



**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, November 19, 2019 – 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**

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### **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:**  
Tuesday, November 19, 2019 – 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 on October 14, 2019
  - b. Regular Board Meeting Minutes and Warrants of October 14, 2019
2. **Warrants – None**
3. **Awards of Contracts – None**

**UPDATES**

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

**CLOSED SESSION**

- (1) CONFERENCE WITH LEGAL COUNSEL – Potential Litigation vs. Cabazon Water District (1 case)

**NEW BUSINESS**

1. Discussion/Action: Customer Concern: Water Usage on Marino St. – Salvador Flores
2. Discussion/Action: User Fee Study (District incident fees and charges, etc.): Presentation and adoption of suggested fee adjustments. (by NBS)
3. Discussion/Action: Review and approval of the Fiscal Year (FY) 2018-2019 Audited Financial Statements (by Fedak and Brown)
4. Discussion/Action: Automatic Rate Adjustment/District Meter and Water Usage Charges (Director Wargo and Israel)
5. Discussion/Action: LAIF Transfer Request (transfer from the District's LAIF account to the District's General account in order to pay for the Tank/Well #1 repairs and maintenance) (by AGM Lemus)
6. Discussion/Action: Approval of RESOLUTION 2019-03: Authorizing the GM to Accept Interest in Real Property on Behalf of CWD. (by AGM Lemus)

**OLD BUSINESS**

1. Discussion/Action: Fire Suppression System Installation and Meter Charges (by Director Lynk)
2. Discussion: Sustainable Groundwater Management Act (SGMA) Update (by GM Louie)  
  
Prop 1 IRWM Implementation Grant Program Pre-application Workshop updates.  
  
SGP GSP Kickoff meeting updates.

**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 – December 17, 2019, 5:00 pm
- b. Regular Board Meeting – Tuesday – December 17, 2019, 6:00 pm
- c. Personnel Committee – None
- d. San Gorgonio Pass Regional Water Alliance – Alliance Meeting – Wednesday –

ADJOURNMENT

ADA Compliance Issues

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## FINANCE & AUDIT COMMITTEE MEETING

### MINUTES

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

**Meeting Date:**  
Monday, October 14, 2019 – 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 - yes

### FINANCE & AUDIT COMMITTEE

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

Balance Sheet:

The District's combined Cash with Chase and LAIF balance was \$959,263 at month end. The District's total liabilities were approximately \$1.046 million at month end.

Profit and Loss:

- Standby Fees: The bulk of these receipts often occur around January and April and can occasionally cause YTD to trend over/under budget.
- Total Operating Income: outlines the total revenues earned from District operations. YTD is trending on target at 25%.
- Engineering Services: YTD is at 50% due several invoices from Krieger & Stewart in September including \$11.4K relating to Standby Fees.
- Total Facilities, Wells, T&D: Summarizes total operating expense relating to facilities, wells, transmission & distribution. YTD is trending below target at 18%.
- Total Utilities – Office: Summarizes total utilities expense for the District office. YTD is trending near target at 26%.
- CA Water System Alliance: Includes monthly membership fees for the Water System Alliance. YTD is trending on target at 25%.
- Office Expenses – Other: Includes miscellaneous office expenses. YTD is trending below target at 20%.
- Total Office Expenses: Summarizes total District office expenses. YTD is trending below target at 21%.
- Website Support: YTD is at 33% due to timing of website support expenses.
- Other Fees/SWRCB: YTD is at 50% due to timing of Riverside County Fees. Blanket Encroachment Permit (\$2K) & Annual LAFCO fees were paid in July.

As of September 30th, the fiscal year-to-date net income is \$49,592.

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

**PUBLIC COMMENT**

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**ADJOURNMENT**

Motion to adjourn at 17:12 hr. made by Director Israel and 2<sup>nd</sup> by Director Wargo.

Director Wargo - Aye  
Director Israel - Aye

Meeting adjourned at 17:12 hr. on Tuesday, October 14, 2019

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Robert Lynk, Board Chair  
Board of Directors  
Cabazon Water District

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Elizabeth Lemus, Secretary  
Board of Directors  
Cabazon Water District

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**REGULAR BOARD MEETING**

**MINUTES**

**Meeting Location:**  
Cabazon Water District Office  
14618 Broadway Street  
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**Meeting Date:**  
October 14, 2019 – 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 - Absent

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**

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**1. Approval of:**

- a. Finance and Audit Committee Meeting Minutes and Warrants approved by the committee  
September 17, 2019
  - b. Regular Board Meeting Minutes and Warrants of September 17, 2019
2. Warrants – None
  3. Awards of Contracts – None

Motion to approve following consent calendar item(s) (a.) Finance and Audit Committee Meeting Minutes of (a) September 17, 2019, and (b.) Regular Board Meeting Minutes of September 17, 2019, made by Director Israel and 2<sup>nd</sup> by Director Wargo

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

#### UPDATES

1. Update: San Gorgonio Pass Regional Water Alliance Update  
(by Director Davis)  
  
Some items discussed were SB 1, SB 998, and the next SGPRWA meeting.
2. Update: Manager's Operations Report  
(by GM Louie)

#### NEW BUSINESS

#### OLD BUSINESS

1. Discussion/Action: Customer Concern: Victor Bustos, Los Victors Restaurant. Monthly Meter Charge inquiry.

Motion to deny Mr. Bustos' request for a discount on his monthly meter charges / drop this item made by Director Israel and 2<sup>nd</sup> by Director Sanderson.

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

2. Discussion/Action: Fire Suppression System Installation and Meter Charges (by Director Lynk)

Motion to table this item for the October 2019 Board Meeting (since Director Lynk was not present) made by Director \_\_\_\_\_ and 2<sup>nd</sup> by Director \_\_\_\_\_.

\*Note: No roll call vote was made, but it was the consensus of the Board to table this item until the October Board Meeting. There were no objections voiced by either the Board or the public.



3. Discussion: Sustainable Groundwater Management Act (SGMA) Update  
(by GM Louie)

Prop 1 IRWM Implementation Grant Program Pre-application Workshop updates.

SGP GSP Kickoff meeting updates.

4. Discussion/Action: Audio Sound System Bid (by General Manager Louie)

**Props AV Audio Visual FX** – Michael Betancourt  
945 E. 6<sup>th</sup> Street, Beaumont, CA 92223  
(Estimated \$12k to \$15k)

The actual quote came out to be roughly \$33k; much higher than anticipated. The Board decided to drop this item from the agenda for the time, and if District management later found another quote for a much lower price, management could place this item back on the agenda for further review.

**Motion to deny the proposed quote from AVSU and to drop this item from the agenda made by Director Wargo and 2<sup>nd</sup> by Director Sanderson.**

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

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**MISCELLANEOUS**

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

- a. Finance & Audit Workshop – Tuesday – November 19, 2019, 5:00 pm
- b. Regular Board Meeting – Tuesday – November 19, 2019, 6:00 pm
- c. Personnel Committee – None
- d. San Gorgonio Pass Regional Water Alliance – Alliance Meeting – Wednesday – October 23, 2019

**ADJOURNMENT**

Motion to adjourn at 19:07 hr. made by Director Sanderson and 2<sup>nd</sup> by Director Israel.

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

Meeting adjourned at 19:07 hr. on Tuesday, October 14, 2019

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Robert Lynk, Board Chair  
Board of Directors  
Cabazon Water District

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Elizabeth Lemus, Secretary  
Board of Directors  
Cabazon Water District

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# Cabazon Water District

## Profit & Loss

October 2019

	Oct. 2019	Current YTD	FY 19/20 Budget	YTD (33%)
<b>1 REVENUES</b>				
<b>2 OPERATING INCOME</b>				
3 Base Rate - Water Bills	\$ 72,659	\$ 290,428	\$ 889,300	33%
4 Commodity Sales	30,710	140,407	320,600	44%
5 DHPO Contract	15,179	69,727	211,700	33%
6 Fire Sales - Water Bills	439	1,756	3,900	45%
7 Penalty Fees - Water Bills	4,573	18,804	44,900	42%
8 New Account Fees - Water Bills	140	480	1,800	27%
9 Returned Check Fees	60	180	400	45%
10 Basic Facilities Fee	9,306	9,306	18,900	49%
11 Stand By Fees - Tax Revenue	-	-	113,600	0%
<b>12 TOTAL OPERATING INCOME</b>	<b>133,065</b>	<b>531,493</b>	<b>1,605,100</b>	<b>33%</b>
<b>13 NON-OPERATING INCOME</b>				
14 Property Taxes	505	592	60,900	1%
15 Cell Tower Lease Income	2,087	8,349	25,100	33%
16 Misc. Non-Operating Income	-	6,323	-	0%
17 Interest Income	5,069	6,717	19,300	35%
<b>18 TOTAL NON-OPERATING INCOME</b>	<b>7,661</b>	<b>21,980</b>	<b>105,300</b>	<b>21%</b>
<b>19 TOTAL REVENUES</b>	<b>140,727</b>	<b>553,473</b>	<b>1,710,400</b>	<b>32%</b>
<b>20 EXPENSES</b>				
<b>21 PAYROLL</b>				
22 Directors Fees	2,100	4,600	20,000	23%
23 Management & Customer Service				
24 Customer Accounts	5,931	18,856	52,100	36%
25 Business Admin Manager	8,504	25,698	74,700	34%
26 General Manager	10,293	30,930	95,600	32%
27 Total Management & Customer Service	24,728	75,485	222,400	34%
28 Field Workers	20,006	61,287	168,300	36%
29 Employee Benefits Expense				
30 Workers Comp.	912	3,650	6,200	59%
31 Employee Health Care	7,433	29,732	67,000	44%
32 Pension	9,142	27,870	78,300	36%
33 Total Employee Benefits Expense	17,487	61,251	151,500	40%
34 Payroll Taxes	3,648	11,463	33,200	35%
<b>35 TOTAL PAYROLL</b>	<b>67,969</b>	<b>214,086</b>	<b>595,400</b>	<b>36%</b>

# Cabazon Water District

## Profit & Loss

October 2019

		FY 19/20			
		Oct. 2019	Current YTD	Budget	YTD (33%)
36	<b>OPERATIONAL EXPENSES</b>				
37	Facilities, Wells, T&D				
38	Lab Fees	221	1,481	8,700	17%
39	Meters	-	50	4,700	1%
40	Utilities - Wells	12,290	34,984	124,000	28%
41	Line R&M Contractor	-	-	12,500	0%
42	Line R&M Materials	124	6,566	60,000	11%
43	Well Maintenance	82,947	86,645	37,000	234%
44	Security	1,421	6,021	24,800	24%
45	Grant Writing Services	-	-	10,000	0%
46	Engineering Services	761	23,854	46,500	51%
47	Facilities, Wells, T&D - Other	350	960	12,400	8%
48	Total Facilities, Wells, T&D	100,026	162,679	340,600	48%
49	Utilities - Office				
50	Electricity	1,365	6,773	19,000	36%
51	Gas	28	115	1,000	11%
52	Telephone	875	3,353	9,800	34%
53	Trash Pickup & Office Cleaning	369	1,475	4,500	33%
54	Total Utilities - Office	2,637	11,716	34,300	34%
55	Office Expenses				
56	Water Billing System	177	709	2,100	34%
57	Supplies & Equipment	451	1,179	9,900	12%
58	Copier Lease & Printing Supplies	237	1,288	6,000	21%
59	Dues & Subscriptions	-	208	4,900	4%
60	Postage	604	2,697	7,900	34%
61	Printing & Publications	-	179	6,200	3%
62	Computer Services	2,903	12,669	36,800	34%
63	Office Storage	500	2,000	6,100	33%
64	Air Conditioning Servicing	418	1,672	4,900	34%
65	CA Water Systems Alliance	208	833	2,500	33%
66	Office Expenses - Other	56	641	2,900	22%
67	Total Office Expenses	5,555	24,162	90,200	27%
68	Support Services				
69	Financial Audit	3,082	7,352	22,500	33%
70	Accounting	1,110	10,376	35,000	30%
71	Legal Services	1,672	28,245	52,000	54%
72	Bank Service Charges	66	233	700	33%

# Cabazon Water District

## Profit & Loss

October 2019

		FY 19/20			
		Oct. 2019	Current YTD	Budget	YTD (33%)
73	Payroll Service	482	1,607	4,700	34%
74	Website Support	75	375	900	42%
75	General Liability Insurance	1,962	7,848	23,400	34%
76	Total Support Services	8,448	58,903	139,200	42%
77	Training/Travel	261	5,775	26,400	22%
78	Other Fees/SWRCB	2,477	6,017	7,100	85%
79	Service Tools & Equipment				
80	Shop Supplies and Small Tools	-	2,919	8,700	34%
81	Vehicle Fuel	1,993	4,614	16,600	28%
82	Employee Uniforms	243	243	1,800	13%
83	Safety	-	-	500	0%
84	Tractor Expenses	-	177	7,500	2%
85	Equipment Rental	-	-	2,000	0%
86	Service Trucks - R&M	1,480	2,308	14,200	16%
87	Water Ops Phone & Internet	194	783	2,400	33%
88	Total Service Tools & Equipment	3,910	11,045	55,700	20%
89	<b>NON-OPERATING EXPENSES</b>				
90	Grant & Loan Processing Fee	1,325	1,325	1,400	95%
91	DWR Interest Expense	4,719	4,719	9,100	52%
92	DHPO Interest Expense	-	4,174	7,900	53%
93	Bad Debt Expense	-	-	1,200	0%
94	Miscellaneous	-	115	1,100	10%
95	<b>TOTAL NON-OPERATING EXPENSES</b>	6,044	10,333	20,700	50%
96	<b>TOTAL EXPENSES</b>	197,327	504,715	1,309,600	39%
97	<b>TOTAL INCOME BEFORE CAPITAL &amp; GSA</b>	(56,600)	48,758	400,800	12%
98	DHPO Capacity Credit	(1,750)	(7,000)	(21,000)	33%
99	<b>CAPITAL PROJECTS</b>				
100	Main Street Improvements (Icehouse Imp.)	-	-	(30,000)	0%
101	Meter Replacements & Other Capital	-	(2,133)	(22,000)	10%
102	New Vehicle Purchase	-	-	(37,000)	0%
103	<b>TOTAL CAPITAL PROJECTS</b>	-	(2,133)	(89,000)	2%
104	<b>DEBT - PRINCIPAL</b>				
105	Debt Service Principal - DWR	(19,627)	(19,627)	(39,600)	50%
106	Debt Service Principal - DHPO (Zion)	-	(40,423)	(80,800)	50%
107	<b>TOTAL DEBT - PRINCIPAL</b>	(19,627)	(60,050)	(120,400)	50%
108	<b>SGMA / GSA</b>	(941)	(8,899)	(60,000)	15%
109	<b>NET INCOME / (LOSS)</b>	<b>\$ (78,917)</b>	<b>\$ (29,325)</b>	<b>\$ 110,400</b>	<b>-27%</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

