120 per hour is not an actual hard cost to the District, minus the fuel. This hourly rate is used for accounting purposes to ensure tracking the cost and having the funds available for preventative maintenance and unforeseen repairs or replacement of damaged parts.*

*In essence, minus the fuel consumption and other operational requirements, it has been determined that the \$100 is actual paper money which is in reserved and to account for the cost of the in-house training program. The actual cost for three (3) employees would be \$15,036.12. Please remember, one of the employees that may be attending is a salary exempted employee of the District.*

*For example, the District would anticipate it to cost \$22,236.12 for an In-house backhoe operator to train field staff, but since the District would not be paying for use of its own backhoe, if we estimate \$20 an hour for fuel expenses, the District would in all actuality spend closer to \$15,036.12 instead of the \$22,236.12.*

$\$100 \times 72 \text{ hours} = \$7,200.$   
 $\$22,236.12 - \$7,200 = \$15,036.12$

***It is estimated that it would cost the District closer to \$15,036.12 to contract or hire an in-house backhoe instructor to train District staff for 72 hours.***

### **Cal-OSHA Safety Training:**

Management is in the process of researching and preparing a cost analysis for Cal/OSHA Safety & Health training and instruction requirements which includes, but not limited to both *Competent Person* and *Qualified Person*.

### **OPINIONS AND CONCLUSIONS**

#### **Backhoe Operator Training**

It is Management's opinion that the District, as with State water distribution certification, should not be held hostage because of only having one water operator or a competent heavy equipment (backhoe) operator. Whether the unfortunate circumstance is a result from an internal issue or conflicting time off, the District's daily operations should not have a negative impact. Therefore, Management has concluded to offer this training to all of its Team members.

#### **Cal/OSHA Safety Training**

It is Management's opinion in the event of a Cal/OSHA violation, whether the District prevails or not should it be challenged, the legal fees and staff time, not including the potential fines and punitive damages awarded to the plaintiff would be **more** than the projected initial **\$10,000** investment. This projected amount does not include other cost to the District such as providing a facility, equipment, payroll, etc.

Having Team members that are knowledgeable and aware of safety on the job sites and water production facilities that contain, but are not limited to high voltage pump motors, hazardous chemicals, and confined spaces would reduce the liability of industrial injuries.

Management has concluded that this is a viable and required program by the California Codes of Regulations.

*Ryler*

**Cabazon Water District**  
**FY 18/19 Board Approved Budget**  
**5/15/18**

	A	B	C	D	E
	FY 18 Approved Budget	FY 17/18 Projected	FY 18/19 Proposed Budget	Difference (\$)	Difference (%)
<b>1 REVENUES</b>					
<b>2 OPERATING INCOME</b>					
3 Base Rate - Water Bills	\$ 801,200	\$ 734,600	\$ 811,800	\$ 77,200	11%
4 Commodity Sales	252,600	305,900	327,500	21,600	7%
5 DHPO Contract	193,800	210,595	225,900	15,305	7%
6 Fire Sales - Water Bills	2,200	2,500	2,500	-	0%
7 Fire Flow Income	150	400	400	-	0%
8 Meter Install and Removal	80	-	-	-	0%
9 Penalty Fees - Water Bills	34,600	48,300	48,300	-	0%
10 Lien Reinstatement Fees	1,000	-	-	-	0%
11 New Account Fees - Water Bills	1,500	1,800	1,800	-	0%
12 Incident Fee - Water Bills	140	400	400	-	0%
13 Returned Check Fees	500	600	600	-	0%
14 Basic Facilities Fee	33,200	64,900	64,900	-	0%
15 Stand By Fees - Tax Revenue	113,600	113,600	113,600	-	0%
<b>16 TOTAL OPERATING INCOME</b>	<b>1,434,570</b>	<b>1,483,595</b>	<b>1,597,700</b>	<b>114,105</b>	<b>8%</b>
<b>NON-OPERATING INCOME</b>					
18 Property Taxes	60,900	60,900	60,900	-	0%
19 Cell Tower Lease Income	23,100	22,100	22,100	-	0%
20 Misc. Non-Operating Income	-	2,200	-	(2,200)	-100%
21 Interest Income	7,400	10,200	10,200	-	0%
<b>22 TOTAL NON-OPERATING INCOME</b>	<b>91,400</b>	<b>133,500</b>	<b>131,300</b>	<b>(2,200)</b>	<b>-2%</b>
<b>23 TOTAL REVENUES</b>	<b>1,525,970</b>	<b>1,617,095</b>	<b>1,729,000</b>	<b>111,905</b>	<b>7%</b>
<b>24 EXPENSES</b>					
<b>25 PAYROLL</b>					
26 Directors Fees	20,000	15,200	20,000	4,800	32%
27 Management & Customer Service					
28 Customer Accounts	43,800	49,300	51,700	2,400	5%
29 Business Admin Manager	54,200	60,000	65,200	5,200	9%
30 Office Assistant	8,100	2,500	-	(2,500)	-100%
31 General Manager	84,900	98,300	84,100	(14,200)	-14%
32 Total Management & Customer Service	191,000	210,100	201,000	(9,100)	-4%
33 Field Workers	85,000	104,600	144,200	39,600	38%
34 Employee Benefits Expense					
35 Workers Comp.	14,100	6,600	8,700	2,100	32%
36 Employee Health Care	62,300	77,600	95,800	18,200	23%
37 Pension	54,200	58,600	70,200	11,600	20%
Total Employee Benefits Expense	130,600	142,800	174,700	31,900	22%
Payroll Taxes	27,200	28,500	30,100	1,600	6%
<b>40 TOTAL PAYROLL</b>	<b>453,800</b>	<b>501,200</b>	<b>570,000</b>	<b>68,800</b>	<b>14%</b>
<b>41 OPERATIONAL EXPENSES</b>					
42 Facilities, Wells, T&D					
43 Lab Fees	8,000	7,400	7,500	100	1%



