

AGENDA
Borrego Water District Board of Directors
Regular Meeting
October 22, 2014 9:00 a.m.
806 Palm Canyon Drive
Borrego Springs, CA 92004

I. OPENING PROCEDURES

- A. Call to Order
- B. Pledge of Allegiance
- C. Roll Call
- D. Approval of Agenda
- E. Approval of Minutes
 - Special meeting of September 16, 2014 (3-4)
 - Regular meeting of September 24, 2014 (5-8)
- F. Comments from Directors and Requests for Future Agenda Items
- G. Comments from the Public and Requests for Future Agenda Items (comments will be limited to 3 minutes)
- H. Correspondence:

II. CURRENT BUSINESS MATTERS

- A. Presentation of FY 2014 financial audit results by Hosaka, Rotheram & Company via conference call (9-51)
- B. Discussion and possible approval of Tandem Solar proposal for Solar Power Purchase Agreement
- C. Discussion and possible approval of retaining Stern Brothers & Co. for Viking refinance
- D. Discussion and possible selection of bond counsel for the Viking refinancing (52-60)
- E. Discussion of assigning water and wastewater rate analysis to Due Diligence Committee and review of Raftelis data request. (61-64)
- F. Discussion and possible approval of **Resolution 2014-10-02 THE BORREGO WATER DISTRICT SUPPORTING THE EFFORTS OF THE BORREGO SPRINGS STEWARDSHIP COUNCIL TO ESTABLISH THE DESTINATION BORREGO SPRINGS CAMPAIGN** (65-66)
- G. Discussion and possible approval of **Resolution 2014-10-01 REVISING THE SCHEDULE OF REGULAR MEETINGS** to meet on November 19th and December 17th, 2014 (67-68)
- H. Review of planning calendar (69-70)

III. STAFF REPORTS

- A. Financial Reports – September 2014 (72-85)
- B. General Manager / Operations Report (88)
- C. Water and Wastewater Operations Report – September 2014 (89)
- D. Water Production/Use Records – September 2014 (90-93)

IV. ATTORNEY'S REPORT

V. COMMITTEE REPORTS & PROPOSALS:

Ad Hoc Committees

- | | |
|--------------------------------------|------------------------|
| 1. Audit Committee | (M. Brecht, L. Brecht) |
| 2. Due-Diligence | (M. Brecht, L. Brecht) |
| 3. Strategic Planning Committee/IRWM | (Hart, L. Brecht) |
| 4. Executive Committee | (Estep, Hart) |

- | | |
|--------------------------------------|----------------------|
| 5. Operations & Management Committee | (M. Brecht, Delahay) |
| 6. Parks Committee | (Estep, Hart) |
| 7. Asset Ad Hoc Committee | (Hart, M. Brecht) |
| 8. Personnel Committee | (Hart, M. Brecht) |
| 9. Negotiating Committee | (Hart, Estep) |
| 10. CFD Committee | (Estep, M. Brecht) |

VI. INFORMATIONAL ITEMS

VII. CLOSED SESSION

Conference with Legal Counsel – Anticipated Litigation

- A. Significant exposure to litigation pursuant to paragraph (2) of subdivision (d) of Government Code section 54956.9. One potential case.

VIII. CLOSING PROCEDURE

The next Regular Meeting of the Board of Directors is scheduled for November 19, 2014 at the Borrego Water District.

groups cited family and friends as bringing and keeping them here; community character, civic involvement and tranquility as strong points; and a strong economy as a hope for the future.

C. Update on 2014 Community Groundwater Management Plan (GWMP) progress:

- Update of State Groundwater Legislation

Mr. Rolwing announced that the State Groundwater Legislation was scheduled to be signed by the Governor this morning. Attorney David Aladjem provided a briefing. The legislation prohibits future basin overdrafting. Borrego Valley is classified as a medium overdrafting level, which means we need to have a Groundwater Management Plan in place by 2022 or the State Water Resources Control Board will create one for us. President Hart noted that our basin is larger than Borrego Valley, so the State Park and the County will have to be involved in the planning. Mr. Aladjem may be able to assist in reducing the boundaries. Eventually the Borrego GWMP will be superseded by the State legislation and be rolled into it, but not yet.

D. Review of report from the steering committee of Destination Borrego Springs:

Director Lyle Brecht offered to answer questions regarding the report, included in the Board package.

E. Review of First Amendment to Lease Agreement between Cameron Brothers and Borrego Water District: President Hart requested that this item be placed on the Agenda next week for approval.

F. Discussion of Raftelis Utility Rate Study: Mr. Rowing announced that this item would be included in next week's Agenda. Director Lyle Brecht inquired about provisions in the event of a drought, and President Hart brought up the need for public meetings.

G. Discussion of Scope of work of USGS for depth quality analysis: Mr. Rowling explained that the scope of work would cover the addition of depth-dependent water quality analysis to the USGS study. Director Lyle Brecht suggested an economic analysis by David Dale.

H. Discussion of submitted water credit fallowing plans: Mr. Rolwing invited the Board's attention to the fallowing plans submitted by Dan Wright and Center Pivot Palm Grove in support of their requests for water credits. He found both adequate to address mitigation issues. Discussion followed regarding the need for a Dudek analysis and written mitigation standards. Mr. Rolwing suggested including this in the Groundwater Management Plan.

I. Discussion of potential agenda items for September 24th board meeting: Agenda items for the next meeting will include presentation of the FY 14 financial audit results, a decision on the first amendment to the Cameron lease agreement, a decision on the Raftelis rate study, a decision on the Tandem Solar proposal, discussion and possible decision on the \$1.2 million Viking financing proposal, and approval of the third amendment to the Lundberg agreement.

III. CLOSED SESSION

Conference with Legal Counsel – Anticipated Litigation

A. Significant exposure to litigation pursuant to paragraph (2) of subdivision (d) of Government Code section 54956.9. One potential case: The Board adjourned to closed session at 11:00 a.m., and the open session reconvened at 12:30 p.m. Direction was given to legal counsel.

IV. CLOSING PROCEDURE

There being no further business, the Board adjourned at 12:30 p.m. The next Regular Meeting of the Board of Directors is scheduled for September 24, 2014 at the Borrego Water District.

C. Discussion and possible approval of Raftelis Water and Wastewater Utility Rate Analysis Contract: Mr. Rolwing reported that the District's attorney and engineer had reviewed and approved the contract. Director Estep pointed out that page 2, article 4 should refer to the District's request, not the City's. **MSC: L.Brecht/Delahay approving Raftelis Water and Wastewater Utility Rate Analysis Contract with the correction noted.**

D. Discussion and possible approval of Tandem Solar proposal for Solar Power Purchase Agreement: Mr. Rolwing reported that due diligence relative to the Tandem Solar proposal had not been completed. Peter Vogel of Tandem distributed a summary of the proposal and offered to answer questions.

E. Discussion and possible approval of Viking note refinancing: Director Lyle Brecht summarized the Due Diligence Committee's proposal to retain Stern Brothers to handle refinancing of the Viking note. He noted that he and Director Marshal Brecht had some differences of opinion as to cashing out versus refinancing and the amortization, but both agreed that this was a good time to begin the process. Director Estep requested that the action be delayed until Director Marshal Brecht could be present, and President Hart noted that a special meeting could be called if necessary.

F. Discussion and possible approval of 3rd Amendment to Lundberg Agreement: President Hart reported that she, Director Estep and District counsel had reviewed the proposed amendment. **MSC: L.Brecht/Estep approving the 3rd Amendment to the Lundberg Agreement.**

G. Review of planning calendar: Diana Del Bono reported that she had made the changes to the planning calendar proposed by Director Lyle Brecht at the last meeting.