October 31, 2019

**Oct. 31, 19**

1	<b>ASSETS</b>	
2	Current Assets	
3	Checking/Savings	
4	General Bank Account-Chase	\$ 63,557
5	Payroll Bank Account-Chase	71,896
6	Trust Account-Chase (Cust. Deposits)	10,639
7	Local Petty Cash	100
8	Total Checking/Savings	<u>146,192</u>
9	Accounts Receivable	211,921
10	LAIF	734,378
11	Bank of NY Trustee Accounts	54,083
12	Prepaid Expenses	21,200.18
13	Inventory Total	104,142
14	Total Other Current Assets	<u>1,125,725</u>
15	Total Current Assets	<u>1,281,507</u>
16	Fixed Assets	
17	Construction in Process	
18	CIP Cabazon Outlets Expansion	9,692
19	CIP Super Map	26,463
20	CIP 50100 Main St. Property	115,053
21	Total Construction in Process	<u>151,208</u>
22	Tools and Equipment	123,319
23	Source of Supply	1,552,226
24	Transmission & Distribution	10,316,395
25	Buildings & Structures	12,281
26	Water Treatment	8,800
27	Office Furniture and Equipment	71,808
28	Intangible Plant	11,032
29	Vehicles	114,728
30	Land	689,548
31	Accumulated Depreciation	<u>(5,672,996)</u>
32	Total Fixed Assets	<u>7,378,349</u>
33	<b>TOTAL ASSETS</b>	<b><u>\$ 8,659,855</u></b>
34	<b>LIABILITIES &amp; EQUITY</b>	
35	Liabilities	
36	Current Liabilities	
37	Accounts Payable	\$ 30,350
38	Other Current Liabilities	
39	Customer Deposits - Co 1	5,473
40	Customer Deposits - Co 2	4,234
41	Total Customer Deposits	<u>9,708</u>
42	Accrued Vacation Pay	13,352
43	DWR-HS Payable - Current	39,550
44	Current Portion Zion's Bank Ln	80,847
45	Accrued Payroll	7,450

# Cabazon Water District

## Balance Sheet

October 31, 2019

	<b>Oct. 31, 19</b>	
46	Accrued Payroll Taxes	554
47	Accrued Interest	4,449
48	Accrued Expenses	8,129
49	Employee Deductions	143
50	Total Other Current Liabilities	<u>164,183</u>
51	Total Current Liabilities	194,534
52	Long Term Liabilities	
53	DWR-H Loan Payable (Payoff '26)	278,950
54	Zion's Bank Long Term (2023)	254,898
55	RCEDA Loan Payable	300,000
56	Total Long Term Liabilities	<u>833,848</u>
57	Total Liabilities	1,028,382
58	Total Equity	<u>7,631,473</u>
59	<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b><u>\$ 8,659,855</u></b>



## MEMORANDUM

DATE: November 12, 2019  
TO: The Cabazon Water District Board of Directors  
FROM: Ellie Lemus, AGM  
SUBJ: Marino St. – Mr. Salvador Flores, Acct. 3-14744F, Location No. 3-526191021

---

Dear Board of Directors,

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

- Customer is complaining of high water usage.
- Meter has been replaced in 2013, 2015, and 2019 (newer meters read more accurately).
- Regarding the most recent water meter changeout, the meter was tested and showed that it was only reading 60% of the low-flow water usage (it was under-reading), and was reading 101% and 103% for medium and high flow water usage (was very slightly over-reading). It still should not be reading enough to cause water bills of such high usage.
- A water usage trend can be seen from 2017 through today.
- Meter was recently changed out, and water usage has been much less. Not sure if there was a leak or a change in habitual water usage. Meter does not appear to be spinning (an indicator that there may not be a leak).

Cabazon Water District  
14618 Broadway Street  
PO Box 297  
Cabazon, CA 92230  
[www.cabazonwater.org](http://www.cabazonwater.org)

Bus. (951) 849-4442

Fax (951) 849 2519





14-618 Broadway Street  
P.O. Box 297, Cabazon, Ca. 92230

October 31, 2019

Salvador Flores  
Street  
Acct: 13-14744F  
Meter No: 231881

RE: Meter Change-out

Mr. Flores,

Attached please find the calibration results of the meter #231881 removed from your property October 16, 2019 to be tested. The meter tested within specifications (it reads correctly).

Enclosed is a copy of the test. We will keep the new meter in unless you would like the old one put back in.

If you have any question, please contact us at (951)849-4442.

Sincerely,  
Ellen Koumparis  
Customer Sales Representative




State of California  
 Department of Weights & Measures  
 Registration No. 3603

Certified Test

Customer: Cabazon County Water District      Manufacturer: ZENNER  
 Address: PO BOX 297      Model #: PMN02CF-XPPB  
 City: Cabazon      Serial #: 00231881  
 State: CA      Zip: 92230      Size #: 5/8 X 3/4 CF

High Flow:	15	GPM	103.1	%	Tested By:	Manuel Hernandez Esparza
Med. Flow:	2	GPM	101.1	%		31991
Low Flow:	1/4	GPM	60.2	%		

Comments: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

Signature:  \_\_\_\_\_ Date: 10/29/19

ZENNER USA P.O. Box 895, Banning, CA 92220 951-849-8822 www.zennerusa.com

<b>Customer Transaction Summary</b>
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**Customer Information**

Account No: 3-14744F  
 SALVADOR FLORES  
 P.O. BO.  
 CABAZON, CA 92230-

**Location Information**

Location No: 3-526191021  
 MARINO  
 CABAZON, CA 92230-

Date	Type	More Info	Reading	Usage	Prior Balance	Transaction Amount	Balance
01/01/2017	Payment	CASH			446.41	-50.00	396.41
01/11/2017	Misc - TAG				396.41	10.00	406.41
01/17/2017	Payment	CASH			406.41	-100.00	306.41
01/23/2017	Penalty				306.41	5.52	311.93
01/23/2017	Interest				311.93	3.86	315.79
01/31/2017	Charge	01/12/2017	23900	1200	315.79	59.63	375.42
02/21/2017	Penalty				375.42	5.96	381.38
02/21/2017	Interest				381.38	4.76	386.14
02/28/2017	Charge	02/09/2017	24900	1000	386.14	55.21	441.35
03/01/2017	Payment	CASH			441.35	-100.00	341.35
03/21/2017	Penalty				341.35	5.52	346.87
03/21/2017	Interest				346.87	4.34	351.21
03/29/2017	Payment	CASH			351.21	-50.00	301.21
03/30/2017	Charge	03/13/2017	25800	900	301.21	53.00	354.21
04/10/2017	Payment	CASH			354.21	-50.00	304.21
04/24/2017	Penalty				304.21	5.30	309.51
04/24/2017	Interest				309.51	3.79	313.30
04/24/2017	Payment	CASH			313.30	-50.00	263.30
04/24/2017	Charge	04/12/2017	28400	2600	263.30	92.72	356.02
05/23/2017	Payment	CASH			356.02	-100.00	256.02
05/31/2017	Charge	05/11/2017	31200	2800	256.02	130.53	386.55
06/13/2017	Payment	CASH			386.55	-50.00	336.55
06/21/2017	Penalty				336.55	13.05	349.60
06/21/2017	Interest				349.60	4.76	354.36
06/29/2017	Charge	06/12/2017	34500	3300	354.36	149.73	504.09
07/24/2017	Penalty				504.09	14.97	519.06
07/24/2017	Interest				519.06	7.01	526.07
07/24/2017	Payment	CHECK			526.07	-100.00	426.07
07/31/2017	Charge	07/12/2017	39500	5000	426.07	215.01	641.08
08/17/2017	Payment	CHECK			641.08	-250.00	391.08
08/21/2017	Penalty				391.08	21.50	412.58
08/21/2017	Interest				412.58	5.47	418.05
08/23/2017	Return Chk				418.05	250.00	668.05
08/23/2017	Misc - RET				668.05	30.00	698.05
08/28/2017	Payment	CASH			698.05	-280.00	418.05
08/29/2017	Payment	CHECK			418.05	-418.05	0.00
08/31/2017	Charge	08/10/2017	42500	3000	0.00	138.21	138.21
09/21/2017	Penalty				138.21	13.82	152.03
09/21/2017	Interest				152.03	2.07	154.10
09/28/2017	Charge	09/07/2017	45500	3000	154.10	138.21	292.31
10/12/2017	Misc - TAG				292.31	10.00	302.31
10/16/2017	Payment	CASH			302.31	-100.00	202.31
10/16/2017	Interest				202.31	2.65	204.96
10/23/2017	Penalty				204.96	13.82	218.78
10/31/2017	Charge	10/09/2017	48100	2600	218.78	122.85	341.63
11/13/2017	Misc - TAG				341.63	10.00	351.63

<b>Customer Transaction Summary</b>
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**Customer Information**

Account No: 3-14744F  
 SALVADOR FLORES  
 P.O. BOX  
 CABAZON, CA 92230-

**Location Information**

Location No: 3-526191021  
 MARINO  
 CABAZON, CA 92230-

Date	Type	More Info	Reading	Usage	Prior Balance	Transaction Amount	Balance
11/15/2017	Misc - TG2				351.63	10.00	361.63
11/15/2017	Misc - RCF				361.63	50.00	411.63
11/15/2017	Payment	CASH			411.63	-280.00	131.63
11/21/2017	Penalty				131.63	6.16	137.79
11/21/2017	Interest				137.79	0.92	138.71
11/30/2017	Charge	11/09/2017	51500	3400	138.71	153.57	292.28
12/07/2017	Return Chk				292.28	418.05	710.33
12/07/2017	Misc - RET				710.33	30.00	740.33
12/11/2017	Payment	CASH			740.33	-400.00	340.33
12/14/2017	Payment	CASH			340.33	-100.00	240.33
12/21/2017	Penalty				240.33	13.08	253.41
12/21/2017	Interest				253.41	1.96	255.37
12/27/2017	Payment	CASH			255.37	-70.00	185.37
12/28/2017	Charge	12/11/2017	55300	3800	185.37	168.93	354.30
01/11/2018	Misc - TAG				354.30	10.00	364.30
01/16/2018	Misc - TG2				364.30	10.00	374.30
01/16/2018	Payment	CHECK			374.30	-140.00	234.30
01/16/2018	Misc - RCF				234.30	50.00	284.30
01/16/2018	Penalty				284.30	16.89	301.19
01/22/2018	Interest				301.19	2.53	303.72
01/29/2018	Payment	CASH			303.72	-60.00	243.72
01/31/2018	Charge	01/10/2018	58000	2700	243.72	145.75	389.47
02/14/2018	Misc - TAG				389.47	10.00	399.47
02/20/2018	Payment	CHECK			399.47	-200.00	199.47
02/20/2018	Misc - TG2				199.47	10.00	209.47
02/21/2018	Penalty				209.47	14.58	224.05
02/21/2018	Interest				224.05	2.19	226.24
02/21/2018	Misc - RCF				226.24	50.00	276.24
02/26/2018	Payment	CHECK			276.24	-200.00	76.24
02/26/2018	Payment	CASH			76.24	-100.00	-23.76
02/28/2018	Charge	02/12/2018	59900	1900	-23.76	110.39	86.63
03/21/2018	Penalty				86.63	8.66	95.29
03/21/2018	Interest				95.29	1.30	96.59
03/27/2018	Adjustment				96.59	0.00	96.59
03/29/2018	Charge	03/13/2018	61100	1200	96.59	82.51	179.10
04/02/2018	Payment	CASH			179.10	-100.00	79.10
04/23/2018	Penalty				79.10	7.91	87.01
04/23/2018	Interest				87.01	1.19	88.20
04/30/2018	Charge	04/12/2018	63300	2200	88.20	123.65	211.85
05/14/2018	Misc - TAG				211.85	10.00	221.85
05/15/2018	Payment	CASH			221.85	-100.00	121.85
05/21/2018	Penalty				121.85	11.19	133.04
05/21/2018	Interest				133.04	1.68	134.72
05/31/2018	Charge	05/14/2018	65400	2100	134.72	119.23	253.95
06/14/2018	Misc - TAG				253.95	10.00	263.95
06/18/2018	Payment	CHECK			263.95	-125.00	138.95

## Customer Transaction Summary

**Customer Information**

Account No: 3-14744F  
 SALVADOR FLORES  
 P.O. BOX  
 CABAZON, CA 92230-

**Location Information**

Location No: 3-526191021  
 MARINO  
 CABAZON, CA 92230-

Date	Type	More Info	Reading	Usage	Prior Balance	Transaction Amount	Balance
06/18/2018	Payment	CASH			138.95	-60.00	78.95
06/21/2018	Penalty				78.95	6.90	85.85
06/21/2018	Interest				85.85	1.03	86.88
06/28/2018	Charge	06/13/2018	67800	2400	86.88	132.49	219.37
07/11/2018	Misc - TAG				219.37	10.00	229.37
07/11/2018	Payment	CASH			229.37	-100.00	129.37
07/23/2018	Penalty				129.37	11.94	141.31
07/23/2018	Interest				141.31	1.79	143.10
07/30/2018	Charge	07/12/2018	71200	3400	143.10	176.69	319.79
08/15/2018	Misc - TAG				319.79	10.00	329.79
08/20/2018	Misc - TG2				329.79	10.00	339.79
08/20/2018	Payment	CASH			339.79	-200.00	139.79
08/20/2018	Payment	CHECK			139.79	-139.79	0.00
08/30/2018	Charge	08/09/2018	74700	3500	0.00	181.11	181.11
09/24/2018	Penalty				181.11	18.11	199.22
09/24/2018	Interest				199.22	2.72	201.94
09/27/2018	Charge	09/10/2018	78500	3800	201.94	194.37	396.31
10/09/2018	Misc - TAG				396.31	10.00	406.31
10/11/2018	Payment	CASH			406.31	-50.00	356.31
10/17/2018	Misc - TG2				356.31	10.00	366.31
10/17/2018	Payment	CASH			366.31	-151.94	214.37
10/22/2018	Penalty				214.37	19.44	233.81
10/22/2018	Interest				233.81	2.92	236.73
10/22/2018	Payment	CASH			236.73	-50.00	186.73
10/31/2018	Charge	10/11/2018	82000	3500	186.73	181.11	367.84
11/13/2018	Payment	CASH			367.84	-100.00	267.84
11/21/2018	Penalty				267.84	18.11	285.95
11/21/2018	Interest				285.95	3.38	289.33
11/29/2018	Charge	11/08/2018	84900	2900	289.33	154.59	443.92
12/10/2018	Payment	CASH			443.92	-50.00	393.92
12/13/2018	Misc - TAG				393.92	10.00	403.92
12/13/2018	Payment	CHECK			403.92	-100.00	303.92
12/17/2018	Payment	CHECK			303.92	-230.00	73.92
12/26/2018	Penalty				73.92	6.39	80.31
12/26/2018	Interest				80.31	0.96	81.27
12/31/2018	Charge	12/10/2018	87700	2800	81.27	150.17	231.44
01/10/2019	Misc - TAG				231.44	10.00	241.44
01/14/2019	Payment	CHECK			241.44	-100.00	141.44
01/22/2019	Penalty				141.44	13.14	154.58
01/22/2019	Interest				154.58	1.97	156.55
01/30/2019	Charge	01/10/2019	89700	2000	156.55	120.62	277.17
02/14/2019	Misc - TAG				277.17	10.00	287.17
02/14/2019	Payment	CHECK			287.17	-100.00	187.17
02/21/2019	Penalty				187.17	12.06	199.23
02/21/2019	Interest				199.23	2.28	201.51
02/28/2019	Charge	02/11/2019	91400	1700	201.51	106.70	308.21