*RJ*

**Cabazon Water District**  
**FY 18/19 Board Approved Budget**  
**5/15/18**

	A	B	C	D	E	
	FY 18 Approved Budget	FY 17/18 Projected	FY 18/19 Proposed Budget	Difference (\$)	Difference (%)	
44	Site Landscaping & Maint	700	700	700	-	0%
45	Meters	5,000	4,500	4,600	100	2%
46	Generator Service Contractor	2,400	1,300	1,300	-	0%
47	Utilities - Wells	117,900	120,100	126,100	6,000	5%
48	SCADA	4,900	300	300	-	0%
49	Line R&M Contractor	12,500	-	12,500	12,500	0%
50	Line R&M Materials	60,000	39,500	60,000	20,500	52%
51	Well Maintenance	36,000	31,600	36,200	4,600	15%
52	Security	24,410	18,300	18,400	100	1%
53	Engineering Services	80,900	33,600	33,600	-	0%
54	Chlorinators	4,180	100	100	-	0%
55	Facilities, Wells, T&D - Other	10,000	400	10,000	9,600	2400%
56	<b>Total Facilities, Wells, T&amp;D</b>	<b>366,890</b>	<b>276,200</b>	<b>311,300</b>	<b>35,100</b>	<b>13%</b>
57	Utilities - Office					
58	Electricity	15,100	15,100	15,900	800	5%
59	Gas	710	710	710	-	0%
60	Telephone	10,500	9,500	9,500	-	0%
61	Trash Pickup & Office Cleaning	4,400	4,300	4,400	100	2%
62	<b>Total Utilities - Office</b>	<b>30,710</b>	<b>29,610</b>	<b>30,510</b>	<b>900</b>	<b>3%</b>
63	Office Expenses					
64	Water Billing System	2,500	2,100	2,100	-	0%
65	Supplies & Equipment	9,700	3,400	9,700	6,300	185%
66	Copier and Supplies	8,100	6,000	6,000	-	0%
67	Dues & Subscriptions	1,700	1,100	1,700	600	55%
68	Postage	12,900	7,500	7,700	200	3%
69	Printing & Publications	6,100	5,400	6,100	700	13%
70	Leases & Rents	300	300	300	-	0%
71	Computer Services	36,800	31,800	36,800	5,000	16%
72	Office Radio	500	-	500	500	0%
73	Office Storage	6,100	6,000	6,200	200	3%
74	Air Conditioning Servicing	4,500	4,600	4,600	-	0%
75	Fire Alarm System Servicing	600	700	700	-	0%
76	Office Expenses - Other	1,300	1,300	1,300	-	0%
77	<b>Total Office Expenses</b>	<b>91,100</b>	<b>70,200</b>	<b>83,700</b>	<b>13,500</b>	<b>19%</b>
78	Support Services					
79	Temporary Labor	10,000	11,200	10,000	(1,200)	-11%
80	Financial Audit	22,100	22,100	22,100	-	0%
81	Accounting	30,000	26,500	30,000	3,500	13%
82	Legal Services	115,100	52,500	53,600	1,100	2%
83	Bank Service Charges	1,500	700	700	-	0%
84	Payroll Service	5,100	4,000	4,100	100	3%
85	Website Support	1,300	1,700	1,700	-	0%
86	General Liability Insurance	21,900	21,000	21,000	-	0%