III. STAFF REPORTS

A. Financial Reports – July and August 2014: Ms. Pitman invited the Board's attention to the Financial Reports, included in the Board package.

B. General Manager/Operations Report: Mr. Rolwing reported that the USGS expects to have its report out by the end of the year. The Bureau of Reclamation report is expected soon. Mr. Rolwing invited the Board's attention to David Aladjem's report on the new Groundwater Management legislation, included in last week's Board package.

Mr. Rolwing reported he met with the DWR Deputy Chief regarding the IRWM and received approval to phase our plan, starting with Borrego Valley and adding other areas gradually. However, BWD's planning grant application consultant, RMC, does not believe this is an option. Mr. Rolwing is working to resolve the issue.

Pursuant to the Board's authorization at its July meeting, Mr. Rolwing issued water credits to Genus and recorded the Monica easement. Water credit agreements for Dan Wright, the Center Pivot Palm Grove and the Fortiner property are still pending.

Greg Holloway reported there had been a main break in Club Circle. A second pressure reducing valve is being installed, and replacement of old pipes is expected to be completed in October or November.

Because of the change in ownership of the Mall, the crew is in the process of installing a master meter and a backflow prevention device.

Well 16 is working well and supplying most of the water to Rams Hill.

Discussion followed regarding problems with the private sewer system on the Cameron property and whether they could affect the BWD system. President Hart suggested that the Operations and Management Committee look into it and possibly seek legal advice.

Mr. Holloway reported that the blower at the wastewater treatment plant had been replaced, and a contractor will be making permanent repairs to the corroded pipe next week. Some odor problems have been traced to grease traps at La Casa Del Zorro.

C. Water and Wastewater Operations Report – July 2014:

D. Water Production/Use Records - July 2014:

E. Water and Wastewater Operations Report – August 2014:

F. Water Production/Use Records – August 2014:

President Hart invited questions regarding the reports.

IV. ATTORNEY'S REPORT

None

V. COMMITTEE REPORTS & PROPOSALS

Ad Hoc Committees

1. Audit Committee

Ms. Pitman announced that the annual audit had been completed. Director Lyle Brecht suggested scheduling the audit report at the same time as the Viking note refinancing, if a special meeting is called. President Hart noted that another option would be a teleconference.

2. Due-Diligence

This report was presented earlier in the meeting.

3. Strategic Planning Committee/IRWM

President Hart reported that the Committee had been working with the Borrego Water Coalition and Mr. Rolwing on the Groundwater Management Plan update.

4. Executive Committee

No report.

5. Operations & Management Committee

This report was presented earlier in the meeting.

6. Parks Committee

No report.

7. Asset Ad Hoc Committee

President Hart reported that the Committee had completed the water credit policy update in July.

8. Personnel Committee

No report.

9. Negotiating Committee

President Hart reported that the Committee had reviewed the Lundberg documents and agreed to the amendments proposed by Lundberg's attorney.

10. CFD Committee

Director Estep reported that one of the bond attorneys the Committee was considering was not interested in the position. The other candidate will be invited to a future Board meeting.

VI. INFORMATION ITEMS

President Hart requested that date changes for the November and December Board meetings be considered in October.

Tracey Alexander circulated items for sale at the Center Market (lip balm and candy) labeled with vulgar four-letter words. He was concerned about their exposure to children and urged the District's support and a boycott of the market.

VII. CLOSED SESSION

Conference with Legal Counsel – Anticipated Litigation

A. Significant exposure to litigation pursuant to paragraph (2) of subdivision (d) of Government Code section 54956.9. One potential case:

This item was deleted from the Agenda.

VIII. CLOSING PROCEDURE

There being no further business, the Board adjourned at 10:30 p.m. The next Special Meeting of the Board of Directors is scheduled for October 14, 2014 at the Borrego Water District. The next Regular Meeting of the Board of Directors is scheduled for October 22, 2014 at the Borrego Water District.



Hosaka, Rotherham & Company
Certified Public Accountants

James A. Rotherham, CPA
CEO & Managing Partner

.....
Roy T. Hosaka, CPA
Retired

James C. Nagel, CPA
Retired

BORREGO WATER DISTRICT
REPORT ON EXAMINATION OF
FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED
JUNE 30, 2014 AND JUNE 30, 2013

BORREGO WATER DISTRICT

INTRODUCTORY SECTION

JUNE 30, 2014

**BORREGO WATER DISTRICT
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BORREGO WATER DISTRICT

September 24, 2014

To the Honorable President and Members of the Board of Directors and Customers of the Borrego Water District:

State law requires that all general-purpose local governments and special districts publish each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. The Annual Financial Report of the Borrego Water District (“BWD” or “District”) for fiscal year ended June 30, 2014 is hereby submitted as required. Hosaka, Rotherham & Company, a firm of licensed certified public accountants, has audited the District's financial statements.

Generally Accepted Accounting Principles (GAAP) requires 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 Auditors’ Report.

Management assumes full responsibility for the completeness and reliability of the information contained in this letter, the MD&A and the accompanying financial statements, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2014 are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the District's financial statements for the fiscal year ended June 30, 2014 are fairly presented in conformity with GAAP. The Independent Auditors’ Report is presented as the first component of the financial section of this report.

PROFILE OF THE DISTRICT

The District was established in 1962 as State of California special district (Water Code § 35565) to provide water, sewer, flood control and gnat abatement for areas in the Borrego Springs community. The District presently serves approximately 2,100 customers. Borrego Springs is an unincorporated community of 3,500 full-time and more than 6,000 winter residents located in the northeast corner of San Diego County approximately 90 miles drive from San Diego.

Borrego Springs is surrounded on all sides by the Anza-Borrego Desert State Park (ABDSP; “the Park”). The ABDSP, which encompasses 600,000 acres in and around the Borrego Valley, was established in 1933 to protect this unique desert environment. The military presence of both the Army and Navy during World War II brought the first paved roads and electricity to Borrego Springs. After the war, developers subdivided the area attempting to create a resort community by capitalizing on the tourism generated by the Park. ABDSP is the largest state park in California and one of the largest protected desert areas in the western US. It was designated as a National Natural Landmark in 1974 and a Biosphere Reserve in the

1980's by the United Nations. The Park contains approximately 70% of designated wilderness area within the State of California.

Governance

A five-member board of directors works as a team to govern the affairs of the District. The board is elected at large by the registered voters residing within the District's boundaries, with vacant positions that occur between elections appointed by the existing board and during election years by the San Diego County Board of Supervisors if there is no competition for a seat on the board. The directors, who are elected or appointed, are residents and have the same concerns as their constituents. The board members, who serve four-year staggered terms, are responsible for establishing the direction of the District through adopting policies and ordinances for the smooth running of the District, ensuring that sound fiscal policy exists and that sound management practices and controls are in place for accountability, adopting the annual budget, approving personnel policies and organizational structure, hiring the District's General Manager and hiring other advisors to the board, such as the District's General Counsel, financial and other advisors. The General Manager is responsible for carrying out the policies and ordinances approved by the District board, for overseeing the day-to-day operations of the District and for meeting or exceeding the financial objectives set forth in the annual budget approved by the board.

Groundwater Supply, Usage & Availability

The Borrego Valley Groundwater Basin (BVGB: "the Basin"), a Pleistocene era water deposit is presently the community's sole source of water. Historically, Native Americans inhabited the Valley and utilized the springs and surface water sources issuing from the nearby mountain ranges. Cattlemen began homesteading the Borrego Valley in about 1875. The first successful modern well was dug in 1926, which quickly led to irrigation farming.