# Customer Transaction Summary

**Customer Information**

Account No: 3-14744F  
 SALVADOR FLORES  
 P.O. BOX  
 CABAZON, CA 92230-

**Location Information**

Location No: 3-526191021  
 MARINO  
 CABAZON, CA 92230-

Date	Type	More Info	Reading	Usage	Prior Balance	Transaction Amount	Balance
03/14/2019	Misc - TAG				308.21	10.00	318.21
03/18/2019	Payment	CHECK			318.21	-100.00	218.21
03/18/2019	Payment	CASH			218.21	-41.00	177.21
03/21/2019	Penalty				177.21	10.67	187.88
03/21/2019	Interest				187.88	2.14	190.02
03/27/2019	Charge	03/13/2019	92400	1000	190.02	80.62	270.64
04/11/2019	Misc - TAG				270.64	10.00	280.64
04/15/2019	Payment	CASH			280.64	-100.00	180.64
04/16/2019	Payment	CASH			180.64	-50.75	129.89
04/22/2019	Penalty				129.89	8.06	137.95
04/22/2019	Interest				137.95	1.46	139.41
04/30/2019	Charge	04/10/2019	95100	2700	139.41	153.10	292.51
05/15/2019	Misc - TAG				292.51	10.00	302.51
05/20/2019	Payment	CHECK			302.51	-130.00	172.51
05/21/2019	Penalty				172.51	15.31	187.82
05/21/2019	Interest				187.82	2.30	190.12
05/30/2019	Charge	05/13/2019	98000	2900	190.12	162.38	352.50
06/03/2019	Misc - TAG				352.50	10.00	362.50
06/03/2019	Payment	CASH			362.50	-100.00	262.50
06/24/2019	Penalty				262.50	16.24	278.74
06/24/2019	Interest				278.74	3.37	282.11
06/27/2019	Charge	06/12/2019	101000	3000	282.11	167.02	449.13
07/15/2019	Misc - TAG				449.13	10.00	459.13
07/16/2019	Payment	CASH			459.13	-100.00	359.13
07/16/2019	Payment	CASH			359.13	-100.00	259.13
07/22/2019	Penalty				259.13	16.70	275.83
07/22/2019	Interest				275.83	3.29	279.12
07/31/2019	Charge	07/11/2019	104500	3500	279.12	190.22	469.34
08/15/2019	Misc - TAG				469.34	10.00	479.34
08/19/2019	Payment	CASH			479.34	-200.00	279.34
08/21/2019	Penalty				279.34	19.02	298.36
08/21/2019	Interest				298.36	3.59	301.95
08/29/2019	Charge	08/12/2019	108500	4000	301.95	213.42	515.37
09/16/2019	Misc - TAG				515.37	10.00	525.37
09/17/2019	Payment	CASH			525.37	-200.00	325.37
09/23/2019	Penalty				325.37	21.34	346.71
09/23/2019	Interest				346.71	4.24	350.95
09/30/2019	Charge	09/12/2019	112200	3700	350.95	199.50	550.45
10/14/2019	Misc - TAG				550.45	10.00	560.45
10/14/2019	Payment	CASH			560.45	-60.00	500.45
10/16/2019	Payment	CASH			500.45	-221.00	279.45
10/21/2019	Penalty				279.45	19.95	299.40
10/21/2019	Interest				299.40	3.51	302.91
10/31/2019	Charge	10/14/2019	115500	3300	302.91	180.94	483.85
11/12/2019	Payment	CASH			483.85	-100.00	383.85 U

### Usage History

Previous 36 Months

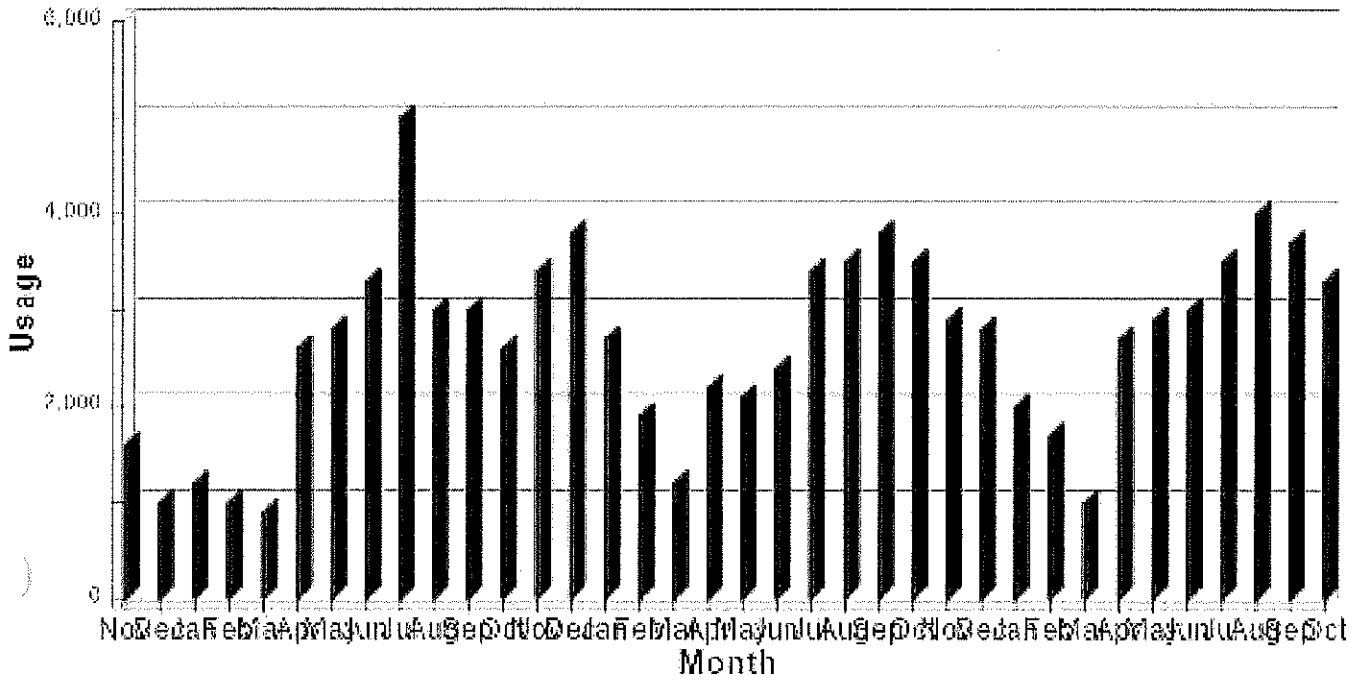
Service: WATER

#### Customer Information

Account No: 3-14744F  
SALVADOR FLORES  
P.O. BOX  
CABAZON, CA 92230-

#### Location Information

Location No: 3-526191021  
MARINO  
CABAZON, CA 92230-





**CABAZON**

# CABAZON WATER DISTRICT

---

*Final Report*

**User Fee Study**

October 16, 2019

Prepared by:



[nbsgov.com](http://nbsgov.com)

Corporate Headquarters  
32605 Temecula Parkway, Suite 100  
Temecula, CA 92592  
Toll free: 800.676.7516



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## Appendices

Fully Burdened Hourly Rate Calculation	Appendix A
Cost of Services (Fee Analysis)	Appendix B
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# 1. EXECUTIVE SUMMARY

NBS performed a User Fee Study (Study) for the Cabazon Water District (District). The purpose of this report is to describe the Study's findings and recommendations, which intend to defensibly update and establish user and regulatory fees for service for the Cabazon Water District.

Special districts in California can impose user fees and regulatory fees for services and activities they provide through provisions of the State Constitution. Under Article XIII C, Section 1, a fee may not exceed the estimated reasonable cost of providing the service or performing the activity. For a fee to qualify as such, it must relate to a service or activity under the control of the individual/entity on which the fee is imposed. For example, a request to install a meter, set up a new water account, perform a plan review, or test a meter for accuracy would require the District to perform specific activities related to each individual request. In this manner, the service or the underlying action causing the District to perform the requested service is either discretionary and/or is subject to regulation. As a discretionary service or regulatory activity, the user fees and regulatory fees considered in this Study fall outside requirements for imposition of taxes, special taxes, or fees imposed as incidences of property ownership.

The District's chief purposes in conducting this Study were to ensure that its existing fees do not exceed the costs of providing services, and to provide an opportunity for the District's Board of Directors to align fee amounts with local cost recovery policies.

## 1.1 Findings

This Study compares the current fee charged for each service charged by the District to the total estimated cost of providing each service. NBS concludes that, on average, the District's current fees under-recover the costs of services provided. As shown in the following table, the Study identified approximately \$21,000 currently collected per year from fees for service, versus \$37,000 of eligible costs for recovery from fees for service.

**TABLE 1. REPORT SUMMARY**

Department / Division	Estimated Annual Current Fee Revenue	Annual Estimated Revenues at Full Cost Recovery Fee	Annual Cost Recovery Surplus / (Deficit)	Current Cost Recovery %	Estimated Annual Recommended Fee Revenue	Recommended Cost Recovery %
Water District	\$ 20,980	\$ 37,132	\$ (16,152)	57%	\$ 33,996	92%

The District is currently recovering approximately 57% of the total costs associated with providing fee related services. Should the Board adopt fee levels at 100% of the calculated full cost recovery fee amounts determined by this Study, an additional \$16,000 in costs could be recovered.

However, as discussed in Section 1 of this report, there may be reasons why policy makers chose to adopt fees at less than the calculated full cost recovery amount. As such, District staff provided initial recommended fee amounts for the Board's consideration. At District staff's initial recommended fee amounts, an additional \$13,000 in costs could be recovered, for a cost recovery rate of 92%.

## 1.2 Report Format

This report documents analytical methods and data sources used throughout the Study, presents findings regarding current levels of cost recovery achieved from user and regulatory fees, and discusses recommended fee amounts.

- Section 2 of the report outlines the foundation of the Study and general approach
- Section 3 discusses the results of the cost of service analysis
- Section 4 provides the grand scope conclusions of the analysis
- Appendices to this report include additional details supporting the fully burdened hourly rate calculation, the cost of providing each fee for service, and a comparison of similar fees charged by neighboring or comparable agencies.

## 2. INTRODUCTION AND FUNDAMENTALS

---

### 2.1 Scope of Study

The following is a summarized list of fees studied for the District:

- Meter Account Set-up Fee
- Meter Accuracy Testing
- Backflow Testing and Protection Device Installation
- Plan Check, Inspection, and Processing Fees
- Reconnection Charge
- Door Hangar Fees
- Lien Fee
- Lab Water Test Fee

The fees examined in this Study specifically excluded development impact fees, utility rates, and any special tax assessments, all of which fall under distinct analytical and procedural requirements different from the body of user/regulatory fees analyzed in this effort. Additionally, this Study excluded facility and equipment rental rates, as well as most of fines and penalties imposed by the District for violations to its requirements or codes.

### 2.2 Methods of Analysis

There are three phases of analysis completed for the District fees studied:

1. Cost of service analysis
2. Fee establishment
3. Cost recovery evaluation

#### 2.2.1 COST OF SERVICE ANALYSIS

This cost of service analysis is a quantitative effort that compiles the full cost of providing governmental services and activities. There are two primary types of costs considered: direct and indirect costs. Direct costs are those that specifically relate to an activity or service, including the real-time provision of the service. Indirect costs are those that support provision of services in general, but cannot be directly or easily assigned to a singular activity or service.

Components of the full cost of service include direct labor costs, indirect labor costs, specific direct non-labor costs where applicable, allocated non-labor costs, and allocated overhead. Definitions of these cost components are as follows:

- **Labor costs** – Salary, wages and benefits expenses for District personnel specifically involved in the provision of services and activities to the public.
- **Indirect labor costs** – Personnel expenses supporting the provision of services and activities. This can include line supervision and district management, administrative support, and staff involved in technical activities related to the direct services provided to the public.
- **Specific direct non-labor costs** – When applicable, discrete expenses incurred due to a specific service or activity performed, such as contractor costs, third-party charges, and very specific materials used in the service or activity.
- **Allocated indirect non-labor costs** – Expenses other than labor for provision of services. In most cases, these costs are allocated across all services provided, rather than directly assigned to fee categories.
- **Allocated indirect organization-wide overhead** – These are expenses, both labor and non-labor, related to agency-wide support services. Support services include general administrative services such as finance, human resources, information technology, etc. An agency's support services assist the direct providers of public services. The amount of costs attributable to the District exist within the budgeted expenditures and have been included in this Study.

All cost components in this Study use annual (or annualized) figures, representing a twelve-month cycle of expenses incurred by the District in the provision of all services and activities agency-wide.

Nearly all of the fees under review in this Study require specific actions on the part of District staff to provide the service or conduct the activity. Because labor is the primary underlying factor in these activities, the Study expresses the full cost of service as a fully burdened cost per labor hour. NBS calculates a composite, fully burdened, hourly rate for the District as applicable to the specific organization and its needs. The rate serves as the basis for further quantifying the average full cost of providing individual services and activities.