**Cabazon Water District**  
**FY 18/19 Board Approved Budget**  
**5/15/18**

	A	B	C	D	E	
	FY 18 Approved Budget	FY 17/18 Projected	FY 18/19 Proposed Budget	Difference (\$)	Difference (%)	
87	Total Support Services	207,000	192,200	143,200	(49,000)	-25%
88	Training/Travel	7,000	7,900	8,000	100	1%
89	Other Fees/SWRCB	19,600	6,100	6,200	100	2%
90	Service Tools & Equipment					
91	Shop Supplies and Small Tools	6,100	1,100	21,100	20,000	1818%
92	Vehicle Fuel	12,200	12,500	12,800	300	2%
93	Employee Uniforms	1,500	900	1,500	600	67%
94	Safety	500	-	500	500	0%
95	Tractor Expenses	5,500	1,000	1,000	-	0%
96	Equipment Rental	1,000	2,100	2,100	-	0%
97	Service Trucks - R&M	14,400	13,600	13,900	300	2%
98	Water Ops Phone & Internet	3,600	900	900	-	0%
99	Communications	3,300	-	-	-	0%
100	Total Service Tools & Equipment	48,100	32,100	53,800	21,700	68%
101	<b>NON-OPERATING EXPENSES</b>					
1	Grant & Loan Processing Fee	1,600	1,600	1,600	-	0%
	DWR Interest Expense	11,236	11,400	10,300	(1,100)	-10%
104	DHPO Interest Expense	10,802	11,800	9,800	(2,000)	-17%
105	Bad Debt Expense	1,200	1,200	1,200	-	0%
106	Miscellaneous	5,000	1,600	1,600	-	0%
107	Depreciation Expense	266,300	266,300	266,300	-	0%
108	<b>TOTAL NON-OPERATING EXP</b>	296,138	293,900	290,800	(3,100)	-1%
109	<b>TOTAL EXPENSES</b>	1,520,338	1,423,210	1,497,510	74,300	5%
110	<b>INCOME BEFORE CAPITAL &amp; GSA</b>	5,632	193,885	231,490	37,605	19%
111	<b>DHPO CAPACITY CREDIT</b>	(21,000)	(21,000)	(21,000)	-	0%
112	<b>CAPITAL PROJECTS</b>					
113	New Vehicle purchase	-	-	(50,000)	(50,000)	0%
114	Main Street Property (IceHouse-Survey)	-	(13,900)	-	13,900	-100%
115	Main Street Property (Icehouse-Impts)	(5,000)	-	(60,000)	(60,000)	0%
116	Meter Replacements & Other Capital	(21,888)	-	(22,000)	(22,000)	0%
117	Pipeline Street Main Relocation	-	-	-	-	0%
118	<b>TOTAL CAPITAL PROJECTS</b>	(26,888)	(13,900)	(132,000)	(118,100)	850%
119	<b>DEBT - PRINCIPAL</b>					
120	Debt Service Principal - DWR	(36,261)	(37,300)	(38,400)	(1,100)	3%
121	Debt Service Principal - Zion	(76,943)	(77,200)	(78,900)	(1,700)	2%
1	<b>TOTAL DEBT - PRINCIPAL</b>	(113,203)	(114,500)	(117,300)	(2,800)	2%
	<b>SGMA / GSA</b>	(60,000)	(90,400)	(60,000)	30,400	-34%
124	<b>NET INCOME / (LOSS)</b>	(215,459)	(45,915)	(98,810)	(52,895)	115%
125	ADD BACK DEPRECIATION (non-cash)	266,300	266,300	266,300		
126	<b>PROJECTED CHANGE IN CASH</b>	\$ 50,841	\$ 220,385	\$ 167,490		

**M E M O R A N D U M**

**TO:** CALVIN LOUIE  
ELIZABETH LEMUS  
CABAZON WATER DISTRICT  
**FILE:** 683-7.1

**FROM:** SABRINA A. NIES  
JACLYN B. MAKARZEC  
KRIEGER & STEWART, INCORPORATED  
**DATE:** 8/16/2018

**SUBJECT:** PROPOSED CHANGES TO CURRENT DISTRICT BOUNDARY AND  
SPHERE OF INFLUENCE

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The purpose of this memorandum is to provide a summary of the fees associated with detaching tribal land (and certain other land that is "land-locked" by tribal land) from the District boundary. Detaching said land from the District boundary is desirable for the District since the District has no authority, the District is not collecting money from property owners of said land, and there appears to be no advantage (either currently or in the future) in leaving said land within the District boundary. In addition, by leaving said land within the District's boundary, property owners within said land could run for and hold a position on the Board of Directors.

The attached map depicts the District's current boundary and sphere of influence with the proposed sphere of influence and proposed District boundary shown, along with the proposed annexations and detachments. Morongo Indian Reservation (MIR) and related lands are also depicted with a hatch, as shown on the map. A summary of the annexations and detachments is set forth below.

**I. Annexations**

K&S performed a review of annexations and detachments in 2006 and identified two parcels within Section 18, Township 3 South, Range 2 East (APNs 519-210-001 and 519-220-001) that were detached (LAFCO 67-24-3 Detachment). It appears the two parcels should have been annexed back to the District as part of the LAFCO 93-42-3 Annexation, but unintentionally excluded, possibly because of the small size (165 feet by 1,320 feet total size). From a conversation in 2006 with the previous Local Government Analyst III, Wayne Fowler, he recommended that the District annex these parcels



CALVIN LOUIE

ELIZABETH LEMUS

8/16/2018

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into the District boundary. These parcels are part of the Riverside County Surface Mining Permit No. 162 (currently operated by Matich Corporation).

## **II. Detachments**

The proposed detachments include areas which are owned by the Morongo Indian Reservation (MIR) and other land that is "land-locked" by MIR land. The proposed detachment of said land from the District boundary includes approximately 2,958 acres of land within Sections 16, 20, 21, 29, and 32, Township 2 South, Range 2 East and Sections 5, 11, and 20, Township 3 South, Range 2 East.

## **III. Sphere of Influence Amendment**

The proposed changes to the District's Sphere of Influence are to eliminate the overlap with High Valleys Water District's service area in Section 19, Township 3 South, Range 2 East and to remove areas that are "land-locked" by MIR land in Sections 5, 11, and 13, Township 3 South, Range 2 East.

## **IV. LAFCO and Engineering Fees**

If the District decides to annex the two previously detached parcels (APNs 519-210-001 and 519-220-001) and detach the MIR and related lands within the District boundary, then the District may file for an Annexation and Detachment at the same time by filing a Reorganization with LAFCO. At the same time as filing the Reorganization, the District may also file a Supplemental Sphere of Influence Amendment with LAFCO to change the Sphere of Influence Boundary as described herein.