Today, annual withdrawals exceed replenishment by more than 4 to 1. Groundwater-level declines of more than 100 feet in some parts of the groundwater basin and anthropogenic activities have resulted in an increase in pumping lifts, reduced well efficiency, dry wells, changes in water quality, and loss of natural groundwater discharge. Today, water levels in the Basin are declining on average about 2.7 feet a year. However, if the overdraft continues, water levels are projected to drop at an ever-faster rate as more withdrawal occurs from the middle and lower aquifers of the Basin. At the current rate of use, the groundwater supply is not sustainable.

The current rate of groundwater pumping produces an average annual basin storage change (overdraft) of about 13,400 acre-feet (AF) of water per year (USGS, 2014). The largest water level declines are found in the northern part of basin where most of the approximately 3,700 acres of primarily citrus agricultural acreage is concentrated and in the southwestern part of the Basin where commercial and residential activity is primarily located.

Of the current average annual withdrawals from the Basin, agricultural irrigation in the Valley accounts for about 14,000 acre feet per year [AFY] (approximately 70%) of the average annual overdraft, recreational uses (golf courses) account for about 4,000 AFY (approximately 20%) of the average annual overdraft and residential/commercial uses account for about 2,000 AFY (approximately 10%) of the total annual overdraft. Natural net replenishment (recharge) of the Basin averages around 5,600 AFY annually (USGS, 2014). Annual natural net recharge can fluctuate in the arid climate from less than 1,000 AFY in dry years to more than 15,000 AFY (USGS, 2014).

The District believes that sustainable groundwater management requires the development, implementation and updating of management plans based on the best available science, monitoring, forecasting, and use of technological resources and best management practices. The District adopted a groundwater management plan (GWMP) under Assembly Bill 3030 (AB 3030) in 2002. The area covered

by the GWMP is the District's boundaries, which encompasses almost the entire Basin. In October 2013, the District's Board passed a resolution to update the 2002 GWMP. The District has broad authority, though the AB 3030 process, to manage the Basin. However, in 2014, the California State legislature has introduced new legislation that brings for the first time in California comprehensive groundwater regulation. This new legislation, if passed, would remove present ambiguities and strengthen the District's groundwater management authorities legislated under AB 3030.

During this year, the District continued its participation as a member of the Borrego Water Coalition (BWC; "the Coalition"). The Coalition comprises local leaders from the Chamber of Commerce, agriculture, the District, education, golf, lodging, State Park and recreation. The Coalition represents almost all the major pumpers and water users of the Basin.

The District is not a member of the San Diego County Water Authority (SDCWA), the regional member of the Metropolitan Water District of Southern California (MWD) that imports supplemental water into San Diego County.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the District operates.

Local Economy

The local economy and the income of retirees living in the Borrego community continues to be affected by the general downturn in the economy of California and the nation. Uncertainty over long-term water supply may be slowing new development in the Borrego Valley ("the Valley"). In recent years the non-native Sahara mustard plant has devastated the beautiful fields of wildflowers normally found in the Valley. This invasive species has created damage to the local ecosystems of the Valley and presently shows little sign of abatement. Instead of fields of wildflowers that have attracted thousands of visitors in the spring, as the wildflower fields have declined in recent years, so have the number of visitors to the Valley.

Previous Fiscal Years Spending by the District

The District continues to work itself out of the financial situation that was inherited from the past Board and general manager who between FY 2008 – FY 2011 spent more than \$6.3 million of the District's cash reserves. This spending resulted in the District losing its good credit rating. The District has not been able to borrow in the public bond markets for its capital improvement program (CIP) and has deferred major repair and replacement (R&R) projects until it is creditworthy again.

Long-Term Financial Planning

The District's present Board of Directors is aware of the need to restore the District's financial stability and return to creditworthiness. Through a coordinated strategic process, the Board has established a series of policies and plans to effectively meet the District's anticipated future revenue needs. The principles the District has adopted for returning to revenue sufficiency include: (a) the active management and projection of monthly cash flow during the year; (b) holding expenditures below the annual budget; (c) no increases in salaries and benefits for employees; (d) deference of large capital expenditures until the District is able to borrow again in the public bond markets; and (e) implementing annual water and sewer rate increases each year.

The primary driver for the long-term financial viability of the District, as well as the economy of the Valley is the necessity of resolving the overdraft of the Basin (see section on Groundwater Supply, Usage & Availability above).

RELEVANT FINANCIAL POLICIES

Reserve Policy

The District has established a Reserve Fund Policy to anticipate and to prepare for future funding requirements as well as for unforeseen events. The Reserve Fund Policy establishes restricted and unrestricted reserves and describes the flow of funds to and from the various reserves. A copy of the District's current Reserve Policy is available on the District's website.

Risk Management

The District is a member of the California Joint Powers Insurance Authority (JPIA).

Pension and Other Post-Employment Benefits

The District contributes to the California Public Employees Retirement System (CalPERS), an agent multiple-employer public employees defined benefit pension plan for its personnel. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Additional information about the District's pension arrangements and post-employment benefits can be found in the notes to the financial statements. In FY 2012, the Board changed the pension program from three percent (3%) per year of active service at retirement that was instituted by the prior Board in 2009, back to its previous two percent (2%) per year of active service at retirement. This new pension policy is in effect for employees of the District hired after April 1, 2012 only.

Investment Policy

The Investment Policy establishes guidelines for the investment of available funds. The Investment Policy incorporates the Prudent Investor Standards. The primary objectives, in priority order, of the District's investment activities are the following: 1) safety, 2) liquidity, and 3) yield. The District's funds are invested in a variety of investments, in accordance with California government code, as described in the notes to the financial statements. The District minimizes interest rate risk by investing a greater portion of its funds in short term investments and minimizes credit risk by investing a majority of its funds diversified investment pools.

Internal Controls

The District is responsible for establishing and maintaining an internal control structure designed to ensure that the District's assets are protected from loss, theft, or misuse, and to ensure that adequate accounting data are compiled for the preparation of financial statements in conformity with GAAP. The internal structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that; 1) the cost of control should not exceed the benefits likely to be derived; and 2) the valuation of costs and benefits requires estimates and judgments by management.

Respectfully submitted,



Jerry Rolwing
General Manager

BORREGO WATER DISTRICT

FINANCIAL SECTION

JUNE 30, 2014



REPORT OF INDEPENDENT AUDITORS

Board of Directors
Borrego Water District
Borrego Springs, California

Report on the Financial Statements

We have audited the accompanying financial statements of Borrego Water District, as of and for the fiscal years ended June 30, 2014 and 2013, and the related notes to the 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; 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 Auditing Requirements for California Special Districts*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Borrego Water District, as of June 30, 2014 and 2013, and the changes in financial position and cash flows thereof for the fiscal year then ended, in accordance with accounting principles generally accepted in the United States of America.

REPORT OF INDEPENDENT AUDITORS
Page 2

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11 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 audit 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2014, on our consideration of the Borrego Water 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 Borrego Water District's internal control over financial reporting and compliance.

Hosaka, Rotherham & Company

San Diego, California
August 26, 2014

**BORREGO WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

Our discussion and analysis of the Borrego Water District (District) basic financial statements provide general readers with an overview of the District's financial position and results of operations for the fiscal year ended June 30, 2014. The Management's Discussion and Analysis (MD&A) should be read in conjunction with the audited financial statements. These statements are located in the section following the MD&A. This discussion and analysis, as well as the basic financial statements that it accompanies, have been prepared by management of the District and are its responsibility.