Deriving the fully burdened hourly rate requires two figures: the full costs of service and the number of hours available to perform those services. The full costs of service are quantified through the earlier steps described in this analysis. NBS derives the hours available from a complete listing of all District employees and, when applicable, hours of service available from contracted professionals.

The District has supplied NBS with the total number of paid labor hours for each function/service. These available hours represent the amount of productive time available for providing both fee-recoverable and non-fee recoverable services and activities. The productive labor hours divided into the annual full costs of service equals the composite fully burdened hourly rate. Some agencies also use the resulting rates for other purposes than setting fees, such as when the need arises to calculate the full cost of general services or structure a cost recovery agreement with another agency or third party.

The fully burdened hourly rate applied at the individual fee level estimates an average full cost of providing each service or activity. This step required the development of staff time estimates for the services and activities listed in the District's fee schedule. For all fee programs studied, time tracking records (if available) were useful in identifying time spent providing general categories of service (e.g. processing, plan review, inspection, etc.). However, the District does not systematically track activity

service time for all individual fee-level services provided. Consequently, interviews and questionnaires were used to develop the necessary data sets describing estimated labor time. In many cases, the District estimated the average amount of time (in minutes and hours) it would take to complete a typical occurrence of each service or activity considered.

It should be noted that the development of these time estimates was not a one-step process: estimates received were carefully reviewed by both NBS and District management to assess the reasonableness of such estimates. Based on this review, the District reconsidered its time estimates until both parties were comfortable that the fee models reasonably reflected the average service level provided by the District. Then, time estimates were applied to the appropriate fully burdened labor rate to yield an average total cost of the service or activity.

### **2.2.2 FEE ESTABLISHMENT**

Establishing fee names and categories includes a range of considerations. The Study's process provided the District the opportunity to propose additions and deletions to their fee schedules, as well as rename, reorganize, and clarify fee names and categories. Fee categories and fee names were simplified or re-structured to increase the likelihood of full cost recovery, or to enhance the fairness of how the fee applies to various types of fee payers.

Many such revisions better conform fees to current practices, as well as improve the calculation of fees owed by an individual, the application of fees, and the collection of revenues. Beyond this, some additions to the fee schedule were simply identification of existing services or activities performed by District staff for which no fee is currently charged.

The District's fee schedule should also list the full burdened hourly rate(s) developed by the Study. Documenting these rates in the fee schedule provides an opportunity for the Board to approve rates for cost recovery under a "time and materials" approach, where applicable. It also provides clear publication of those rates, so fee payers of any uniquely determined fee can reference the amounts. The fee schedule should provide language that supports special forms of cost recovery for activities and services not contemplated by the adopted master fee schedule. These rare instances use the published rates to estimate a flat fee, or bill on an hourly basis, at the discretion of the District.

### **2.2.3 COST RECOVERY EVALUATION**

The NBS fee model compares the existing fee for each service or activity to the average total cost of service quantified through this analysis. A cost recovery rate of 0% identifies no current recovery of costs from fee revenues (or insufficient information available for evaluation). A rate of 100% means that the fee currently recovers the full cost of service. A rate between 0% and 100% indicates partial recovery of the full cost of service through fees. A rate greater than 100% means that the fee exceeded the full cost of service.

User fees and regulatory fees examined in this Study should not exceed the full cost of service. In other words, the cost recovery rate achieved by a fee should not be greater than 100%. In most cases, charging a fee above this threshold could require the consensus of the voters.

NBS also assists with modeling the "recommended" or "targeted" level of cost recovery for each fee, always established at 100%, or less, than the calculated full cost of service. Targets and recommendations always reflect agency-specific judgments linked to a variety of factors, such as existing

policies, agency-wide or district revenue objectives, economic goals, community values, market conditions, level of demand, and others.

A general means of selecting an appropriate cost recovery target is to consider the public and private benefits of the service or activity in question.

- To what degree does the public at large benefit from the service?
- To what degree does the individual or entity requesting, requiring, or causing the service benefit?

When a service or activity completely benefits the public at large, there is generally little to no recommended fee amount (i.e., 0% cost recovery), reflecting that a truly public-benefit service is best funded by the general resources of the District, such as General Fund revenues (e.g., taxes). Conversely, when a service or activity completely benefits an individual or entity, there is generally closer to or equal to 100% of cost recovery from fees, collected from the individual or entity. An example of a completely private benefit service may be a request for exemption from a District regulation or process.

In some cases, a strict public-versus-private benefit judgment may not be sufficient to finalize a cost recovery target. Any of the following other factors and considerations may influence or supplement the public/private benefit perception of a service or activity:

- If optimizing revenue potential is an overriding goal, is it feasible to recover the full cost of service?
- Will increasing fees result in non-compliance or public safety problems?
- Are there desired behaviors or modifications to behaviors of the service population helped or hindered through the degree of pricing for the activities?
- Does current demand for services support a fee increase without adverse impact to the citizenry served or current revenue levels? (In other words, would fee increases have the unintended consequence of driving away the population served?)
- Is there a good policy basis for differentiating between type of users (e.g., residents and non-residents, residential and commercial, non-profit entities and business entities)?
- Are there broader District objectives that inform a less than full cost recovery target from fees, such as economic development goals and local social values?

Because this element of the Study is subjective, NBS provides each fee calculation at 100% full cost recovery as well as the framework for the District to adjust recommended fee amounts in accordance with the District's goals as pertains to code compliance, cost recovery, economic development, and social values.

## 2.2.4 DATA SOURCES

The following data sources were used to support the cost of service analysis and fee establishment phases of this Study:

- The Cabazon Water District's Adopted Budget for Fiscal Year 2018-2019
- A complete listing of all District personnel, salary/wage rates, regular hours, paid benefits, and paid leave amounts.
- Various correspondences with the District staff supporting the adopted budgets and current fees, including budget notes and expenditure detail not shown in the published document.
- The District's prevailing fee schedule.
- Annual workload data from the prior fiscal year provided by the District.

The District's adopted budget is the most significant source of information affecting cost of service results. NBS did not audit or validate the District's financial management and budget practices, nor was cost information adjusted to reflect different levels of service or any specific, targeted performance benchmarks. This Study has accepted the District's budget as a legislatively adopted directive describing the most appropriate and reasonable level of District spending. Consultants accept the Board's deliberative process and ultimate acceptance of the budget plan and further assert that through that legislative process, the District has yielded a reasonable expenditure plan, valid for use in setting cost-based fees.

Original data sets also support the work of this Study: primarily, estimated or tracked time at various levels of detail. To develop these data sets, consultants prepared questionnaires and conducted interviews with the District. In the fee establishment phase of the analysis, the District supplied estimates of average time spent providing a service or activity corresponding with an existing or new fee. NBS and District management reviewed and questioned responses to ensure the best possible set of estimates.



### 3. WATER DISTRICT

The Cabazon Water District provides safe, reliable drinking water, and reclamation services to its customers in a prudent and sustainable manner. Aside from its primary focus on operation and maintenance of the water system and infrastructure, the District charges a number of fees for services pertaining to account management, installation and removal of meters, meter testing, development review, and other miscellaneous service requests.

#### 3.1 Cost of Service Analysis

To evaluate the cost of providing individual fee related services, NBS first developed a composite fully-burdened hourly rate for the Water District, as shown in the table below:

TABLE 2. FULLY BURDENED HOURLY RATE CALCULATION

Cost Element	District Direct Services
Labor	\$ 394,274
Recurring Non-Labor	117,531
Districtwide Overhead Costs	109,288
District Admin	306,388
<b>Division Total</b>	<b>\$ 927,482</b>
<b>Fully Burdened Hourly Rate</b>	<b>\$ 122</b>
<i>Reference: Direct Hours Only</i>	<b>7,629</b>

The total annual cost of the Water District per year is approximately \$927,000. All subsequent cost of service calculations at the individual fee level assume a fully burdened hourly rate of \$122 for Water District support.

Section 2.2.1, *Cost of Service Analysis*, provides descriptions of each “Cost Element” noted in the table above, as well as further explanation of the approach and methodology used in the fully burdened hourly rate calculation. Approach to development of this rate involved an analysis of both direct and indirect costs of providing services. Careful attention was paid to the types of costs included in development of the fully burdened hourly rate. Costs clearly designated for system maintenance or improvements were excluded, while costs that generally support staff’s role in provision of service delivery and daily operations were included. The hourly rate of \$122 per hour was subsequently applied toward establishment of the full cost of providing the user and regulatory fee services studied.

Appendix A provides the detailed analysis supporting this fully burdened hourly rate calculation.

#### 3.2 Fee Establishment

The following is a summary of overall changes made to the District’s fee schedule:

- Deletion of the Special Equipment fee as this is no longer used.

- Reorganization of fee categories or clarification of fee names to create a more user-friendly fee structure, such as:
  - Meter Accuracy Testing – Split fees by meter size and renamed various fee categories
  - District Administration Processing – Restructured this fee from being charged as 15% on top of contractor costs to being charged as a flat / fixed admin fee.
  - Backflow Testing Charge – Renamed various fee categories
  - Backflow Protection Device Installation – Relocated the position of this fee closer to Backflow Testing Charge in the fee list
  - Meter - Request for Removal, Replacement, Relocation, or Change in Meter Size – Consolidated multiple fees into a single category
  - Door Hangar Fee – Split Fee between yellow and red tags
- Addition of a new fee category, Lab Water Test, notated as “New” in Appendix B.

Section 2.2.3, *Fee Establishment*, provides additional discussion on the Study’s approach to adding, deleting, and revising fee categories.

### 3.3 Cost Recovery Evaluation

Appendix B presents the results of the detailed cost recovery analysis for the Water District fees. In the Appendix, the “Cost of Service per Activity” column establishes the maximum adoptable fee amount for the corresponding service identified in the “Fee Name” list. The Cost of Service Per Activity for each fee item is compared to the District’s current fee for each service, and the “Existing Cost Recovery %” shows whether each fee is under, over, or approximately equal to the cost of providing the service.

The District fees currently recover approximately 57% of the total annual cost of providing services. As shown in the following table, the District collects approximately \$21,000 per year in revenues at current fee amounts. At full cost recovery, the same demand for these services would recover approximately \$37,000. Should the Board of Directors adopt all fees at 100% of the Cost of Service per Activity amounts shown, an additional \$16,000 could be recovered.

**TABLE 3. COST RECOVERY OUTCOMES**

Department / Division	Estimated Annual Current Fee Revenue	Annual Estimated Revenues at Full Cost Recovery Fee	Annual Cost Recovery Surplus / (Deficit)	Current Cost Recovery %	Estimated Annual Recommended Fee Revenue	Recommended Cost Recovery %
Water District	\$ 20,980	\$ 37,132	\$ (16,152)	57%	\$ 33,996	92%

NBS provided the full cost of service information and the framework for considering fees, while those closest to the fee-paying population, District staff, considered appropriate cost recovery levels at or below that full cost. The “Recommended Fee Level / Deposit” column in Appendix B displays staff’s initial recommended fee amounts. With staff’s recommended adjustments, Water District fees are projected to recover 92% of the costs of providing services.

For more discussion on NBS' overall approach to the Cost Recovery Evaluation, consult section 2.2.3 of the Report.

## 4. CONCLUSION

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Based on the Cost of Service Analysis, Fee Establishment, and Cost Recovery Evaluation outcomes presented in this Study, the proposed Schedule of Fees has been formatted for implementation and included in the District's accompanying Staff Report.

As discussed throughout this report, the proposed fee schedule intends to improve the District's recovery of costs incurred to provide individual services, as well as to adjust fees downward where fees charged exceed the average costs incurred. Predicting the amount to which any adopted fee increases will affect District revenues is difficult to quantify. For the near-term, the District should not count on increased revenues to meet any specific expenditure plan. Experience with the revised fee amounts should be gained first before revenue projections are revised. However, unless there is some significant, long-term change in activity levels at the District, proposed fee amendments should enhance the District's cost recovery performance, over time, providing it the ability to stretch other resources further for the benefit of the public at large.

The District's Fee Schedule should become a living document but handled with care:

- A fundamental purpose of the fee schedule is to provide clarity and transparency to the public and to staff regarding fees imposed by the District. Once adopted by the Board, the fee schedule is the final word on the amount and manner in which fees should be charged. Old fee schedules should be superseded by the new master document. If the master document is found to be missing fees, those fees need eventually to be added to the master schedule and should not continue to exist outside the consolidated, master framework.
- The District should consider adjusting these user fees and regulatory fees on an annual basis to keep pace at least with cost inflation. For all fees and charges, the District could use either a Consumer Price Index adjustment or a percentage of Labor Cost increase, and that practice would be well applied to the new fee schedule. Conducting a comprehensive user fee Study is not an annual requirement; it becomes worthwhile only over time as significant shifts in organization, local practices, legislative values, or legal requirements change.

As a final note in this Study, it is worth acknowledging the path that fees in general have taken in California. The public demands ever more precise and equitable accounting of the basis for governmental fees and a greater say in when and how they are charged. It is inevitable in the not too distant future, that user fees and regulatory fees will demand an even greater level of analysis and supporting data to meet the public's evolving expectations. Technology systems will play an increased and significant role in an agency's ability to accomplish this. Continuous improvement and refinement of time tracking abilities will greatly enhance the District's ability to set fees for service and identify unfunded activities in years to come.