LAFCO fees to file a Reorganization (without the Amendment to the Sphere of Influence) may be as high as \$23,000 in addition to costs for engineering services. If the District elects to file a Reorganization and Amendment to the Sphere of Influence, then the LAFCO fees may be as high as \$28,000 in addition to costs for engineering services. We estimate that our engineering fees for



CALVIN LOUIE

ELIZABETH LEMUS

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PAGE 3

preparation of the application, CEQA (required, but assumed that a Notice of Exemption will be filed), and legal descriptions and exhibits will be approximately \$10,000.

The total fees for the proposed detachment or reorganization may be reduced per Government Code Section 56383 Subdivision D, "(d) The commission may reduce or waive a fee, service charge, or deposit if it finds that payment would be detrimental to the public interest. The reduction or waiver of any fee, service charge, or deposit is limited to the costs incurred by the commission in the proceedings of an application". According to Executive Officer, George Spiliotis, at LAFCO, a narrative request to waive the fees can be made by the District to support the case that paying the full fee would be detrimental to the community; however, the only fees that can be reduced or waived are those directly paid for LAFCO services (up to \$11,610 for a Reorganization fee). While it is possible to obtain a fee waiver or reduction, Spiliotis cautioned that obtaining a fee waiver or reduction for a Water District is very rare. For this reason, we recommend that the District budget for the entire expense without any reductions considered.

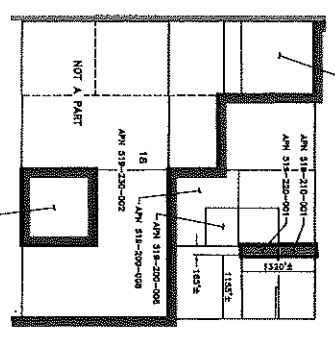
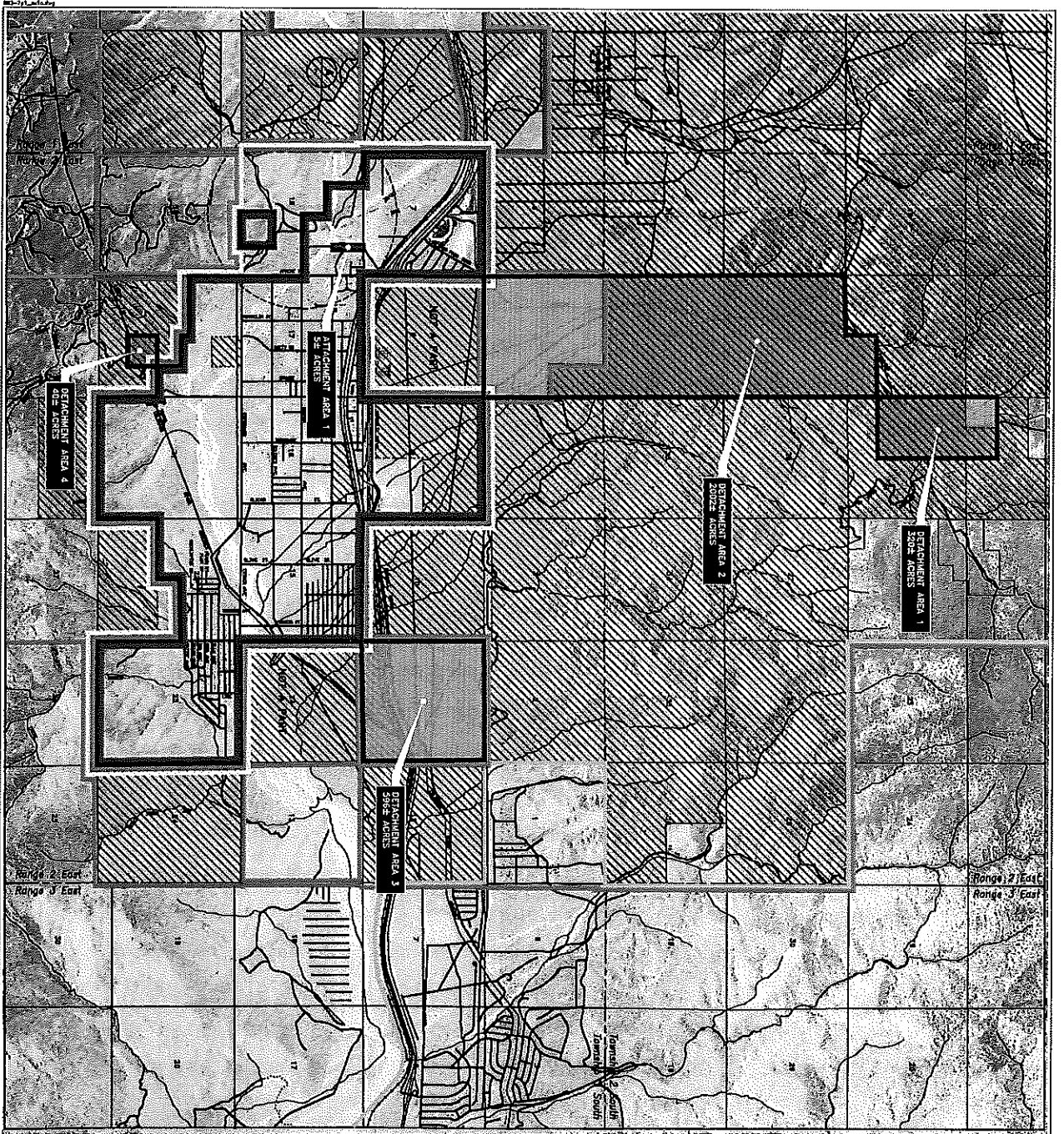
#### **V. Recommendation**

We recommend that the District file a Reorganization (without the Amendment to the Sphere of Influence) to annex and detach the lands set forth above within the District's boundary. We recommend that the District wait to file an Amendment to the Sphere of Influence because Spiliotis at LAFCO advised that the overlapped portion of the District's Sphere of Influence with High Valleys Water District service area will likely be addressed by LAFCO while completing their review process within the next year. Therefore, we recommend that the District budget \$33,000 (for LAFCO fees and engineering services) to file a Reorganization with LAFCO with the primary purpose of detaching tribal land (and certain other land that is "land-locked" by tribal land) from the District boundary.