FINANCIAL HIGHLIGHTS

During the fiscal year ended June 30, 2014, the following events impacted, or have the potential to impact, the finances of the District:

- On July 16, 2013, the District's Board of Directors approved an update to the Mesquite Trails Water Service Agreement for 120 equivalent development units (EDUs) to reflect current development policies and fees.
- On July 24, 2013 the District's Board of Directors set the price for water credits sold by the District at \$3,600 for T-1 and AG-1 (County and District acceptable) credits and \$2,750 for T-2 and AG-2 (District acceptable) credits.
- On October 23, 2013, the District held a public hearing regarding the proposed adoption of a resolution of intention to update the 2002 Groundwater Management Plan (GWMP). The District's Board of Directors passed the resolution unanimously.
- On January 27, 2014, the District's Board of Directors approved an Agreement to Resolve Outstanding Claims and Establish Long-Term Cooperation for the Delivery of Water to the Rams Hill Golf Course ("the Agreement") with T2 Borrego LLC and T2 Holding LLC (collectively "T2"), both Colorado limited liability companies. Under the terms of the Agreement, the District paid T2 \$372,963 remaining amount due for the purchase of ID1-12 production well and T2 paid the District: \$50,424 for past due availability fees; \$25,369 for current year availability fees; \$106,436 for the purchase of ID1-1 and 2 irrigation wells and agreed to lease spare capacity of non-potable, interruptible supply representing a minimum of 1,000 acre-feet over a 5-year period on a take or pay basis paid semi-annually in advance. T2 further agreed to purchase and fallow farmland in the Valley representing 800 acre-fee per year (AFY) of AG1 water credits over a 5-year period. These water credits could then be used to satisfy County and/or District water credit requirements for new development at Rams Hill in the future. T2 further agreed to follow District water-conserving landscaping requirements for new development. The District allowed T2 to drill additional irrigation wells on Rams Hill Development property that conform to strict technical requirements for non-interference to existing District and other wells near the Rams Hill property. T2 also agreed to pay penalties to the District for exceeding a water budget for the golf course, to be established over a 3-year period once the golf course was re-established. If the water budget exceeds 800 AFY, T2 would be required to purchase additional farmland to fallow beyond 800 AFY.
- On May 20, 2014, the District's Board approved a budget for fiscal year 2015 that included rate increases for fiscal year 2015 of 5.0% for sewer rates; 0% for water base rates; and 10% for water commodity rates over the FY 2014 rates in effect. The new rates took effect July 1, 2014 and are reflected initially in customers' August billings.

**BORREGO WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

FINANCIAL HIGHLIGHTS (CONTINUED)

- The income from operations for the fiscal year ended June 30, 2014, was \$576,076 compared with income from operations of \$190,285 for FY 2013.
- Cash and cash equivalents increased to \$2,086,750 at June 30, 2014, from \$1,497,301 at June 30, 2013.
- The change in net position for the fiscal year ended June 30, 2014, was an increase of \$399,450 compared to a decrease in net position of \$248,374 for FY 2013.

More information about the overall analysis of the District's financial position and results of operations is provided in the following sections.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements accompanying the Management's Discussion and Analysis present the financial position, the results of operations, and cash flows using the accrual basis of accounting, which is similar to the accounting basis used by for-profit entities.

Statement of Net Position

The Statement of Net Position presents the District's financial position (assets and liabilities) as of June 30, 2014. Assets in excess of liabilities (Net Position) were \$12,920,158 and \$12,520,618 as of June 30, 2014 and 2013, respectively. In accordance with generally accepted accounting principles (GAAP), capital assets are recorded at historical cost. Net position is accumulated from revenues in excess of expenses, and contributed capital combined with the beginning balance of net position as presented in the Statement of Revenues, Expenses and Changes in Net Position.

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents the District's results of operations for the year ended June 30, 2014 and 2013. In accordance with GAAP, revenues are recognized (recorded) when water or services are provided, and expenses are recognized when incurred. Operating revenues and expenses are related to the District's core activities (providing water, sewer, pest control and flood control services). Non-operating revenues and expenses are not directly related to the core activities, e.g. investment income, interest expense, etc. The operating income for the fiscal year ended June 30, 2014, of \$576,076, is combined with net non-operating revenues and expenses of (\$176,536) to arrive at the change of net position of \$399,540. The increase in net position is added to beginning net position of \$12,520,618 and to arrive at the ending net position of \$12,920,158 as of June 30, 2014.

One of the most important questions asked about the District's finances is, "How has the District's position changed as the result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position present information about the District's activities that help answer this question. These two statements report the net position of the District and the changes to

**BORREGO WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

them. The District's net position, the difference between assets and liabilities, may be thought of as one way to measure its financial health or financial position. Over time, increases or decreases in net position can be an indicator as to whether the financial health is improving or deteriorating. However, it is incumbent upon the observer to consider other non-financial factors such as the regulatory climate, economic conditions, population growth, zoning changes, environmental changes, etc.

Analysis of Net Position

Our analysis will start with a summary of the District's Net Position as presented in the following table:

Borrego Water District's Net Position:

	2014	2013	2013/2014 Variance	
			\$	%
ASSETS				
Cash and investments	\$ 2,086,750	\$ 1,497,301	\$ 589,449	39.37%
Capital assets	14,705,224	14,943,502	(238,278)	-1.59%
Other assets	758,645	1,004,992	(246,347)	-24.51%
TOTAL ASSETS	\$ 17,550,619	\$ 17,445,795	\$ 104,824	
LIABILITIES AND NET POSITION				
Current liabilities	\$ 434,237	\$ 297,870	\$ 136,367	45.78%
Noncurrent liabilities	4,196,224	4,627,307	(431,083)	-9.32%
Total liabilities	4,630,461	4,925,177	(294,716)	-5.98%
Net position				
Net investment in capital assets	10,530,224	10,301,352	228,872	2.22%
Unrestricted	2,389,934	2,219,266	170,668	7.69%
Total net position	12,920,158	12,520,618	399,540	3.19%
TOTAL LIABILITIES AND NET POSITION	\$ 17,550,619	\$ 17,445,795	\$ 104,824	

**BORREGO WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Analysis of Revenues and Expenses

Borrego Water District's Revenues, Expenses and Changes in Net Position 2013/2014:

	2014	2013	Variance	
			\$	%
OPERATING REVENUES				
Water revenue	\$ 2,640,032	\$ 2,365,553	\$ 274,479	11.60%
Sewer service charges	527,383	484,160	43,223	8.93%
Availability charges	210,263	176,209	34,054	19.33%
Golf revenue	1,233	1,469	(236)	-16.07%
Other income	28,608	17,083	11,525	67.46%
Total operating revenues	3,407,519	3,044,474	363,045	11.92%
NONOPERATING REVENUES				
Property taxes	63,950	70,394	(6,444)	-9.15%
Investment income	76	145	(69)	-47.59%
Gain on sale of asset	(44,286)	20,609	(64,895)	100.00%
Total non-operating revenues	19,740	91,148	(71,408)	-78.34%
Total revenues	3,427,259	3,135,622	291,637	9.30%
OPERATING EXPENSES				
Water operations	1,203,270	1,171,561	31,709	2.71%
Sewer operations	297,442	217,420	80,022	36.81%
Golf operations	-	14,564	(14,564)	-100.00%
Depreciation expense	595,899	617,677	(21,778)	-3.53%
General and administrative	734,832	832,967	(98,135)	-11.78%
Total operating expenses	2,831,443	2,854,189	(22,746)	-0.80%
NON OPERATING EXPENSES				
Impairment/loss on disposal of assets	-	369,349	(369,349)	-100.00%
Interest expense	179,784	143,966	35,818	24.88%
Amortization expense	16,492	16,492	-	0.00%
Total non-operating expenses	196,276	529,807	(333,531)	-62.95%
Total expenses	3,027,719	3,383,996	(356,277)	-10.53%
Change in net position	399,540	(248,374)	647,914	-260.86%
TOTAL NET POSITION, BEGINNING	12,520,618	12,860,887	(340,269)	-2.65%
Prior period adjustment	-	(91,895)	-	100.00%
TOTAL NET POSITION, ENDING	<u>\$ 12,920,158</u>	<u>\$ 12,520,618</u>	<u>\$ 399,540</u>	3.19%

**BORREGO WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

A discussion of the significant variances of the Borrego Water District's Revenues and Expenses are presented below.