*Disclaimer: In preparing this report and the opinions and recommendations included herein, NBS has relied on a number of principal assumptions and considerations with regard to financial matters, conditions and events that may occur in the future. This information and assumptions, including the District's budgets, time estimate data, and workload information from District staff, were provided by sources we believe to be reliable; however, NBS has not independently verified such information and assumptions. While we believe NBS' use of such information and assumptions is reasonable for the purpose of this report, some assumptions will invariably not materialize as stated herein and may vary significantly due to unanticipated events and circumstances. Therefore, the actual results can be expected to vary from those projected to the extent that actual future conditions differ from those assumed by us or provided to us by others.*

LABOR EXPENDITURES AND STATISTICS (1)

Expenditure or Statistic	Notes	2018-19 Budget	Adjustments	Net Expenditures to be Allocated	Cost Allocation to Each Function / Activity	
					District Admin	District Direct Services
<i>Labor Cost Allocation Distribution</i>				100%		66.97%
Salaries	(2)	\$ 365,200	(20,000)			
Director's Fee Adjustment			13,853			
Water Technician II Salary Adjustment		\$ 365,200	\$ (6,147)	\$ 359,053	\$ 118,611	\$ 240,442
Subtotal		\$ 204,800				
Benefits		\$ 204,800	24,919			
Water Technician II Benefit Adjustment			24,919			
Subtotal		\$ 204,800	\$ 24,919	\$ 229,719	\$ 75,886	\$ 153,833
Functional "Productive" Labor Hours		\$ 570,000	\$ 18,772	\$ 588,772	\$ 194,497	\$ 394,274
		10,526	-	10,526	2,897	7,629

**RECURRING NON-LABOR EXPENDITURES**

Operating Expenditures By Budget Unit	2018-19 Budget				Adjustments	Net Expenditures to be Allocated	Cost Allocation to Each Function / Activity	
	Notes						District Admin	District Direct Services
<b>Cabazon Water District</b>								
Facilities, Wells, T&D								
Lab Fees		\$ 7,500		\$ (7,500)	\$ -		\$ -	-
Site Landscaping & Maint		700		(700)	-		-	-
Meters		4,600		(4,600)	-		-	-
Generator Service Contractor		1,300		(1,300)	-		-	-
Utilities - Wells		126,100		(126,100)	-		-	-
SCADA		300		(300)	-		-	-
Line R&M Contractor		12,500		(12,500)	-		-	-
Line R&M Materials		60,000		(60,000)	-		-	-
Well Maintenance		36,200		(36,200)	-		-	-
Security		18,400		(18,400)	-		-	-
Engineering Services		33,600		(33,600)	-		-	-
Chlorinators		100		(100)	-		-	-
Facilities, Wells, T&D - Other		10,000		(10,000)	-		-	-
<b>Utilities - Office</b>								
Electricity		15,900		-	15,900		5,252	10,648
Gas		710		-	710		235	475
Telephone		9,500		-	9,500		3,138	6,362
Trash Pickup & Office Cleaning		4,400		-	4,400		1,454	2,946
<b>Office Expenses</b>								
Water Billing System		2,100		-	2,100		694	1,406
Supplies & Equipment		9,700		-	9,700		3,204	6,496
Copier and Supplies		6,000		-	6,000		1,982	4,018
Dues & Subscriptions		1,700		-	1,700		562	1,138
Postage		7,700		-	7,700		2,544	5,156
Printing & Publications		6,100		-	6,100		2,015	4,085
Leases & Rents		300		-	300		99	201
Computer Services		36,800		-	36,800		12,157	24,643
Office Storage		6,200		-	6,200		2,048	4,152
Air Conditioning Servicing		4,600		-	4,600		1,520	3,080
Fire Alarm System Servicing		700		-	700		231	469
Office Expenses - Other		1,300		-	1,300		429	871

Cabazon Water District  
 User Fee Study Fiscal Year 2019  
 Fully Burdened Hourly Rate Calculation

Appendix A

Operating Expenditures By Budget Unit	Notes	2018-19 Budget	Adjustments	Net Expenditures to be Allocated	Cost Allocation to Each Function / Activity	
					District Admin	District Direct Services
<b>Cabazon Water District</b>						
Support Services	[2]					
Temporary Labor		10,000	(10,000)	-	-	-
Financial Audit		22,100	(22,100)	-	-	-
Accounting		30,000	(30,000)	-	-	-
Legal Services		53,600	(53,600)	-	-	-
Bank Service Charges		700	(700)	-	-	-
Payroll Service		4,100	(4,100)	-	-	-
Website Support		1,700	(1,700)	-	-	-
General Liability Insurance		21,000	(21,000)	-	-	-
Office Radio		500	(500)	-	-	-
Training/Travel		8,000	-	8,000	2,643	5,357
Other Fees/SWRCB		6,200	(6,200)	-	-	-
<b>Service Tools &amp; Equipment</b>						
Shop Supplies and Small Tools		21,100	-	21,100	6,970	14,130
Vehicle Fuel		12,800	-	12,800	4,228	8,572
Employee Uniforms		1,500	-	1,500	496	1,004
Safety		500	-	500	165	335
Tractor Expenses		1,000	-	1,000	330	670
Equipment Rental		2,100	-	2,100	694	1,406
Service Trucks - R&M		13,900	-	13,900	4,592	9,308
Water Ops Phone & Internet		900	-	900	297	603
<b>NON-OPERATING EXPENSES</b>						
Grant & Loan Processing Fee		1,600	(1,600)	-	-	-
DWR Interest Expense		10,300	(10,300)	-	-	-
DHPO Interest Expense		9,800	(9,800)	-	-	-
Bad Debt Expense		1,200	(1,200)	-	-	-
Miscellaneous		1,600	(1,600)	-	-	-
Depreciation Expense		266,300	(266,300)	-	-	-
<b>TOTAL RECURRING NON-LABOR EXPENDITURES</b>		<b>\$ 927,510</b>	<b>\$ (752,000)</b>	<b>\$ 175,510</b>	<b>\$ 57,979</b>	<b>\$ 117,651</b>

**DISTRICTWIDE OVERHEAD COSTS**

Allocated Indirect/Support Services	Notes	2018-19 Budget	Adjustments	Net Expenditures to be Allocated	Cost Allocation to Each Function / Activity	
					District Admin	District Direct Services
Directors salaries	[2]	\$ 20,000	\$ -	\$ 20,000	\$ 6,607	\$ 13,393
Support Services	[2]	143,200	-	143,200	47,305	95,895
<b>TOTAL DISTRICTWIDE OVERHEAD COSTS</b>		\$ 163,200	\$ -	\$ 163,200	\$ 53,912	\$ 109,288

**SUMMARY OF LABOR, NON-LABOR, & OVERHEAD COSTS**

Cost Element	Notes	Established Cost	Cost Allocation to Each Function / Activity	
			District Admin	District Direct Services
Labor		\$ 588,772	\$ 194,497	\$ 394,274
Recurring Non-Labor		175,510	57,979	117,531
Districtwide Overhead Costs		163,200	53,912	109,288
<b>TOTAL LABOR, NON-LABOR, &amp; OVERHEAD COST</b>		\$ 927,482	\$ 306,388	\$ 621,093



ALLOCATION OF COMMON ACTIVITIES COSTS

Cost Element	Notes	Established Cost	Cost Allocation
			to Each Function / Activity
District Admin		\$ 306,388	District Direct Services \$ 306,388
<b>Total</b>		\$ 306,388	\$ 306,388

FULLY-BURDENED HOURLY BILLING RATE FOR RECOVERY IN FEES

Cost Element	Notes	District Direct Services
Labor		\$ 394,274
Recurring Non-Labor		117,531
Districtwide Overhead Costs		109,288
District Admin		306,388
<b>Division Total</b>		\$ 927,482
<b>Fully Burdened Hourly Rate</b>		\$ 1.22
<i>Reference: Direct Hours Only</i>		<b>7,629</b>

Notes

- [1] Budget information sourced from "Cabazon Budget FY 18-19 Approved Budget.xlsx" provided by Cabazon Water District staff.
- [2] Expenses reclassified as District-wide overhead

Cabazon Water District  
 User Fee Study Fiscal Year 2019  
 Cost of Service Estimate for Fee Related Services and Activities

Appendix B

Fee No.	Fee Name	Fee Unit/Type	Activity Service Cost Analysis				Cost Recovery Analysis				Annual Estimated Revenue Analysis				
			Total - Estimated Average Labor Time Per Activity (hours)	FBIR	Cost of Service Per Activity	Current Fee/Deposit	Existing Cost Recovery %	Recommended Fee Level/Deposit	Recommended Cost Recovery %	Estimated Volume of Activity	Annual Estimated Revenues at Current Fee	Annual Estimated Revenues at Full Cost Recovery Fee	Annual Estimated Revenues at Recommended Fee		
1.	Metered Account Set-up Fee	Flat	0.17	\$ 122	\$ 20	\$ 20	\$ 20	99%	\$	20	100%	76	\$ 1,520	\$ 1,540	\$ 1,540
2.	Meter Accuracy Testing Fee - 2" or smaller	[2]													
	District Administrative Processing	Flat	0.25	\$ 122	\$ 30	\$ 10	\$ 30	33%	\$	30	100%	-	\$ -	\$ -	\$ -
	District Field Services	Flat	1.25	\$ 122	\$ 152	\$ 65	\$ 152	43%	\$	152	100%	-	\$ -	\$ -	\$ -
	Testing (3rd Party)	Flat	n/a	n/a	n/a	Actual Cost	Actual Cost	100%			100%	-	\$ -	\$ -	\$ -
	Meter Accuracy Testing Fee - Larger than 2"	[2]													
	District Administrative Processing	Flat	0.25	\$ 122	\$ 30	15% on top of Contractor Charge	\$ 30	%	\$	30	100%	-	\$ -	\$ -	\$ -
	District Field Services	hourly - Minimum 1 hour	1.00	\$ 122	\$ 122	\$ 65	\$ 122	53%	Actual Cost / hourly	Actual Cost / hourly	%	-	\$ -	\$ -	\$ -
	Testing (3rd Party)	Flat	n/a	n.a	n/a	Actual Cost	Actual Cost	100%			100%	-	\$ -	\$ -	\$ -
3.	Backflow Testing Charge	Flat	0.25	\$ 122	\$ 30	\$ 50	\$ 30	165%	\$	30	100%	-	\$ -	\$ -	\$ -
	District - Annual Monitoring Fee	Flat	n/a	\$ 122	n/a	no charge / included		%			%	-	\$ -	\$ -	\$ -
	District Review of Test Results Performed by Third Party	Actual Cost / hourly	1.00	\$ 122	\$ 122	Actual Cost / hourly	Actual Cost / hourly	%	\$	122	100%	-	\$ -	\$ -	\$ -
	Field Test Performed by District														
4.	Backflow Protection Device Installation	Flat	0.25	\$ 122	\$ 30	15% on top of Contractor Charge	\$ 30	%	\$	30	100%	-	\$ -	\$ -	\$ -
	District Administrative Processing	Flat	1.00	\$ 122	\$ 122	\$ 65	\$ 122	53%	Actual Cost / hourly	Actual Cost / hourly	%	-	\$ -	\$ -	\$ -
	District Field Services	hourly - Minimum 1 hour	n/a	n.a	n/a	Actual Cost	Actual Cost	100%			100%	-	\$ -	\$ -	\$ -
	Install (3rd Party)	Flat	[4]			Actual Cost	Actual Cost					-	\$ -	\$ -	\$ -
5.	Cabazon Water System Damage Fee	hourly - Minimum 1 hour	1.00	\$ 122	\$ 122	\$ 70	\$ 122	58%	\$	122	100%	-	\$ -	\$ -	\$ -
	Normal Business Hours	Hourly - minimum 3 hours	1.00	\$ 137	\$ 137	\$ 250	\$ 137	182%	\$	137	100%	-	\$ -	\$ -	\$ -
	After Normal Business Hours (3 hours min.)														
7.	Meter - Request for Removal, Replacement, Relocation, or Change in Meter Size	Hourly - minimum 1 hour	1.00	\$ 122	\$ 122	\$ 65	\$ 122	53%	\$	122	100%	1	\$ 65	\$ 122	\$ 122
	5/8" to 2" Meter	Hourly - minimum 1 hour	1.00	\$ 122	\$ 122	\$ 80	\$ 122	66%	\$	122	100%	-	\$ -	\$ -	\$ -
	Larger than 2" Meter	Hourly - minimum 1 hour	n/a	n/a	n/a	Actual Cost	Actual Cost	n/a			n/a	-	\$ -	\$ -	\$ -
	Plus Meter Cost	Actual Cost				Actual Cost	Actual Cost					-	\$ -	\$ -	\$ -

Cabazon Water District  
 User Fee Study Fiscal Year 2019  
 Cost of Service Estimate for Fee Related Services and Activities

Appendix B

Fee No.	Fee Name	Fee Unit / Type	Activity Service Cost Analysis				Cost Recovery Analysis				Annual Estimated Revenue Analysis							
			Total - Estimated Average Labor Time Per Activity (hours)	FBHR	Cost of Service Per Activity	Current Fee / Deposit	Existing Cost Recovery %	Recommended Fee Level / Deposit	Recommended Cost Recovery %	Estimated Volume of Activity	Annual Estimated Revenues at Current Fee	Annual Estimated Revenues at Full Cost Recovery Fee	Annual Estimated Revenues at Recommended Fee					
8	Plan Check, Inspections, and Processing Fees																	
	Single Family																	
	Administrative Processing Fee	Flat	1.00	\$ 122	\$ 122	\$ 225	185%	\$ 122	\$ 225	100%	\$ 122	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Contractor Costs	Deposit	n/a	n/a	n/a	\$ 5,000	n/a	\$ 5,000	\$ 5,000	n/a	\$ 5,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	All Other																	
	Administrative Processing Fee	Flat	1.00	\$ 122	\$ 122	\$ 225	185%	\$ 122	\$ 225	100%	\$ 122	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Contractor Costs	Deposit	n/a	n/a	n/a	\$ 5,000	n/a	\$ 5,000	\$ 5,000	n/a	\$ 5,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
9	Delinquent Account Service Charge	Flat	[1]						15% + 1.5% per month on unpaid balance									
10	Reconnection Charge																	
	Reactivation During Normal Business Hours	Flat	0.67	\$ 122	\$ 81	\$ 50	62%	\$ 81	\$ 50	62%	\$ 50	\$ 5,050	\$ 8,185	\$ 5,050	\$ 8,185	\$ 5,050	\$ 8,185	\$ 5,050
	Reactivation During Non-Business Hours / Week Nights Between 4:30PM - 10:00PM	Flat	3.17	\$ 137	\$ 435	\$ 195	45%	\$ 435	\$ 195	34%	\$ 150	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Reactivation During Late Week Nights (10:01PM - 8:30AM) / Weekends (Any Time) / Holidays (Any Time)	Flat	3.17	\$ 137	\$ 435	\$ 250	57%	\$ 435	\$ 250	34%	\$ 150	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11	Door Hanger Fee	per tag	0.14	\$ 122	\$ 17	\$ 10	59%	\$ 17	\$ 10	100%	\$ 17	\$ 9,360	\$ 15,930	\$ 9,360	\$ 15,930	\$ 9,360	\$ 15,930	\$ 9,360
	Yellow Tag	per tag	0.40	\$ 122	\$ 49	\$ 10	21%	\$ 49	\$ 10	21%	\$ 49	\$ 181	\$ 8,802	\$ 181	\$ 8,802	\$ 181	\$ 8,802	\$ 181
12	Private Fire Service																	
	4"	Monthly	[1]			\$ 46		\$ 46	\$ 46		\$ 46							
	6"	Monthly				\$ 98		\$ 98	\$ 98		\$ 98							
	8"	Monthly				\$ 108		\$ 108	\$ 108		\$ 108							
	10"	Monthly				\$ 120		\$ 120	\$ 120		\$ 120							
	12"	Monthly				\$ 144		\$ 144	\$ 144		\$ 144							
13	Customer Valve Installation Fee	Hourly	1.00	\$ 122	\$ 122	\$ 65	53%	\$ 122	\$ 65	100%	\$ 122	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
14	Will Service Letter Charge (Fire Flow)																	
	Fire Flow Charge	Actual Cost	n/a	\$ 122	n/a	Actual Cost	%	Actual Cost	Actual Cost	%	Actual Cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Administrative Processing Fee	Flat	0.33	\$ 122	\$ 41	\$ 30	74%	\$ 41	\$ 30	100%	\$ 41	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Re-Test Fee: By Customer Request	Flat	1.83	\$ 122	\$ 223	\$ 35	16%	\$ 223	\$ 35	100%	\$ 223	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Report of Sites/Pieces Inspection To Determine Existing Or Potential Water Service	Flat	1.00	\$ 122	\$ 122	\$ 65	53%	\$ 122	\$ 65	100%	\$ 122	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
15	Returned Check Fee	Flat	[3]	\$ 122	\$ 61	\$ 30	49%	\$ 61	\$ 30	100%	\$ 61	\$ 540	\$ 1,094	\$ 540	\$ 1,094	\$ 540	\$ 1,094	\$ 540
16	Fax Or Photo Copy Charges																	
	10 Sheet Maximum	Per Sheet	[1]			\$ 0.25		\$ 0.25	\$ 0.25		\$ 0.25							
	District Form 700 Copies	Per Article				\$ 0.10		\$ 0.10	\$ 0.10		\$ 0.10							
	Any Other Document Per Customer/ Public Records Act Request	Per Copy				\$ 0.20		\$ 0.20	\$ 0.20		\$ 0.20							