JBM/SAN

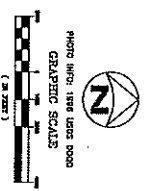
683-7P1-CL-EL-M1

Attachments: Current District Boundary and Proposed Changes Thereto



DETAIL  
SCALE N/A

- LEGEND**
- CURRENT DISTRICT BOUNDARY (TOTAL AREA= 8802 ACRES)
  - PROPOSED DISTRICT BOUNDARY (TOTAL AREA= 8847.6 ACRES)
  - CURRENT SPHERE OF INFLUENCE (TOTAL AREA= 8767.2 ACRES)
  - PROPOSED SPHERE OF INFLUENCE (TOTAL AREA= 8529.6 ACRES)
  - HIGH VALLEY'S WATER DISTRICT
  - MISSION SPRINGS WATER DISTRICT
  - DESERT WATER AGENCY BOUNDARY
  - CITY OF BANNING
  - CITY OF BANNING SPHERE OF INFLUENCE
  - PROPOSED ANNEXATION (TOTAL AREA= 54 ACRES)
  - PROPOSED DETACHMENT (TOTAL AREA= 2988 ACRES)
  - MORGAN INDIAN RESERVATION (MIR) DECIDERS 30, 2015 PER RC1-015



**RUBEN & STEWART**  
Engineering & Construction

**CABAZON WATER DISTRICT**  
EXISTENT DISTRICT BOUNDARY AND PROPOSED CHANGES THEREOF

SCALE: GENERAL DATE: 09/15/16 DRAWN BY: JRS CHECKED BY: JRS W.C. 888-71

**Cabazon Water District**  
**FY 18/19 Proposed Amended Budget**  
**9/18/18**

	A	B	C
	FY 18/19 Adopted Corrected Budget	FY 18/19 Amended Budget	Difference (\$)
<b>1 REVENUES</b>			
<b>2 OPERATING INCOME</b>			
3 Base Rate - Water Bills	\$ 811,800	\$ 811,800	\$ -
4 Commodity Sales	327,500	327,500	-
5 DHPO Contract	225,900	225,900	-
6 Fire Sales - Water Bills	2,500	2,500	-
7 Fire Flow Income	400	400	-
8 Meter Install and Removal	-	-	-
9 Penalty Fees - Water Bills	48,300	48,300	-
10 Lien Reinstatement Fees	-	-	-
11 New Account Fees - Water Bills	1,800	1,800	-
12 Incident Fee - Water Bills	400	400	-
13 Returned Check Fees	600	600	-
14 Basic Facilities Fee	64,900	64,900	-
15 Stand By Fees - Tax Revenue	113,600	113,600	-
<b>16 TOTAL OPERATING INCOME</b>	1,597,700	1,597,700	-
<b>17 NON-OPERATING INCOME</b>			
18 Property Taxes	60,900	60,900	-
19 Cell Tower Lease Income	22,100	22,100	-
20 Misc. Non-Operating Income	-	-	-
21 Interest Income	10,200	11,200	1,000
<b>22 TOTAL NON-OPERATING INCOME</b>	93,200	94,200	1,000
<b>23 TOTAL REVENUES</b>	1,690,900	1,691,900	1,000
<b>24 EXPENSES</b>			
<b>25 PAYROLL</b>			
26 Directors Fees	20,000	20,000	-
27 Management & Customer Service			
28 Customer Accounts	51,700	51,700	-
29 Business Admin Manager	65,200	65,200	-
Adj Business Admin Adjustment	-	(19,200)	(19,200)
Adj BM Temporary Replacement	-	20,800	20,800
30 Office Assistant	-	-	-
31 General Manager	84,100	84,100	-
32 Total Management & Customer Service	201,000	202,600	1,600
33 Field Workers	144,200	144,200	-
adj Field Workers Adjustment	-	2,100	2,100
34 Employee Benefits Expense			
35 Workers Comp.	8,700	8,700	-
adj W/C Adjustment	-	100	100
36 Employee Health Care	95,800	95,800	-
adj Employee Health Care Adjustment	-	(9,000)	(9,000)