- Increase in revenue due to rate increases enacted in August 2013.
- Increase in loss on disposal of fixed assets.
- Decrease in the cost of providing water service offset by an increase in the cost of providing sewer services.
- Total non-operating revenues increase due primarily to the increase in water revenue.
- General and Administrative expense were flat when compared to water and sewer operation costs. Decrease in operating costs attributed to a decrease in depreciation expense.
- Increase in interest expense primarily due to accrual of Viking Ranch note payable.

BUDGET HIGHLIGHTS

Fiscal Year 2014 Actual vs. Fiscal Year 2014 Budget

	2014	2014	Variance	
	Actual	Budget	\$	%
REVENUES				
From operations	\$ 3,407,519	\$ 3,364,223	\$ 43,296	1.29%
Nonoperating	19,740	64,388	(44,648)	-69.34%
Total revenue	<u>3,427,259</u>	<u>3,428,611</u>	<u>(1,352)</u>	<u>-0.04%</u>
EXPENSES				
Water operations	1,203,270	1,944,988	(741,718)	-38.13%
Sewer operations	297,442	314,959	(17,517)	-5.56%
Depreciation expense	595,899	-	595,899	100.00%
General and administrative	734,832	521,747	213,085	40.84%
Other nonoperating expenses	196,276	219,313	(23,037)	-10.50%
Total expenses	<u>3,027,719</u>	<u>3,001,007</u>	<u>26,712</u>	<u>0.89%</u>
CHANGE IN NET POSITION	<u>\$ 399,540</u>	<u>\$ 427,604</u>	<u>\$ (28,064)</u>	<u>-6.56%</u>

- Borrego Water District does not budget for depreciation, but prefers to budget for actual capital assets using the internally generated 10 year Capital Improvement Budget.

**BORREGO WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year the District had a net investment in various categories of capital assets as shown in the following table:

Borrego Water District's Capital Assets

	2014	2013	Variance	
			\$	%
Land and land improvements	\$ 882,054	\$ 882,054	\$ -	0.00%
Flood control facilities	4,319,604	4,319,604	-	0.00%
Sewer facilities	5,806,137	5,807,526	(1,389)	-0.02%
Water facilities	10,489,701	10,271,334	218,367	2.13%
Pipelines, wells and tanks	151,699	151,699	-	0.00%
General facilities	1,006,881	1,006,881	-	0.00%
Telemetry	46,459	46,459	-	0.00%
Equipment and furniture	265,675	265,675	-	0.00%
Vehicles	495,572	495,572	-	0.00%
Construction in progress	186,213	186,368	(155)	-0.08%
Followed water credits	1,868,358	1,908,965	(40,607)	-2.13%
Water rights-ID #4	185,000	185,000	-	0.00%
Total assets	25,703,353	25,527,137	176,216	0.69%
Less accumulated depreciation	(10,998,129)	(10,583,635)	(414,494)	-3.92%
Net capital assets	\$ 14,705,224	\$ 14,943,502	\$ (238,278)	-1.59%

Debt Administration

On October 1, 2008, the District issued \$2,775,000 of 2008 Bonds while concurrently redeeming all of its outstanding 1997 and 1998 Certificates of Participation.

The bonds are payable in annual principal installments of \$25,000 to \$245,000 on October 1 of each year beginning 2014 through 2028. Interest is payable semi-annually on April 1 and October 1 at an interest rate of 4.50% per annum. The bonds are payable solely from installment payments to be made by the District to the Borrego Water District Public Facilities Corporation. The installment payments are a special obligation of the District payable solely from revenues of Improvement District No. 4 and certain funds and accounts created by agreement.

**BORREGO WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

The annual requirements to amortize the Installment Purchase Agreement are as follows:

Year Ending June 30,	Principal	Interest	Totals
2015	\$ 135,000	\$ 120,713	\$ 255,713
2016	140,000	114,525	254,525
2017	145,000	108,112	253,112
2018	150,000	101,475	251,475
2019	160,000	94,500	254,500
2020-2024	905,000	356,288	1,261,288
2025-2029	1,115,000	129,712	1,244,712
Totals	<u>\$ 2,750,000</u>	<u>\$ 1,025,325</u>	<u>\$ 3,775,325</u>

ECONOMIC FACTORS AND FUTURE YEAR'S BUDGET AND RATES

The District's Board of Directors and management considered many factors when setting the fiscal year 2014/2015 budget, user fees and charges. The District attempts to balance revenues with operating expenses that have increased due to inflationary factors, such as cost of living, cost of water, and insurance coverage.

These indicators were taken into consideration when adopting the District's budget for the fiscal year 2014/2015. The budget has been structured to contain costs, but at the same time, continue the District's philosophy of providing the highest levels of service and continue efforts towards securing a sustainable water supply for the community.

Fiscal Year 2014 Actual vs. Fiscal Year 2015 Budget

	2015	2014	Variance	
	Budget	Actual	\$	%
REVENUES				
Operating Revenue	\$ 3,491,250	\$ 3,407,519	\$ 83,731	2.46%
Nonoperating	64,625	19,740	44,885	227.38%
Total revenue	<u>3,555,875</u>	<u>3,427,259</u>	<u>128,616</u>	<u>3.75%</u>
EXPENSES				
Operating expenses	2,336,442	2,235,544	100,898	4.51%
Depreciation	-	595,899	(595,899)	-100.00%
Other non operating expenses	688,000	196,276	491,724	250.53%
Total expenses	<u>3,024,442</u>	<u>3,027,719</u>	<u>(3,277)</u>	<u>-0.11%</u>
CHANGE IN NET POSITION	<u>\$ 531,433</u>	<u>\$ 399,540</u>	<u>\$ 131,893</u>	<u>-33.01%</u>

**BORREGO WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

ECONOMIC FACTORS AND FUTURE YEAR'S BUDGET AND RATES (CONTINUED)

- Borrego Water District does not budget for depreciation, but prefers to budget for actual capital assets using the internally generated 10 year Capital Improvement Budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGER

This financial report is designed to give ratepayers, customers, investors, and creditors a general overview of the District's finances and to demonstrate the District's accountability for the money it receives and the stewardship of the facilities it maintains. If you have questions about this report or need additional information, contact Jerry Rolwing, General Manager or Kim Pitman, Fiscal Officer at the Borrego Water District, 806 Palm Canyon Drive, Borrego Springs, California, 92004 or by telephone at (760) 767-5806.