Cabazon Water District  
 User Fee Study Fiscal Year 2019  
 Cost of Service Estimate for Fee Related Services and Activities

Appendix B

Fee No.	Fee Name	Fee Unit / Type	Activity Service Cost Analysis				Cost Recovery Analysis				Annual Estimated Revenue Analysis						
			Total - Estimated Average Labor Time Per Activity (hours)	FBHR	Cost of Service Per Activity	Current Fee / Deposit	Existing Cost Recovery %	Recommended Fee Level / Deposit	Recommended Cost Recovery %	Estimated Volume of Activity	Annual Estimated Revenues at Current Fee	Annual Estimated Revenues at Full Cost Recovery Fee	Annual Estimated Revenues at Recommended Fee				
17	Basic Facility, Distribution System, And Service Connection Installation Charges	[5]															
	5/8" x 3/4" Meter Size	Flat				\$ 3,650			\$ 3,650								
	Basic Facilities Charge	Flat				\$ 3,200			\$ 3,200								
	Distribution System Charge	Flat				\$ 1,170			\$ 1,170								
	Service Connection Charge	Flat															
	3/4" Meter Size	Flat				\$ 5,450			\$ 5,450								
	Basic Facilities Charge	Flat				\$ 3,200			\$ 3,200								
	Distribution System Charge	Flat				\$ 1,180			\$ 1,180								
	Service Connection Charge	Flat															
	1" Meter Size	Flat				\$ 9,050			\$ 9,050								
	Basic Facilities Charge	Flat				\$ 3,200			\$ 3,200								
	Distribution System Charge	Flat				\$ 1,240			\$ 1,240								
	Service Connection Charge	Flat															
	1-1/2" Meter Size	Flat				\$ 18,150			\$ 18,150								
	Basic Facilities Charge	Flat				\$ 3,200			\$ 3,200								
	Distribution System Charge	Flat				\$ 1,900			\$ 1,900								
	Service Connection Charge	Flat															
	2" Meter Size	Flat				\$ 29,000			\$ 29,000								
	Basic Facilities Charge	Flat				\$ 3,200			\$ 3,200								
	Distribution System Charge	Flat				\$ 2,000			\$ 2,000								
	Service Connection Charge	Flat															
18	Incident Fees	[1]															
	Normal Business Hours	Flat				\$ 70			\$ 70								
	After Normal Business Hours	Flat				\$ 250			\$ 250								
19	Uen Fees	Flat	2.00	\$ 122	\$ 243	\$ 100	41%	\$ 243	100%	6	\$ 600	\$ 1,459	\$ 1,459				
20	Construction Meter / Hydrant Meter Charges	Deposit	n/a	n/a	n/a	\$ 1,000	n/a	\$ 1,000	n/a		\$ -	\$ -	\$ -				
	Refundable Deposit for Construction/ Hydrant Meters	Monthly	[1]			\$ 287		\$ 287			\$ -	\$ -	\$ -				
	Monthly Meter Service Charge	Flat	n/a	n/a	n/a	\$ 65	n/a	\$ 65	n/a	8	\$ 520	\$ -	\$ -				
	One-Time Account Set-Up Fee	Per Hundred Cubic Feet	[1]			\$ 2.75		\$ 2.75			\$ -	\$ -	\$ -				
	Water Quantitative Charge	Meter Recalibration Fee															
	District Administrative / Field Services Fee	Flat	1.25	\$ 122	\$ 152	\$ 200	132%	\$ 152	100%		\$ -	\$ -	\$ -				
	Testing (3rd Party)	Flat	n/a	n/a	n/a	Actual Cost	100%	Actual Cost	100%		\$ -	\$ -	\$ -				

Cabazon Water District  
 User Fee Study Fiscal Year 2019  
 Cost of Service Estimate for Fee Related Services and Activities

Appendix B

Fee No.	Fee Name	Fee Unit/Type	Activity Service Cost Analysis				Cost Recovery Analysis				Annual Estimated Revenue Analysis									
			Total - Estimated Average Labor Time Per Activity (hours)	FBHR	Cost of Service Per Activity	Current Fee / Deposit	Existing Cost Recovery %	Recommended Fee Level / Deposit	Recommended Cost Recovery %	Estimated Volume of Activity	Annual Estimated Revenues at Current Fee	Annual Estimated Revenues at Full Cost Recovery Fee	Annual Estimated Revenues at Recommended Fee							
21	Load Count Charge	Deposit	n/a	n/a	n/a	\$ 1,000	n/a	\$ 1,000	n/a											
	Refundable Deposit for Construction/ Hydrant Meters	Monthly	[1]			\$ 148		\$ 148												
	Monthly Meter Service Charge	Flat				\$ 65	n/a	see account set up fees	n/a											
	One-Time Account Set-Up Fee	Per cubic foot	[1]			\$ 0.10		\$ 0.10												
	Water Quantitative Charge (min. of 100 cubic feet on the first load)	Hourly - minimum 1 hour				\$ 122		\$ 122	53%											
	Required District Employee Supervision (regular business hours - min. 1 hour)	Hourly - minimum 3 hours				\$ 137		\$ 137	47%											
	Required District Employee Supervision (non-business, weekend, or holiday hours - min. 3 hours)	Flat				\$ 61		\$ 61												
	new Lab Water Test Fee	Flat	[2]			\$ 122		\$ 122												
	District Administrative Processing	Flat				\$ 182		\$ 182												
	District Field Services	Flat				\$ 122		\$ 122												
	Testing (3rd Party)	Flat	[4]			n/a		Actual Cost	100%											
<b>TOTAL</b>											\$ 19,485	\$ 37,422	\$ 33,956							

[Notes]

- [1] NBS did not evaluate
- [2] Only charged when meter tested is within specifications. If the meter does not meet current specifications, there will be no charge for testing, labor, or shipping and handling.
- [3] At the discretion of the District's Customer Accounts Department (CAD), customers that provide habitual NSF checks may be placed on a one (1) year probationary period of cash/cashier's check/money order only status, or, by way of memorandum from the CAD and with the approval of the Administrative Assistant or Manager, a customer may be placed on permanent cash/cashier's check/money order only status.
- [4] Fee amount is subject to change depending on actual amount charged by District's vendor for testing services
- [5] Connection fees per AB 1600/Mitigation Fee Act. NBS did not evaluate

Cabazon Water District  
 User Fee Study Fiscal Year 2019  
 Comparison of Charges for Fee Related Activities and Services

Appendix C

Fee No.	Fee Description	Fee Unit / Type	Cabazon			Comparative Agencies						
			Current Fee	Recommended Fee	High Valleys Water District	Mission Springs Water District	Besamont-Cherry Valley Water District	East Valley Water District	Banning City Water Department	H-Desert Water District	Desert Water Agency	
1	Metered Account Set-up Fee	Flat	\$ 20	\$ 20	\$ 25	\$ 82	No Comparison	\$	30	No Comparison	\$ 25	\$ 30
2	Meter Accuracy Testing Fee - 2" or smaller											
	District Administrative Processing	Flat	\$ 25	\$ 30			In-House: 5/8" - 1" meters: \$30 1.1/2" - 2" meters: \$200					
	District Field Services	Flat	\$ 50	\$ 152	No Comparison	\$ 112		\$	75	No Comparison	No Comparison	No Comparison
	Testing (3rd Party)	Flat	Actual Cost	Actual Cost			Third-Party: 5/8" - 1" meters: \$50 1.1/2" - 2" meters: \$250					
	Meter Accuracy Testing Fee - Larger than 2"											
	District Administrative Processing	Flat	15% on top of Contractor Charge	\$ 30								
	District Field Services	hourly - Minimum 1 hour	\$ 65	Actual Cost / hourly	No Comparison	\$ 112		\$	75	No Comparison	No Comparison	No Comparison
	Testing (3rd Party)	Flat	Actual Cost	Actual Cost								
3	Backflow Testing Charge											
	District - Annual Monitoring Fee	Flat	\$ 50	\$ 30				\$40 per year	\$20 per device			Monthly Backflow Charges to cover testing and minor repairs:
	District Review of Test Results Performed by Third Party		no charge / included	no charge / included	No Comparison				Annual Backflow Compliance Test: \$60	No Comparison	No Comparison	3/4": \$3.00 1"-3": \$3.50 4"-6": \$5.80 8"-12": \$7.00
	Field Test Performed by District	Actual Cost / Hourly	Actual Cost / hourly	\$ 122					Backflow Inspection Fee (per device): \$80			

Appendix C

Cabazon Water District  
 User Fee Study Fiscal Year 2019  
 Comparison of Charges for Fee Related Activities and Services

Fee No.	Fee Description	Fee Unit / Type	Cabazon			Comparative Agencies									
			Current Fee	Recommended Fee	High Valleys Water District	Mission Springs Water District	Beaumont-Cherry Valley Water District	East Valley Water District	Banning City Water Department	Hi-Desert Water District	Desert Water Agency				
4	Backflow Protection Device Installation														
	District Administrative Processing	Flat	15% on top of Contractor Charge	\$ 30											
	District Field Services	hourly - Minimum 1 hour	\$ 65	Actual Cost / hourly	No Comparison	No Comparison	No Comparison	No Comparison	Actual Cost	No Comparison	No Comparison	No Comparison	No Comparison	No Comparison	Double Check: 5/8x3/4 inch: \$647 1 inch: \$812 1-1/2 inch: \$1,480 2 inch: \$1,870
	Install (3rd Party)	Flat	Actual Cost	Actual Cost											Reduced Pressure 5/8x3/4 inch: \$843 1 inch: \$1,005 1-1/2 inch: \$1,689 2 inch: \$2,053
5	Cabazon Water System Damage Fee														
	Normal Business Hours	hourly - Minimum 1 hour	\$ 70	\$ 122	No Comparison	No Comparison	No Comparison	No Comparison	No Comparison	No Comparison	No Comparison	No Comparison	No Comparison	No Comparison	
	After Normal Business Hours (3 hours min.)	Hourly - minimum 3 hours	\$ 250	\$ 137	No Comparison	No Comparison	No Comparison	No Comparison	\$80 after-hours charge regardless of which service is being provided	No Comparison	No Comparison	No Comparison	No Comparison	No Comparison	
6	Meter Request for Removal/ Replacement/ Relocate/ Change in Meter Size														
	5/8" to 2" Meter	Hourly - minimum 1 hour	\$ 65	\$ 122	No Comparison	No Comparison	No Comparison	No Comparison	Actual Cost - Time & Materials	Actual Cost - Time & Materials	Actual Cost - Time & Materials	Actual Cost - Time & Materials	Actual Cost - Time & Materials	Actual Cost - Time & Materials	70
	Larger than 2" Meter	Hourly - minimum 1 hour	\$ 80	\$ 122	No Comparison	No Comparison	No Comparison	No Comparison	No Comparison	No Comparison	No Comparison	No Comparison	No Comparison	No Comparison	Removal: \$20 Reinstallation: \$20
	Plus Meter Cost	Actual Cost	Actual Cost	Actual Cost	No Comparison	No Comparison	No Comparison	No Comparison	3/4" meter: \$268	No Comparison	No Comparison	No Comparison	No Comparison	No Comparison	Actual Cost

Cabazon Water District  
 User Fee Study Fiscal Year 2019  
 Comparison of Charges for Fee Related Activities and Services