**Cabazon Water District**  
**FY 18/19 Proposed Amended Budget**  
**9/18/18**

	A	B	C
	FY 18/19 Adopted Corrected Budget	FY 18/19 Amended Budget	Difference (\$)
37 Pension	70,200	70,200	-
adj Pension Adjustment	-	(2,400)	(2,400)
38 Total Employee Benefits Expense	174,700	163,400	(11,300)
Adj FICA, Medicare, SUI, ETT adjustment	-	(800)	(800)
39 Payroll Taxes	30,100	29,300	(800)
40 <b>TOTAL PAYROLL</b>	570,000	561,600	(8,400)
41 <b>OPERATIONAL EXPENSES</b>			
42 Facilities, Wells, T&D			
43 Lab Fees	7,500	8,500	1,000
44 Site Landscaping & Maint	700	700	-
45 Meters	4,600	4,600	-
46 Generator Service Contractor	1,300	1,300	-
47 Utilities - Wells	126,100	126,100	-
48 SCADA	300	300	-
49 Line R&M Contractor	12,500	12,500	-
50 Line R&M Materials	60,000	60,000	-
51 Well Maintenance	36,200	36,200	-
52 Security	18,400	18,400	-
53 Engineering Services	33,600	33,600	-
Adj. Grant Ready Engineering		15,000	15,000
54 Chlorinators	100	100	-
55 Facilities, Wells, T&D - Other	10,000	10,000	-
56 Total Facilities, Wells, T&D	311,300	327,300	16,000
57 Utilities - Office			
58 Electricity	15,900	15,900	-
59 Gas	710	710	-
60 Telephone	9,500	9,500	-
61 Trash Pickup & Office Cleaning	4,400	4,400	-
62 Total Utilities - Office	30,510	30,510	-
63 Office Expenses			
64 Water Billing System	2,100	2,100	-
65 Supplies & Equipment	9,700	9,700	-
66 Copier and Supplies	6,000	6,000	-
67 Dues & Subscriptions	1,700	1,700	-
68 Postage	7,700	7,700	-
69 Printing & Publications	6,100	6,100	-
70 Leases & Rents	300	300	-
71 Computer Services	36,800	36,800	-
72 Office Radio	500	500	-
73 Office Storage	6,200	6,200	-
74 Air Conditioning Servicing	4,600	4,600	-
75 Fire Alarm System Servicing	700	700	-



**Cabazon Water District**  
**FY 18/19 Proposed Amended Budget**  
**9/18/18**

	A	B	C	
	FY 18/19 Adopted Corrected Budget	FY 18/19 Amended Budget	Difference (\$)	
76	Office Expenses - Other	1,300	1,300	-
77	Total Office Expenses	83,700	83,700	-
78	Support Services			
79	Temporary Labor	10,000	10,000	-
80	Financial Audit	22,100	22,100	-
82	Accounting	30,000	30,000	-
Adj.	Accounting Adjustment		6,000	
83	Legal Services	53,600	53,600	-
84	Bank Service Charges	700	700	-
85	Payroll Service	4,100	4,100	-
86	Website Support	1,700	1,700	-
87	General Liability Insurance	21,000	21,000	-
88	Total Support Services	143,200	149,200	6,000
89	Training/Travel	8,000	8,000	-
90	Other Fees/SWRCB	6,200	6,200	-
91	Service Tools & Equipment			
92	Shop Supplies and Small Tools	21,100	21,100	-
93	Vehicle Fuel	12,800	12,800	-
94	Employee Uniforms	1,500	1,500	-
95	Safety	500	500	-
96	Tractor Expenses	1,000	1,000	-
97	Equipment Rental	2,100	2,100	-
98	Service Trucks - R&M	13,900	13,900	-
99	Water Ops Phone & Internet	900	900	-
100	Communications	-	-	-
101	Total Service Tools & Equipment	53,800	53,800	-
102	<b>NON-OPERATING EXPENSES</b>			
103	Grant & Loan Processing Fee	1,600	1,600	-
104	DWR Interest Expense	10,300	10,300	-
105	DHPO Interest Expense	9,800	9,800	-
106	Bad Debt Expense	1,200	1,200	-
107	Miscellaneous	1,600	1,600	-
108	Depreciation Expense	266,300	266,300	-
109	<b>TOTAL NON-OPERATING EXP</b>	290,800	290,800	-
110	<b>TOTAL EXPENSES</b>	1,497,510	1,511,110	13,600
111	<b>INCOME BEFORE CAPITAL &amp; GSA</b>	193,390	180,790	(12,600)
112	<b>DHPO CAPACITY CREDIT</b>	(21,000)	(21,000)	-
113	<b>CAPITAL PROJECTS</b>			
114	New Vehicle Purchase	(50,000)	-	50,000
Adj.	New Vehicle Purchase Amendment	-	-	-

**Cabazon Water District**  
**FY 18/19 Proposed Amended Budget**  
**9/18/18**

	A	B	C
	FY 18/19 Adopted Corrected Budget	FY 18/19 Amended Budget	Difference (\$)
115 Main Street Property (IceHouse-Survey)	-	-	-
116 Main Street Property (Icehouse-Impts)	(60,000)	<b>(60,000)</b>	-
117 Meter Replacements & Other Capital	(22,000)	<b>(22,000)</b>	-
118 Pipeline Street Main Relocation	-	-	-
119 <b>TOTAL CAPITAL PROJECTS</b>	<u>(132,000)</u>	<u>(82,000)</u>	<u>50,000</u>
120 <b>DEBT - PRINCIPAL</b>			
121 Debt Service Principal - DWR	(38,400)	(38,400)	-
122 Debt Service Principal - Zion	(78,900)	(78,900)	-
123 <b>TOTAL DEBT - PRINCIPAL</b>	<u>(117,300)</u>	<u>(117,300)</u>	<u>-</u>
124 <b>SGMA / GSA</b>	<u>(60,000)</u>	<u>(60,000)</u>	<u>-</u>
125 <b>NET INCOME / (LOSS)</b>	<u><b>(136,910)</b></u>	<u><b>(99,510)</b></u>	<u><b>37,400</b></u>
126 ADD BACK DEPRECIATION ( <i>non-cash</i> )	<u>266,300</u>	<u>266,300</u>	
127 <b>PROJECTED CHANGE IN CASH</b>	<u><b>\$ 129,390</b></u>	<u><b>\$ 166,790</b></u>	