Borrego Water District

**BORREGO WATER DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014 AND 2013**

	2014	2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,947,809	\$ 1,434,126
Restricted cash and cash equivalents:		
Customer deposits	21,244	35,666
Accounts receivable:		
Water and sewer, net of allowance	361,514	498,117
Property taxes	-	372
Availability charges	-	51,934
Other receivables	2,272	4,541
Inventory	140,713	130,337
Prepaid expenses	29,138	43,008
Total current assets	2,502,690	2,198,101
Noncurrent assets:		
Water and sewer charges receivable	-	35,182
Debt issuance costs, net of amortization	92,454	98,942
Debt refunding costs, net of amortization	132,554	142,559
Fiduciary fund:		
Restricted cash and cash equivalents	117,697	27,509
Capital assets:		
Land	882,054	882,054
Construction in progress	186,213	186,368
Fallowed water credits	1,868,358	1,908,965
Water rights - ID 4	185,000	185,000
Capital assets being depreciated, net	11,583,599	11,781,115
Total noncurrent assets	15,047,929	15,247,694
TOTAL ASSETS	\$ 17,550,619	\$ 17,445,795
LIABILITIES AND NET POSITION		
Current liabilities:		
Accounts payable	\$ 142,918	\$ 79,649
Accrued interest payable	77,285	56,310
Short-term compensated absences	57,790	50,336
Customer deposits	21,244	35,666
Current portion of note payable	135,000	75,909
Total current liabilities	434,237	297,870
Noncurrent liabilities:		
Compensated absences	38,527	33,557
Community Facilities District 2007-1 Bondholders	117,697	27,509
Notes payable, net of current portion	4,040,000	4,566,241
Total noncurrent liabilities	4,196,224	4,627,307
Total liabilities	4,630,461	4,925,177
Net position		
Net investment in capital assets	10,530,224	10,301,352
Unrestricted	2,389,934	2,219,266
Total net position	12,920,158	12,520,618
TOTAL LIABILITIES AND NET POSITION	\$ 17,550,619	\$ 17,445,795

The notes to the financial statements are an integral part of the statement.

BORREGO WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
OPERATING REVENUES		
Water revenue	\$ 2,640,032	\$ 2,365,553
Sewer service charges	527,383	484,160
Availability charges	210,263	176,209
Golf revenue	1,233	1,469
Other income	28,608	17,083
Total operating revenues	3,407,519	3,044,474
 OPERATING EXPENSES		
Water operations	1,203,270	1,171,561
Sewer operations	297,442	217,420
Golf operations	-	14,564
Depreciation	595,899	617,677
General and administrative	734,832	832,967
Total operating expenses	2,831,443	2,854,189
 Income from operations	576,076	190,285
 NON-OPERATING REVENUES (EXPENSES)		
Property taxes	63,950	70,394
Investment income	76	145
Gain (loss) on disposal of assets	(44,286)	20,609
Interest expense	(179,784)	(143,966)
Amortization expense	(16,492)	(16,492)
Total non-operating revenues (expenses)	(176,536)	(69,310)
 INCOME BEFORE IMPAIRMENTS	399,540	120,975
 IMPAIRMENT OF CAPITAL ASSETS	-	(369,349)
 CHANGE IN NET POSITION	399,540	(248,374)
 NET POSITION, BEGINNING	12,520,618	12,860,887
 PRIOR PERIOD ADJUSTMENT	-	(91,895)
 NET POSITION, ENDING	\$ 12,920,158	\$ 12,520,618

The notes to the financial statements are an integral part of the statement.

**BORREGO WATER DISTRICT
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from water and sewer customers	\$ 3,339,200	\$ 2,770,614
Receipts from availability charges	262,197	202,345
Receipts from golf course	3,502	1,469
Payments to suppliers and employees	(1,435,947)	(1,438,412)
Payments for general and administration	(734,832)	(906,342)
Payments for golf course	-	(14,564)
Other receipts	28,608	29,753
Net cash provided by operating activities	<u>1,462,728</u>	<u>644,863</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Taxes received	64,323	73,500
Acquisition and construction of capital assets	(531,193)	(205,998)
Proceeds from sale of assets	129,286	603,524
Proceeds from debt issuance	-	(136,071)
Gain on disposal of assets	-	(20,609)
Principal paid on long-term debt	(467,150)	(77,158)
Change in long-term debt valuation	-	(160,074)
Interest payments on long-term debt	(158,809)	(151,851)
Community facilities district 2007-1 receipts and payments	90,188	(90,325)
Net cash provided by investing activities	<u>(873,355)</u>	<u>(165,062)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	76	145
Net cash provided from financing activities	<u>76</u>	<u>145</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	589,449	479,946
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,497,301</u>	<u>1,017,355</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,086,750</u>	<u>\$ 1,497,301</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH USED BY OPERATING ACTIVITIES		
Income (loss) from operations	\$ 576,076	\$ 190,285
Adjustments to reconcile change in income from operations to net cash provided by operating activities:		
Depreciation	595,899	617,677
(Increase) decrease in accounts receivable	223,719	(82,894)
(Increase) decrease in other receivables	2,269	(38,806)
(Increase) decrease in inventories	(10,376)	2,402
(Increase) decrease in prepaid expenses	13,870	(1,790)
Increase (decrease) in accounts payable	63,269	3,329
Increase (decrease) in customer deposits	(14,422)	8,095
Increase (decrease) in short-term compensated absences	12,424	(53,435)
Net cash provided by operating activities	<u>\$ 1,462,728</u>	<u>\$ 644,863</u>
RECONCILIATION TO BALANCE SHEET		
Cash	\$ 1,947,809	\$ 1,434,126
Restricted: Cash and Cash Equivalents	138,941	63,175
Net reconciliation to balance sheet	<u>\$ 2,086,750</u>	<u>\$ 1,497,301</u>

The notes to the financial statements are an integral part of the statement.

**BORREGO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

A. Summary of significant accounting policies

Borrego Water District (District) accounts for its financial transactions in accordance with the policies and procedures of the Irrigation District Law, now Division 11 of the California State Water Code. The accounting policies of the District conform to accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

1. Reporting entity

The District's combined financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements. The criterion for including organizations as component units within the District's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," as amended by GASB Statement No. 39 "Determining Whether Certain Organizations are Component Units", include whether:

- the organization is legally separate (can sue and be sued in its name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District
- it would be misleading or cause the financial statements to be incomplete to exclude another organization

Based on these criteria, the District has no component units. Additionally, the District is not a component unit of any other reporting entity as defined by the GASB statement.

2. Basis of accounting

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 customers on a continuing basis be financed or recovered primarily through user charges (water sales and services) or 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 flow took place.

Operating revenues and expenses are generated and incurred through the water sales activities to the District's customers. 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.

3. Financial reporting

The District's basic financial statements are presented in conformance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, "*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*" (GASB No. 34). This statement established revised financial reporting requirements for state and local governments throughout the United States for the purpose of enhancing the understandability and usefulness of financial reporting.

**BORREGO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

A. Summary of significant accounting policies (continued)

3. Financial reporting (continued)

The District's basic financial statements are presented in conformance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, "*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*" (GASB No. 34). This statement established revised financial reporting requirements for state and local governments throughout the United States for the purpose of enhancing the understandability and usefulness of financial reporting.

GASB No. 34 and subsequent GASB pronouncements provide for a revised view of financial information and restructure the format of financial information provided prior to its adoption. A statement of net assets replaces the balance sheet and reports assets, liabilities, and the difference between them as net assets, not equity. A statement of revenues, expenses, and changes in net assets replaces both the income statement and the statement of changes in retained earnings and contributed capital. GASB No. 34 also requires that the statement of cash flows be prepared using the direct method. Under the direct method, cash flows from operating activities are presented by major categories.

Under GASB No. 34, enterprise funds, such as the District, have the option of consistently following or not following pronouncements issued by the Financial Accounting Standards Board (FASB) subsequent to November 30, 1989. The District has elected not to follow FASB standards issued after that date, unless such standards are specifically adopted by GASB.

The District's basic financial statements are also presented in conformance with the provisions of GASB Statement No. 63 (GASB 63), *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The objective of this Statement is to provide guidance to include two classifications separate from assets and liabilities. Amounts reported as deferred outflows of resources are required to be reported in a Statement of Net Position in a separate section following assets. Similarly, amounts reported as deferred inflows of resources are required to be reported in a Statement of Net Position in a separate section following liabilities. In addition, the totals of these two new classifications should be added to the total for assets and liabilities, respectively.

The District did not have any deferred inflows or outflows of resources at June 30, 2014. The adoption of this pronouncement resulted in a retroactive change in the term "net assets" being changed to "net position" throughout the financial statements.