Appendix C

Fee No.	Fee Description	Fee Unit / Type	Cabazon			Comparative Agencies									
			Current Fee	Recommended Fee	High Valleys Water District	Mission Springs Water District	Beaumont-Cherry Valley Water District	East Valley Water District	Banning City Water Department	H-H Desert Water District	Desert Water Agency				
7	Plan Check, Inspections, and Processing Fees Single Family														
	Administrative Processing Fee	Flat	\$ 225	\$ 122	No Comparison	No Comparison	Inspections: Actual Cost - Deposit of 2% of costs with a minimum of \$500	No Comparison	Inspections: Actual Cost - Deposit of 2% of costs with a minimum of \$500	No Comparison	Inspections: Actual Cost - Deposit of 2% of costs with a minimum of \$500	No Comparison	\$140 plus \$0.10 per linear foot of public main or a flat of \$140 if there is no main or if it is for a landscape plan check.		
	Contractor Costs	Deposit	\$ 5,000	\$ 5,000	No Comparison	No Comparison	Inspections: Actual Cost Plan Check: \$5,000 Deposit	Engineering Service Charges: 10% of Engineer's estimated project cost	Engineering Service Charges: 10% of Engineer's estimated project cost	No Comparison	Engineering Service Charges: 10% of Engineer's estimated project cost	Preliminary Design & Plan Check: \$20/lot - Deposit of \$700	Landscape Plan Check: Actual Cost - Deposit of \$300		
	All Other														
	Administrative Processing Fee	Flat	\$ 225	\$ 122	No Comparison	No Comparison									
	Contractor Costs	Deposit	\$ 10,000	\$ 5,000											
8	Reconnection Charge														
	Reactivation During Normal Business Hours	Flat	\$ 50	\$ 50		Up to 1": \$50 1 1/2" - 2": \$78 Over 2": \$140				70	Next Day Reconnection: \$30	Disconnection Fee: \$40 Reconnection Fee: \$20	\$ 70		
	Reactivation During Non-Business Hours / Week Nights Between 4:30PM - 10:00PM	Flat	\$ 195	\$ 150		\$ 25	\$140 regardless of meter size			70	Same Day Reconnection: \$43	After-Hours Turn On Fee: \$80	\$ 150		
	Reactivation During Late Week Nights (10:01PM - 8:30AM) / Weekends (Any Time) / Holidays (Any Time)	Flat	\$ 250	\$ 150						150					
9	Door Hanger Fee														
	Yellow Tag	per tag	\$ 10	\$ 17	\$	No Comparison	No Comparison	No Comparison	No Comparison	23	No Comparison	No Comparison	No Comparison		
	Red Tag	per tag	\$ 10	\$ 49	\$	No Comparison	No Comparison	No Comparison	No Comparison	23	No Comparison	No Comparison	No Comparison		
	Customer Valve Installation Fee														
10	Labor	Hourly	\$ 65	\$ 122	No Comparison	No Comparison	Valve Can Deposit: \$500 per valve can						1": \$360 1-1/2": \$370 2": \$435		



Cabazon Water District  
 User Fee Study Fiscal Year 2019  
 Comparison of Charges for Fee Related Activities and Services

Appendix C

Fee No.	Fee Description	Fee Unit / Type	Cabazon			Comparative Agencies					Desert Water Agency		
			Current Fee	Recommended Fee	High Valleys Water District	Mission Springs Water District	Beaumont-Cherry Valley Water District	East Valley Water District	Banning City Water Department	Hi-Desert Water District			
11	Will Service Letter Charge [Fire Flow]												
	Fire Flow Charge	Flat	Actual Cost	Actual Cost		\$191 per hydrant			Actual Cost		Fire Flow Fee: \$200		
	Administrative Processing Fee	Flat	\$ 30	\$ 41			No Comparison		No Comparison		Will Serve Letter \$40/lot	\$140 for administrative services	
	Re-Test Fee; By Customer Request	Flat	\$ 35	\$ 223	No Comparison	No Comparison			\$ 75	No Comparison	Minor Subdivisions -	including will-serve letters	
	Report of Site/Parcel Inspection To Determine Existing Or Potential Water Service	Flat	\$ 65	\$ 122					No Comparison		Subdivision: \$100 (5 lots or less) - Major		
12	Returned Check Fee	Flat	\$ 30	\$ 61	No Comparison	\$50 per check	No Comparison		\$ 20	\$ 25	\$25 per check	\$ 35	
13	Lien Fees	Flat	\$ 100	\$ 243	No Comparison	Lien Released by MSWD: \$49 Lien Released by Escrow/ Customer: \$36	No Comparison	No Comparison	No Comparison	No Comparison	No Comparison	No Comparison	No Comparison

Cabazon Water District  
 User Fee Study Fiscal Year 2019  
 Comparison of Charges for Fee Related Activities and Services

Appendix C

Fee No.	Fee Description	Cabazon				Comparative Agencies										
		Fee Unit / Type	Current Fee	Recommended Fee	High Valleys Water District	Mission Springs Water District	Beaumont-Cherry Valley Water District	East Valley Water District	Banning City Water Department	Hi-Desert Water District	Desert Water Agency					
14	Construction Meter / Hydrant Meter Charges															
	Refundable Deposit for Construction/ Hydrant Meters	Deposit	\$ 1,500	\$ 1,500	No Comparison	No Comparison	\$ 2,200	Construction Inspection: \$900 Manhole Deposit: \$1,500 per manhole	\$ 500	Actual Cost		Deposit: \$964 Monthly Charge: \$163.14 Installation/ Removal: \$140 Relocation: \$70				
	One-Time Account Set-Up Fee	Flat	\$ 65	see account set-up fees	No Comparison	No Comparison	No Comparison	No Comparison	\$ 30	No Comparison	No Comparison	No Comparison	No Comparison			
	Meter Recalibration Fee	Flat	\$ 200	\$ 152	No Comparison	No Comparison	No Comparison	No Comparison	No Comparison	No Comparison	No Comparison	No Comparison	No Comparison			
	District Administrative / Field Services Fee Testing (3rd Party)	Flat	\$ 50	Actual Cost												
15	Load Count Charge															
	Refundable Deposit for Construction/ Hydrant Meters	Deposit	\$ 1,500	\$ 1,500	\$100 per load plus a one time mandatory deposit of \$500	No Comparison	\$ 2,200	No Comparison	No Comparison	Actual Cost		No Comparison	No Comparison			
	One-Time Account Set-Up Fee	Flat	\$ 65	see account set-up fees	No Comparison	No Comparison	No Comparison	No Comparison	No Comparison	No Comparison	No Comparison	No Comparison	No Comparison			
	Required District Employee Supervision (regular business hours - min. 1 hour)	Hourly - minimum 1 hour	\$ 65	\$ 122	No Comparison	No Comparison	No Comparison	No Comparison	No Comparison	No Comparison	No Comparison	No Comparison	No Comparison			
	Required District Employee Supervision (non-business, weekend, or holiday hours - min. 3 hours)	Hourly - minimum 3 hours	\$ 65	\$ 137	No Comparison	No Comparison	No Comparison	\$80 after-hours charge regardless of which service is being provided	No Comparison	No Comparison	No Comparison	No Comparison	No Comparison			



**Cabazon Water District**  
**Annual Financial Report**  
**For the Fiscal Years Ended June 30, 2019 and 2018**



**Cabazon Water District**  
**Annual Financial Report**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**Cabazon Water District**  
**Board of Directors as of June 30, 2019**

<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, 2019 and 2018**

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**Cabazon Water District  
Annual Financial Report  
For the Fiscal Years Ended June 30, 2019 and 2018**

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# **Introductory Section**

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November 19, 2019

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, 2019 and 2018, 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 dissolution of Redevelopment Agencies throughout the State.

### **Internal Control Structure**

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

### **Budgetary Control**

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

### **Investment Policy**

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

### **Water Rates and District Revenues**

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

### **Audit and Financial Reporting**

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

**Other References**

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

**Acknowledgements**

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

Respectfully submitted,

---

Calvin Louie  
General Manager

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**Financial Section**

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## Independent Auditor's Report

Board of Directors  
Cabazon Water District  
Cabazon, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the Cabazon Water District (District) as of and for the years ended June 30, 2019 and 2018, 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, 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, 2019 and 2018, 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 November 19, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance. This report can be found on pages 32 and 33.

**Fedak & Brown LLP**

Cypress, California

November 19, 2019



**Cabazon Water District**  
**Management's Discussion and Analysis**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

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, 2019 and 2018. 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 2019, the District's net position decreased 0.42% or \$32,312 to \$7,657,909. In fiscal year 2018, the District's net position increased 3.31% or \$246,698 to \$7,690,211.
- In fiscal year 2019, the District's operating revenues increased 2.75% or \$40,236, to \$1,503,380. In fiscal year 2018, the District's operating revenues increased 21.96% or \$263,445 to \$1,463,144.
- In fiscal year 2019, the District's operating expenses increased 19.24% or \$210,384 to \$1,303,628. In 2018, the District's operating expenses increased 0.51% or \$5,512 to \$1,093,244.

**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, 2019 and 2018**

**Financial Analysis of the District, continued**

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

**Notes to the Basic Financial Statements**

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

**Statements of Net Position**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets of the District exceeded liabilities by \$7,657,909 and \$7,690,221 as of June 30, 2019 and 2018, respectively.

By far the largest portion of the District's net position (83.9% and 85.6% as of June 30, 2019 and 2018, 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 2019 and 2018, the District showed a positive balance in its unrestricted net position of \$1,169,553 and \$1,050,077. See note 7 for further discussion.

**Condensed Statements of Net Position**

	<b>2019</b>	<b>2018</b>	<b>Change</b>
<b>Assets:</b>			
Current assets	\$ 1,325,053	1,211,877	113,176
Capital assets, net	7,380,775	7,650,546	(269,771)
<b>Total assets</b>	<b>8,705,828</b>	<b>8,862,423</b>	<b>(156,595)</b>
<b>Liabilities:</b>			
Current liabilities	214,070	217,957	(3,887)
Non-current liabilities	833,849	954,245	(120,396)
<b>Total liabilities</b>	<b>1,047,919</b>	<b>1,172,202</b>	<b>(124,283)</b>
<b>Net position:</b>			
Net investment in capital assets	6,426,530	6,579,006	(152,476)
Restricted for debt service	61,826	61,138	688
Unrestricted	1,169,553	1,050,077	119,476
<b>Total net position</b>	<b>\$ 7,657,909</b>	<b>7,690,221</b>	<b>(32,312)</b>

**Cabazon Water District**  
**Management's Discussion and Analysis, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

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

	<u>2019</u>	<u>2018</u>	<u>Change</u>
<b>Revenues:</b>			
Operating revenues	\$ 1,503,380	1,463,144	40,236
Non-operating revenues	106,183	99,468	6,715
<b>Total revenues</b>	<u>1,609,563</u>	<u>1,562,612</u>	<u>46,951</u>
<b>Expenses:</b>			
Operating expenses	1,303,628	1,093,244	210,384
Depreciation	318,432	322,482	(4,050)
Non-operating expenses	19,815	22,383	(2,568)
<b>Total expenses</b>	<u>1,641,875</u>	<u>1,438,109</u>	<u>203,766</u>
<b>Net income(loss) before capital contributions</b>	(32,312)	124,503	(156,815)
<b>Capital contributions</b>	-	122,195	(122,195)
<b>Changes in net position</b>	(32,312)	246,698	(279,010)
<b>Net position, beginning of year</b>	<u>7,690,221</u>	<u>7,443,523</u>	<u>246,698</u>
<b>Net position, end of year</b>	<u>\$ 7,657,909</u>	<u>7,690,221</u>	<u>(32,312)</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 2019, the District's net position decreased 0.42% or \$32,312 to \$7,657,909. In fiscal year 2018, the District's net position increased 3.31% or \$246,698 to \$7,690,211. See note 7 for further discussion.

In fiscal year 2019, the District's operating revenues increased 2.75% or \$40,236, due primarily to an increase of \$79,594 in water consumption sales; which was offset by a decrease of \$36,738 in facility fees. 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 2019, the District's operating expenses increased 19.24% or \$210,384, due primarily to increases of \$127,931 in transmission and distribution and \$94,829 in general and administrative. In 2018, the District's operating expenses increased 0.51% or \$5,512, due primarily to increases of \$27,743 in general and administrative expenses and \$15,902 in pumping and water treatment; which were offset by a decrease of \$41,952 in transmission and distribution.

**Cabazon Water District**  
**Management's Discussion and Analysis, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**Capital Asset Administration**

At the end of fiscal years 2019 and 2018, the District's investment in capital assets amounted to \$7,380,775 and \$7,650,546 (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, source of supply, and purchase of vehicles.

Changes in capital assets for 2019 were as follows:

	<u>Balance 2018</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2019</u>
Capital assets:				
Non-depreciable assets	\$ 803,714	49,070	(12,029)	840,755
Depreciable assets	12,198,969	11,620	-	12,210,589
Accumulated depreciation	<u>(5,352,137)</u>	<u>(318,432)</u>	<u>-</u>	<u>(5,670,569)</u>
Total capital assets, net	<u>\$ 7,650,546</u>	<u>(257,742)</u>	<u>(12,029)</u>	<u>7,380,775</u>

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>

**Debt Administration**

Changes in long-term debt in 2019 were as follows:

	<u>Balance 2018</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 2019</u>
Long-term debt:				
Loans payable	\$ 1,071,540	-	(117,295)	954,245
Total loans payable	<u>\$ 1,071,540</u>	<u>-</u>	<u>(117,295)</u>	<u>954,245</u>

**Cabazon Water District**  
*Management's Discussion and Analysis, continued*  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**Debt Administration, continued**

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>

**Conditions Affecting Current Financial Position**

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

**Requests for Information**

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

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**Basic Financial Statements**

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**Cabazon Water District  
Statements of Net Position  
June 30, 2019 and 2018**

	<b>2019</b>	<b>2018</b>
<b>Current assets:</b>		
Cash and cash equivalents (note 2)	\$ 910,913	811,600
Cash and cash equivalents – restricted (note 2)	61,826	61,138
Accrued interest receivable	3,957	2,457
Accounts receivable – water sales, net (note 3)	206,521	206,903
Property taxes and assessments receivable	3,722	16,098
Materials and supplies inventory	104,142	93,672
Prepaid and other assets	33,972	20,009
<b>Total current assets</b>	<b>1,325,053</b>	<b>1,211,877</b>
<b>Non-current assets:</b>		
Capital assets – non-depreciable assets (note 4)	840,755	803,714
Capital assets – depreciable assets, net (note 4)	6,540,020	6,846,832
<b>Total non-current assets</b>	<b>7,380,775</b>	<b>7,650,546</b>
<b>Total assets</b>	<b>8,705,828</b>	<b>8,862,423</b>
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	55,976	61,558
Accrued wages and related payables	8,149	8,118
Customer advances and deposits	11,748	15,710
Accrued interest payable on long-term debt	4,449	5,225
Long-term liabilities – due within one year:		
Compensated absences (note 5)	13,352	10,051
Loans payable (note 6)	120,396	117,295
<b>Total current liabilities</b>	<b>214,070</b>	<b>217,957</b>
<b>Non-current liabilities:</b>		
Long-term liabilities – due in more than one year:		
Loans payable (note 6)	833,849	954,245
<b>Total non-current liabilities</b>	<b>833,849</b>	<b>954,245</b>
<b>Total liabilities</b>	<b>1,047,919</b>	<b>1,172,202</b>
<b>Net position: (note 7)</b>		
Net investment in capital assets	6,426,530	6,579,006
Restricted	61,826	61,138
Unrestricted	1,169,553	1,050,077
<b>Total net position</b>	<b>\$ 7,657,909</b>	<b>7,690,221</b>