*RJL*

**Cabazon Water District**  
**FY 18/19 Board Approved Budget**  
**5/15/18**

A	B	C	D	E
FY 18 Approved Budget	FY 17/18 Projected	FY 18/19 Proposed Budget	Difference (\$)	Difference (%)

**1 REVENUES**

**2 OPERATING INCOME**

3	Base Rate - Water Bills	\$ 801,200	\$ 734,600	\$ 811,800	\$ 77,200	11%
4	Commodity Sales	252,600	305,900	327,500	21,600	7%
5	DHPO Contract	193,800	210,595	225,900	15,305	7%
6	Fire Sales - Water Bills	2,200	2,500	2,500	-	0%
7	Fire Flow Income	150	400	400	-	0%
8	Meter Install and Removal	80	-	-	-	0%
9	Penalty Fees - Water Bills	34,600	48,300	48,300	-	0%
10	Lien Reinstatement Fees	1,000	-	-	-	0%
11	New Account Fees - Water Bills	1,500	1,800	1,800	-	0%
12	Incident Fee - Water Bills	140	400	400	-	0%
13	Returned Check Fees	500	600	600	-	0%
14	Basic Facilities Fee	33,200	64,900	64,900	-	0%
15	Stand By Fees - Tax Revenue	113,600	113,600	113,600	-	0%
16	<b>TOTAL OPERATING INCOME</b>	<b>1,434,570</b>	<b>1,483,595</b>	<b>1,597,700</b>	<b>114,105</b>	<b>8%</b>

**NON-OPERATING INCOME**

17	Property Taxes	60,900	60,900	60,900	-	0%
19	Cell Tower Lease Income	23,100	22,100	22,100	-	0%
20	Misc. Non-Operating Income	-	2,200	-	(2,200)	-100%
21	Interest Income	7,400	10,200	10,200	-	0%
22	<b>TOTAL NON-OPERATING INCOME</b>	<b>91,400</b>	<b>133,500</b>	<b>131,300</b>	<b>(2,200)</b>	<b>-2%</b>

**23 TOTAL REVENUES**

**24 EXPENSES**

**25 PAYROLL**

26	Directors Fees	20,000	15,200	20,000	4,800	32%
27	Management & Customer Service					
28	Customer Accounts	43,800	49,300	51,700	2,400	5%
29	Business Admin Manager	54,200	60,000	65,200	5,200	9%
30	Office Assistant	8,100	2,500	-	(2,500)	-100%
31	General Manager	84,900	98,300	84,100	(14,200)	-14%
32	Total Management & Customer Service	191,000	210,100	201,000	(9,100)	-4%
33	Field Workers	85,000	104,600	144,200	39,600	38%
34	Employee Benefits Expense					
35	Workers Comp.	14,100	6,600	8,700	2,100	32%
36	Employee Health Care	62,300	77,600	95,800	18,200	23%
37	Pension	54,200	58,600	70,200	11,600	20%
38	Total Employee Benefits Expense	130,600	142,800	174,700	31,900	22%
39	Payroll Taxes	27,200	28,500	30,100	1,600	6%
40	<b>TOTAL PAYROLL</b>	<b>453,800</b>	<b>501,200</b>	<b>570,000</b>	<b>68,800</b>	<b>14%</b>

**41 OPERATIONAL EXPENSES**

42	Facilities, Wells, T&D					
43	Lab Fees	8,000	7,400	7,500	100	1%

*RJ*

**Cabazon Water District**  
**FY 18/19 Board Approved Budget**  
**5/15/18**

	A	B	C	D	E	
	FY 18 Approved Budget	FY 17/18 Projected	FY 18/19 Proposed Budget	Difference (\$)	Difference (%)	
44	Site Landscaping & Maint	700	700	700	-	0%
45	Meters	5,000	4,500	4,600	100	2%
46	Generator Service Contractor	2,400	1,300	1,300	-	0%
47	Utilities - Wells	117,900	120,100	126,100	6,000	5%
48	SCADA	4,900	300	300	-	0%
49	Line R&M Contractor	12,500	-	12,500	12,500	0%
50	Line R&M Materials	60,000	39,500	60,000	20,500	52%
51	Well Maintenance	36,000	31,600	36,200	4,600	15%
52	Security	24,410	18,300	18,400	100	1%
53	Engineering Services	80,900	33,600	33,600	-	0%
54	Chlorinators	4,180	100	100	-	0%
55	Facilities, Wells, T&D - Other	10,000	400	10,000	9,600	2400%
56	<b>Total Facilities, Wells, T&amp;D</b>	<b>366,890</b>	<b>276,200</b>	<b>311,300</b>	<b>35,100</b>	<b>13%</b>
57	Utilities - Office					
58	Electricity	15,100	15,100	15,900	800	5%
59	Gas	710	710	710	-	0%
	Telephone	10,500	9,500	9,500	-	0%
	Trash Pickup & Office Cleaning	4,400	4,300	4,400	100	2%
62	<b>Total Utilities - Office</b>	<b>30,710</b>	<b>29,610</b>	<b>30,510</b>	<b>900</b>	<b>3%</b>
63	Office Expenses					
64	Water Billing System	2,500	2,100	2,100	-	0%
65	Supplies & Equipment	9,700	3,400	9,700	6,300	185%
66	Copier and Supplies	8,100	6,000	6,000	-	0%
67	Dues & Subscriptions	1,700	1,100	1,700	600	55%
68	Postage	12,900	7,500	7,700	200	3%
69	Printing & Publications	6,100	5,400	6,100	700	13%
70	Leases & Rents	300	300	300	-	0%
71	Computer Services	36,800	31,800	36,800	5,000	16%
72	Office Radio	500	-	500	500	0%
73	Office Storage	6,100	6,000	6,200	200	3%
74	Air Conditioning Servicing	4,500	4,600	4,600	-	0%
75	Fire Alarm System Servicing	600	700	700	-	0%
76	Office Expenses - Other	1,300	1,300	1,300	-	0%
77	<b>Total Office Expenses</b>	<b>91,100</b>	<b>70,200</b>	<b>83,700</b>	<b>13,500</b>	<b>19%</b>
78	Support Services					
79	Temporary Labor	10,000	11,200	10,000	(1,200)	-11%
80	Financial Audit	22,100	22,100	22,100	-	0%
	Accounting	30,000	26,500	30,000	3,500	13%
82	Legal Services	115,100	52,500	53,600	1,100	2%
	Bank Service Charges	1,500	700	700	-	0%
84	Payroll Service	5,100	4,000	4,100	100	3%
85	Website Support	1,300	1,700	1,700	-	0%
86	General Liability Insurance	21,900	21,000	21,000	-	0%