4. Assets, liabilities, and equity

a. Deposits and investments

For purposes of the statement of cash flows, cash and cash equivalents consist of short-term highly liquid investments with maturities of ninety days or less from the date of purchase. These include cash on hand, cash held in the restricted assets accounts, and the Local Agency Investment Fund.

**BORREGO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

A. Summary of significant accounting policies (continued)

4. Assets, liabilities, and equity (continued)

The District's investment policy and state statutes authorize the District to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, certificates of deposit with national and state-licensed or chartered banks or federal or state savings and loan associations, money market and mutual funds whose portfolios consist of one or more of the foregoing investments, and the Local Agency Investment Fund.

State statutes require all deposits be insured or collateralized. Depositories holding public funds on deposit are required to maintain collateral in the form of a pool of securities with the agent of the depository having a market value of at least 10 to 50 percent in excess of the total amount of all public funds on deposit.

b. Allowance for doubtful accounts:

An allowance for doubtful accounts is provided based on anticipated collectability of the outstanding utility receivables and other receivables at year-end. At fiscal year ended June 30, 2014 and 2013, management has estimated an allowance for doubtful accounts for availability charges at \$0 and \$665,171, respectively. Management estimates all other receivables at June 30, 2014 and 2013, to be collectible.

c. Stores inventories and prepaid expenditures

Inventories are recorded using the purchase method in that the cost is recorded as an expenditure at the time individual inventory items are purchased. Inventories are valued at average cost and consist of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure during the benefiting period.

d. Capital assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset class</u>	<u>Estimated useful lives</u>
Buildings	10-50
Water systems	10-50
Improvements of sites	7-25
Equipment	5-10

**BORREGO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

A. Summary of significant accounting policies (continued)

4. Assets, liabilities, and equity (continued)

e. Compensated absences

Accumulated unpaid employee vacation benefits and sick leave are recognized as accrued payroll liabilities in the Statement of Net Position. As of June 30, 2014 and 2013, the District had \$96,317 and \$83,893, respectively, of accrued vacation and sick leave.

f. Deferred revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Deferred revenue is recorded to the extent cash received on specific projects and programs exceeds qualified expenditures.

g. Interfund activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

h. Property taxes

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1. Unsecured property taxes are payable in one installment on or before August 31. The County of San Diego bills and collects the taxes for the District.

i. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

B. Compliance and accountability

1. Finance-related legal and contractual provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

Violation	Action taken
None reported	Not applicable

**BORREGO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

B. Compliance and accountability (Continued)

2. Deficit fund balance or fund net position of individual funds

The following are funds having deficit fund balances or fund net positions at year end, if any, along with remarks which address such deficits:

<u>Fund name</u>	<u>Deficit amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

C. Cash and cash equivalents

The summary of cash and cash equivalents is as follows at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Cash on hand and in banks:		
Restricted	\$ 21,244	\$ 35,666
Unrestricted	1,947,809	\$ 1,434,126
Fiduciary funds:		
Cash on hand and in banks	117,697	27,509
Total cash and cash equivalents	<u>\$ 2,086,750</u>	<u>\$ 1,497,301</u>

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 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 costs 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 summary which presents the amount of the District's deposits which are fully insured or collateralized with securities held by the District or its agent in the District's name (Category One), those deposits which are collateralized with securities held by the pledging financial institution's trust department, or agent in the District's name (Category Two), and those deposits which are not collateralized or are collateralized with securities held by the pledging financial institution, or its trust department, or agent, but not in the District's name (Category Three), is as follows at June 30, 2014 and 2013:

2014					
	<u>Category One</u>	<u>Category Two</u>	<u>Category Three</u>	<u>Total Bank Balance</u>	<u>Carrying Amount</u>
Deposits with Financial Institutions	<u>\$ 1,969,053</u>	<u>\$ 117,697</u>	<u>\$ -</u>	<u>\$ 2,086,750</u>	<u>\$ 2,086,750</u>

**BORREGO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

C. Cash and cash equivalents (Continued)

2013					
	Category One	Category Two	Category Three	Total Bank Balance	Carrying Amount
Deposits with Financial Institutions	\$ 1,469,610	\$ 27,509	\$ -	\$ 1,497,119	\$ 1,497,119

D. Capital assets

A schedule of changes in capital assets and accumulated depreciation for the fiscal year ended June 30, 2014, is shown as follows:

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
Capital assets, not being depreciated:				
Land	\$ 882,054	\$ -	\$ -	\$ 882,054
Construction in progress	186,368	4,435	(4,590)	186,213
Fallowed water credits	1,908,965	-	(40,607)	1,868,358
Water rights - ID 4	185,000	-	-	185,000
Total capital assets, not being depreciated	3,162,387	4,435	(45,197)	3,121,625
Capital assets, being depreciated:				
Flood control facilities	4,319,604	-	-	4,319,604
Sewer facilities	5,807,526	51,614	(53,003)	5,806,137
Water facilities	10,271,334	475,144	(256,777)	10,489,701
Pipelines, wells, and tanks	151,699	-	-	151,699
General facilities	1,006,881	-	-	1,006,881
Telemetry system	46,459	-	-	46,459
Equipment and furniture	265,675	-	-	265,675
Vehicles	495,572	-	-	495,572
Total capital assets, being depreciated	22,364,750	526,758	(309,780)	22,581,728
Less accumulated depreciation	(10,583,635)	(595,899)	181,405	(10,998,129)
Total capital assets, being depreciated, net	11,781,115	(69,141)	(128,375)	11,583,599
Capital assets, net of depreciation	\$ 14,943,502	\$ (64,706)	\$ (173,572)	\$ 14,705,224

**BORREGO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

D. Capital assets (continued)

Changes in capital assets for the fiscal year ended June 30, 2013, were as follows:

	Balance June 30, 2012*	Additions	Deletions	Balance June 30, 2013
Capital assets, not being depreciated:				
Land	\$ 992,229	\$ -	\$ (110,175)	\$ 882,054
Construction in progress	181,778	4,590	-	186,368
Fallowed water credits	2,278,314	-	(369,349)	1,908,965
Water rights - ID 4	185,000	-	-	185,000
Total capital assets, not being depreciated	<u>3,637,321</u>	<u>4,590</u>	<u>(479,524)</u>	<u>3,162,387</u>
Capital assets, being depreciated:				
Flood control facilities	4,319,604	-	-	4,319,604
Sewer facilities	5,780,431	52,868	(25,773)	5,807,526
Water facilities	10,617,816	133,040	(479,522)	10,271,334
Pipelines, wells, and tanks	151,699	-	-	151,699
General facilities	1,009,060	-	(2,179)	1,006,881
Telemetry system	46,459	-	-	46,459
Equipment and furniture	294,674	-	(28,999)	265,675
Vehicles	480,072	15,500	-	495,572
Total capital assets, being depreciated	<u>22,699,815</u>	<u>201,408</u>	<u>(536,473)</u>	<u>22,364,750</u>
Less accumulated depreciation	(10,388,852)	(607,256)	412,473	(10,583,635)
Total capital assets, being depreciated, net	<u>12,310,963</u>	<u>(405,848)</u>	<u>(124,000)</u>	<u>11,781,115</u>
Capital assets, net of depreciation	<u>\$ 15,948,284</u>	<u>\$ (401,258)</u>	<u>\$ (603,524)</u>	<u>\$ 14,943,502</u>

* Beginning capital assets have been restated. See prior period adjustment note.