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, 2019 and 2018**

	<b>2019</b>	<b>2018</b>
<b>Operating revenues:</b>		
Water consumption sales	\$ 1,325,926	1,246,332
Connection fees	3,520	2,477
Standby fees	109,997	110,539
Facility fees	17,358	54,096
Other charges	46,579	49,700
<b>Total operating revenues</b>	<b>1,503,380</b>	<b>1,463,144</b>
<b>Operating expenses:</b>		
Pumping and water treatment	128,047	144,355
Transmission and distribution	150,425	22,494
Customer accounts	53,984	50,052
General and administrative	971,172	876,343
<b>Total operating expenses</b>	<b>1,303,628</b>	<b>1,093,244</b>
Operating income before depreciation and amortization	199,752	369,900
Depreciation	(318,432)	(322,482)
<b>Operating income(loss)</b>	<b>(118,680)</b>	<b>47,418</b>
<b>Non-operating revenue(expense)</b>		
Property taxes	60,146	69,449
Rental income – cellular antennas	24,555	22,068
Investment earnings	21,839	7,275
Interest expense – long-term debt	(19,815)	(22,383)
Other non-operating revenue, net	(357)	676
<b>Total non-operating revenues, net</b>	<b>86,368</b>	<b>77,085</b>
<b>Net income(loss) before capital contributions</b>	<b>(32,312)</b>	<b>124,503</b>
<b>Capital contributions</b>		
Contributed capital assets	-	122,195
<b>Changes in net position</b>	<b>(32,312)</b>	<b>246,698</b>
<b>Net position, beginning of year</b>	<b>7,690,221</b>	<b>7,443,523</b>
<b>Net position, end of year</b>	<b>\$ 7,657,909</b>	<b>7,690,221</b>

See accompanying notes to the basic financial statements



**Cabazon Water District**  
**Statements of Cash Flows**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

	<b>2019</b>	<b>2018</b>
<b>Cash flows from operating activities:</b>		
Cash receipts from customers for water sales	\$ 1,389,803	1,333,229
Proceeds from standby fees	109,997	110,539
Cash paid to employees for salaries and wages	(322,258)	(273,485)
Cash paid to vendors and suppliers for materials and services	(1,008,410)	(836,075)
<b>Net cash provided by operating activities</b>	<b>169,132</b>	<b>334,208</b>
<b>Cash flows from non-capital financing activities:</b>		
Proceeds from rental income – cellular antennas	24,555	22,068
Proceeds from property taxes	72,522	68,221
<b>Net cash provided by non-capital financing activities</b>	<b>97,077</b>	<b>90,289</b>
<b>Cash flows from capital and related financing activities:</b>		
Acquisition and construction of capital assets	(48,661)	(87,730)
Proceeds from capital contributions	-	25,143
Principal paid on long-term debt	(117,295)	(114,256)
Interest paid on long-term debt	(20,591)	(23,138)
<b>Net cash used in capital and related financing activities</b>	<b>(186,547)</b>	<b>(199,981)</b>
<b>Cash flows from investing activities:</b>		
Interest earnings	20,339	5,630
<b>Net cash provided by investing activities</b>	<b>20,339</b>	<b>5,630</b>
<b>Net increase in cash and cash equivalents</b>	<b>100,001</b>	<b>230,146</b>
Cash and cash equivalents, beginning of year	872,738	642,592
Cash and cash equivalents, end of year	\$ 972,739	872,738
<b>Reconciliation of cash and cash equivalents to statements of net position:</b>		
Cash and cash equivalents	\$ 910,913	811,600
Cash and cash equivalents – restricted	61,826	61,138
<b>Total cash and cash equivalents</b>	<b>\$ 972,739</b>	<b>872,738</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, 2019 and 2018**

	<b>2019</b>	<b>2018</b>
<b>Reconciliation of operating income(loss) to net cash provided by operating activities:</b>		
Operating income(loss)	\$ (118,680)	47,418
<b>Adjustments to reconcile operating income(loss) to net cash provided by operating activities:</b>		
Depreciation	318,432	322,482
Other non-operating	(357)	676
<b>Change in assets and liabilities:</b>		
(Increase)decrease in assets:		
Accounts receivable – water sales and services, net	382	(4,917)
Materials and supplies inventory	(10,470)	(13,234)
Prepaid and other assets	(13,963)	(107)
Increase(decrease) in liabilities:		
Accounts payable and accrued expenses	(5,582)	(4,827)
Accrued wages and related payables	31	1,395
Compensated absences	3,301	(219)
Customer advances and deposits	(3,962)	(14,459)
<b>Total adjustments</b>	<b>287,812</b>	<b>286,790</b>
<b>Net cash provided by operating activities</b>	<b>\$ 169,132</b>	<b>334,208</b>
<b>Non-cash investing, capital, and financing transactions:</b>		
Changes in fair-market value of funds deposited with LAIF	\$ 2,131	(4,568)
Capital contributions	-	97,052
	<b>\$ 2,131</b>	<b>92,484</b>

See accompanying notes to the basic financial statements

**Cabazon Water District**  
**Notes to the Financial Statements**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**(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**

The District's basic financial statement have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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.

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.

**Cabazon Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

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

**C. Financial Reporting, continued**

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.

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.

**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, the 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, 2019 and 2018**

**(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, 2019 and 2018**

**(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>2019</b>	<b>2018</b>
Cash and cash equivalents	\$ 910,913	811,600
Cash and cash equivalents – restricted	61,826	61,138
Total	\$ 972,739	872,738

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

	<b>2019</b>	<b>2018</b>
Cash on hand	\$ 100	100
Deposits with bank	274,881	255,152
Investments	697,758	617,486
Total	\$ 972,739	872,738

**Cabazon Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

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

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

	2019	2018
Deposits in California Local Agency Investment Fund (LAIF)	173 days	193 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, 2019 and 2018, 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, 2019 and 2018**

**(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, 2019, consisted of the following:

<b>Investment Type</b>	<b>Total</b>	<b>Remaining maturity 12 months or less</b>
Local Agency Investment Fund (LAIF)	\$ 635,932	635,932
Held by bond trustee:		
Money market funds	61,826	61,826
	\$ 697,758	697,758



**Cabazon Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

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

*Interest Rate Risk, continued*

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>

*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, 2019, 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)	\$ 635,932	N/A	-	635,932
Held by bond trustee:				
Money market funds	61,826	AAA	61,826	-
	<u>\$ 697,758</u>		<u>61,826</u>	<u>635,932</u>

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>

**Cabazon Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

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

*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, 2019 and 2018.

**(3) Accounts Receivable**

The balance at June 30 consists of the following:

		<u>2019</u>	<u>2018</u>
Accounts receivable - water sales and services	\$	236,679	233,717
Allowance for uncollectible accounts		<u>(30,158)</u>	<u>(26,814)</u>
	\$	<u>206,521</u>	<u>206,903</u>

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**Cabazon Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**(4) Capital Assets**

Change in capital assets for 2019 was as follows:

	<u>Balance 2018</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2019</u>
<b>Non-depreciable assets:</b>				
Land	\$ 689,548	-	-	689,548
Construction-in-process	114,166	49,070	(12,029)	151,207
Total non-depreciable assets	<u>803,714</u>	<u>49,070</u>	<u>(12,029)</u>	<u>840,755</u>
<b>Depreciable assets:</b>				
Transmission and distribution mains	10,313,196	3,200	-	10,316,396
Source of supply	1,552,225	-	-	1,552,225
Water treatment	8,800	-	-	8,800
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	8,420	-	114,728
Intangible plant	11,032	-	-	11,032
Total depreciable assets	<u>12,198,969</u>	<u>11,620</u>	<u>-</u>	<u>12,210,589</u>
<b>Accumulated depreciation:</b>				
Transmission and distribution mains	(4,548,561)	(246,929)	-	(4,795,490)
Source of supply	(508,670)	(58,606)	-	(567,276)
Water Treatment	(5,573)	(1,760)	-	(7,333)
Tools and equipment	(119,548)	(875)	-	(120,423)
Buildings and structures	(5,369)	(745)	-	(6,114)
Office furniture and equipment	(57,379)	(5,224)	-	(62,603)
Vehicles	(96,005)	(4,293)	-	(100,298)
Intangible plant	(11,032)	-	-	(11,032)
Total accumulated depreciation	<u>(5,352,137)</u>	<u>(318,432)</u>	<u>-</u>	<u>(5,670,569)</u>
Total depreciable assets, net	<u>6,846,832</u>	<u>(306,812)</u>	<u>-</u>	<u>6,540,020</u>
Total capital assets, net	<u>\$ 7,650,546</u>			<u>7,380,775</u>

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

**Cabazon Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**(4) Capital Assets, continued**

Change in capital assets for 2018 was 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, 2019 and 2018**

**(5) Compensated Absences**

The changes in compensated absences balance at June 30, 2019 were as follows:

<u>Balance</u> <u>2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>2019</u>
\$ 10,051	21,846	(18,545)	13,352

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

**(6) Long-Term Debt**

Changes in long-term debt in 2019 were as follows:

	<u>Balance</u> <u>2018</u>	<u>Additions</u>	<u>Principal</u> <u>Payments</u>	<u>Balance</u> <u>2019</u>
1993 Calif. Dept. of Water Resources Loan - E58416	\$ 356,924	-	(38,425)	318,499
Zions First National Bank	414,616	-	(78,870)	335,746
Riverside County Economic Development Agency	300,000	-	-	300,000
Total long-term debt	1,071,540	-	(117,295)	954,245
Less current portion	(117,295)			(120,396)
Total non-current	\$ 954,245			833,849

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

**Cabazon Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**(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>
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	44,487	4,204	48,691
2025-2027	108,532	4,604	113,136
Total	318,499	<u>38,092</u>	<u>356,591</u>
Current	<u>(39,550)</u>		
Non-current	\$ <u>278,949</u>		

***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>
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	335,746	<u>19,066</u>	<u>354,812</u>
Current	<u>(80,846)</u>		
Non-current	\$ <u>254,900</u>		

**Cabazon Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**(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 2019.

**(7) Net Position**

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

	2019	2018
<b>Net investment in capital assets:</b>		
Capital assets, net	\$ 7,380,775	7,650,546
Loans payable – current portion	(120,396)	(117,295)
Loans payable – non-current portion	(833,849)	(954,245)
<b>Total net investment in capital assets</b>	<b>6,426,530</b>	<b>6,579,006</b>
<b>Restricted:</b>		
Cash and cash equivalents – restricted	61,826	61,138
<b>Total restricted</b>	<b>61,826</b>	<b>61,138</b>
<b>Unrestricted:</b>		
Non-spendable unrestricted net position:		
Materials and supplies inventory	104,142	93,672
Prepaid and other assets	33,972	20,009
<b>Total non-spendable unrestricted net position</b>	<b>138,114</b>	<b>113,681</b>
Spendable unrestricted net position:		
Operating reserve	1,031,439	936,396
<b>Total spendable unrestricted net position</b>	<b>1,031,439</b>	<b>936,396</b>
<b>Total unrestricted</b>	<b>1,169,553</b>	<b>1,050,077</b>
<b>Total net position</b>	<b>\$ 7,657,909</b>	<b>7,690,221</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 \$59,895 and \$61,229 at June 30, 2019 and 2018, respectively.

**Cabazon Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**(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, 2019 and 2018, the Plan included two participants. The market value of all assets held in trust by the District's 401(a) Plan at June 30, 2019 and 2018, amounted to \$201,163 and \$169,951, 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, 2019:

- 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. 84***

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

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

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

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



**Cabazon Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

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

***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. 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.

***Governmental Accounting Standards Board Statement No. 90***

In August 2018, the GASB issued Statement No. 90 – *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

**Cabazon Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

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

***Governmental Accounting Standards Board Statement No. 90, continued***

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

***Governmental Accounting Standards Board Statement No. 91***

In May 2019, the GASB issued Statement No. 91 – *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

**Cabazon Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**(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, 2019, have been evaluated for possible adjustment to the financial statements or disclosure as of November 19, 2019, which is the date the financial statements were available to be issued.

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# **Report on Internal Controls and Compliance**

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

Board of Directors  
Cabazon Water District  
Cabazon, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Cabazon Water District (District), as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 19, 2019.

**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  
November 19, 2019

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**RESOLUTION NO. 2019-03**

**RESOLUTION OF THE BOARD OF DIRECTORS  
OF THE CABAZON WATER DISTRICT AUTHORIZING THE GENERAL MANAGER  
TO ACCEPT INTERESTS IN REAL PROPERTY ON BEHALF OF THE DISTRICT**

**WHEREAS**, California Government Code section 27281 provides that a governmental agency may authorize one or more of its officers or agents to accept and consent to deeds or grants conveying an interest in or easement upon real estate for public purposes; and

**WHEREAS**, the Cabazon Water District (“District”) is a public agency organized and operating under the County Water District Law, Water Code section 30000 et seq.

**WHEREAS**, all other legal prerequisites to the adoption of this Resolution have occurred.

**NOW, THEREFORE, BE IT RESOLVED** by the Board of Directors of the Cabazon Water District that the General Manager of the District be authorized to accept interests in or easements upon real estate conveyed to the District by grant deed or otherwise. By enactment of this resolution, the District consents to recordation of Certificates of Acceptance executed on its behalf by its General Manager accepting such real property interests. Such acceptance shall be memorialized in a written Certificate of Acceptance substantially the following form:

“This is to certify that the interest in real property conveyed by the deed or grant dated \_\_\_\_\_ from \_\_\_\_\_ to Cabazon Water District, a governmental agency, is hereby accepted by the undersigned officer or agent on behalf of Cabazon Water District pursuant to authority conferred by Resolution No. 2019-\_\_\_ of the Board of Directors of the Cabazon Water District adopted on \_\_\_\_\_, 2019, and the grantee consents to the recordation thereof by its duly authorized officer.

Dated: \_\_\_\_\_ By: \_\_\_\_\_”

**PASSED AND ADOPTED** by the Board of Directors of the Cabazon Water District on this \_\_\_\_\_ day of \_\_\_\_\_, 2019 by the following vote:

AYES:  
NOES:  
ABSENT:  
ABSTAIN:

\_\_\_\_\_  
Robert Lynk, Chair

ATTEST:

\_\_\_\_\_  
Elizabeth Lemus, Secretary