RF SA

**Cabazon Water District**  
**FY 18/19 Board Approved Budget**  
**5/15/18**

		A	B	C	D	E
		<b>FY 18 Approved Budget</b>	<b>FY 17/18 Projected</b>	<b>FY 18/19 Proposed Budget</b>	<b>Difference (\$)</b>	<b>Difference (%)</b>
87	Total Support Services	207,000	192,200	143,200	(49,000)	-25%
88	Training/Travel	7,000	7,900	8,000	100	1%
89	Other Fees/SWRCB	19,600	6,100	6,200	100	2%
90	Service Tools & Equipment					
91	Shop Supplies and Small Tools	6,100	1,100	21,100	20,000	1818%
92	Vehicle Fuel	12,200	12,500	12,800	300	2%
93	Employee Uniforms	1,500	900	1,500	600	67%
94	Safety	500	-	500	500	0%
95	Tractor Expenses	5,500	1,000	1,000	-	0%
96	Equipment Rental	1,000	2,100	2,100	-	0%
97	Service Trucks - R&M	14,400	13,600	13,900	300	2%
98	Water Ops Phone & Internet	3,600	900	900	-	0%
99	Communications	3,300	-	-	-	0%
100	Total Service Tools & Equipment	48,100	32,100	53,800	21,700	68%
101	<b>NON-OPERATING EXPENSES</b>					
	Grant & Loan Processing Fee	1,600	1,600	1,600	-	0%
	DWR Interest Expense	11,236	11,400	10,300	(1,100)	-10%
	DHPO Interest Expense	10,802	11,800	9,800	(2,000)	-17%
105	Bad Debt Expense	1,200	1,200	1,200	-	0%
106	Miscellaneous	5,000	1,600	1,600	-	0%
107	Depreciation Expense	266,300	266,300	266,300	-	0%
108	<b>TOTAL NON-OPERATING EXP</b>	296,138	293,900	290,800	(3,100)	-1%
109	<b>TOTAL EXPENSES</b>	1,520,338	1,423,210	1,497,510	74,300	5%
110	<b>INCOME BEFORE CAPITAL &amp; GSA</b>	5,632	193,885	231,490	37,605	19%
111	<b>DHPO CAPACITY CREDIT</b>	(21,000)	(21,000)	(21,000)	-	0%
112	<b>CAPITAL PROJECTS</b>					
113	New Vehicle purchase	-	-	(50,000)	(50,000)	0%
114	Main Street Property (IceHouse-Survey)	-	(13,900)	-	13,900	-100%
115	Main Street Property (Icehouse-Impts)	(5,000)	-	(60,000)	(60,000)	0%
116	Meter Replacements & Other Capital	(21,888)	-	(22,000)	(22,000)	0%
117	Pipeline Street Main Relocation	-	-	-	-	0%
118	<b>TOTAL CAPITAL PROJECTS</b>	(26,888)	(13,900)	(132,000)	(118,100)	850%
119	<b>DEBT - PRINCIPAL</b>					
120	Debt Service Principal - DWR	(36,261)	(37,300)	(38,400)	(1,100)	3%
121	Debt Service Principal - Zion	(76,943)	(77,200)	(78,900)	(1,700)	2%
	<b>TOTAL DEBT - PRINCIPAL</b>	(113,203)	(114,500)	(117,300)	(2,800)	2%
	<b>SGMA / GSA</b>	(60,000)	(90,400)	(60,000)	30,400	-34%
124	<b>NET INCOME / (LOSS)</b>	<b>(215,459)</b>	<b>(45,915)</b>	<b>(98,810)</b>	<b>(52,895)</b>	<b>115%</b>
125	ADD BACK DEPRECIATION (non-cash)	266,300	266,300	266,300		
126	<b>PROJECTED CHANGE IN CASH</b>	<b>\$ 50,841</b>	<b>\$ 220,385</b>	<b>\$ 167,490</b>		