E. Long-term obligations

1. Long-term obligation activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the fiscal year ended June 30, 2014, are as follows:

	Balance at June 30, 2013	Additions	Retirements	Balance at June 30, 2014	Amount due within one year
Refunding Installment					
Purchase	\$ 2,775,000	\$ -	\$ 25,000	\$ 2,750,000	\$ 135,000
Viking Ranch Note	1,494,000	-	69,000	1,425,000	-
Rams Hill Note Payable	373,150	-	373,150	-	-
Total long-term debt	<u>\$ 4,642,150</u>	<u>\$ -</u>	<u>\$ 467,150</u>	<u>\$ 4,175,000</u>	<u>\$ 135,000</u>

**BORREGO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

E. Long-term obligations (continued)

2. Refunding Installment Purchase

On October 1, 2008, the District issued \$2,775,000 of 2008 Bonds while concurrently redeeming all of its outstanding 1997 Certificates of Participation and 1998 Certificates of Participation. The transaction was a current refunding intended to save the District future interest costs due to lower market interest rates. No new funds were raised by the District. New Installment Purchase Agreements were executed, which will save the District approximately \$36,000 per year on debt service. The District reduced its aggregate debt service payments by \$312,755 over the next twenty (20) years and obtained an economic gain (difference between the present value of the old and new debt service payments) of \$259,110.

The bonds are payable in annual principal installments of \$25,000 to \$245,000 on October 1 of each year beginning 2013 through 2028. Interest is payable semi-annually on April 1 and October 1 at an interest rate of 4.50% per annum. The installment payments are a special obligation of the District payable solely from revenues of Improvement District No. 4.

The future debt service for the Installment Purchase Agreement is as follows:

Year Ending June 30,	Principal	Interest	Totals
2015	\$ 135,000	\$ 120,713	\$ 255,713
2016	140,000	114,525	254,525
2017	145,000	108,112	253,112
2018	150,000	101,475	251,475
2019	160,000	94,500	254,500
2020-2024	905,000	356,288	1,261,288
2025-2029	1,115,000	129,712	1,244,712
Totals	<u>\$ 2,750,000</u>	<u>\$ 1,025,325</u>	<u>\$ 3,775,325</u>

3. Viking Ranch Note

On July 8, 2011, the District and Viking Ranch amended an agreement that had been originally signed October 22, 2010. The amended agreement called for Viking Ranch to sell to the District Parcel 2 and in the future Viking Ranch will make a charitable donation of Parcel 1 to the District. The amended agreement also calls for Viking Ranch to sell to the District 312.5 Agricultural-1 Water Credits. For both Parcel 2 and the 312.5 Agricultural-1 Water Credits, the District will provide to Viking Ranch a \$1.5 Million Note at 4.00% interest per annum, with \$6,000 due upon execution of the note, \$69,000 due upon transference of properties, and the remaining \$1.425 Million due in quarterly interest only payments for the first 5 years, at which that time, \$150,000 in principal will be due. The remaining balance of \$1.275 Million will be paid over the following 25 years with quarterly payments of \$20,229. On August 22, 2013 the District and Viking Ranch finalized the agreement resulting in Viking Ranch transferring Parcel 2 to the District at which time the District paid Viking Ranch \$69,000. Accrued interest for the year ended June 30, 2014 was \$46,067 of which \$0 was paid.

**BORREGO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

E. Long-term obligations (continued)

3. Viking Ranch Note (continued)

The future debt service for the Installment Purchase Agreement is as follows:

Year Ending June 30,	Principal	Interest	Totals
2015	\$ -	\$ -	\$ -
2016	-	-	-
2017	-	-	-
2018	-	270,750	270,750
2019	172,662	52,275	224,937
2020-2024	169,667	234,908	404,575
2025-2029	207,024	197,551	404,575
2030-2034	252,608	151,967	404,575
2035-2039	308,231	96,344	404,575
2040-2044	314,808	29,087	343,895
Totals	<u>\$ 1,425,000</u>	<u>\$ 1,032,882</u>	<u>\$ 2,457,882</u>

4. Rams Hill Note Payable

In July 2009 the District entered into an agreement to purchase a well and land from Rams Hill (formerly known as Montesorro). For consideration the District paid an initial amount of \$400,000 and issued a note that calls for ten (10) annual payments of \$70,000 at 5.00% interest per annum, commencing on July 1, 2010.

Effective February 13, 2013, the District and Rams Hill agreed to settle outstanding claims and establish long-term cooperation for delivery of water to Rams Hill. The settlement is as follows:

	Due to District	Due to Rams Hill
Past Due Availability Fees	\$ -	\$ 50,424
Note payable due under Escalator Clause	372,963	-
Current Year Availability Fees	-	25,369
Purchase of ID1-1 & ID1-2 Wells	-	106,436
Closing Costs	-	1,792
Cash Settlement	-	188,942
	<u>\$ 372,963</u>	<u>\$ 372,963</u>

**BORREGO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

F. Operating leases

The District has entered into operating leases for office equipment and facility usage with lease terms in excess of one year. These agreements contain no purchase options. The agreements are non-cancelable leases. Future minimum lease payments are as follows:

Year ending June 30,	Lease payments
2015	\$ 15,439
2016	1,651
2017	1,651
2018	1
2019	1
2020-2024	5
2025-2029	5
2029-2031	1
Total future minimum lease payments	\$ 18,754

The District will receive no sublease rental revenues nor pay any contingent rentals associated with these leases. Rent expense for the fiscal years ended June 30, 2014 and 2013, was \$15,439 and \$18,046, respectively.

G. Joint ventures (joint powers agreements)

The District participates in the following jointly governed organization under a joint power agreement (JPA):

California Water Agencies Joint Powers Insurance Authority (JPIA)

Since 1983, the District has participated in the Association of California Water Agencies Joint Powers Insurance Authority (JPIA), a risk-pooling self-insurance authority. JPIA is a consortium of public agencies in Southern California established under the provisions of California Government Code. The purpose of the authority is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage. Deposits to JPIA are expensed by the District over the policy term and are subject to retroactive adjustment.

The relationship between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes.

H. Employee retirement systems

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Classified employees are members of the California Public Employees Retirement System (CalPERS).

**BORREGO WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

H. Employee retirement systems (continued)

Plan description (continued)

PERS:

Plan description

The District contributes to the Miscellaneous 3.0% at 60 Risk Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. CalPERS provides a stand-alone financial report. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

According to the most recently available Actuarial Valuation Report for the year ended June 30, 2012, the District's total plan assets are \$1,348,241, the total actuarial present value of accumulated plan benefits is \$1,583,273, and the plan is 63.7% funded.

Copies of the CalPERS' annual financial reports may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814 and www.calpers.ca.gov.

Funding policy

Participants are required to contribute 8% of their annual covered salary. The District makes some of the contributions required of District employees on their behalf and for their account. Currently the District is paying the first 4% leaving the remaining 4% to be paid by the employees. As of July 16, 2013, the District pays 3% leaving the remaining 5% to be paid by employees. The District makes the contributions required of the District's employees on their behalf and for their account. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required contribution rate for the fiscal year ended June 30, 2014, was 23.434%. The contribution requirements of the plan members are established by state statute. The District contributions to CalPERS for the fiscal years ending June 30, 2014, 2013 and 2012, were \$129,138, \$137,511 and \$142,009, respectively, and equal 100% of the required contributions for each year.

I. Segment information

The 2008 Installment Purchase Agreement as described in Note E was issued to finance certain capital improvements in Improvement District Number 4. While water and wastewater services are accounted for in a single fund in these financial statements, the investors in the Installment Purchase agreement rely solely on the revenues of Improvement District Number 4 for repayment.

Summary financial information for Improvement District Number 4 is presented in the supplementary information.

J. Subsequent event

The District's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from the balance sheet date through August 26, 2014, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year financial statements.

BORREGO WATER DISTRICT
SUPPLEMENTARY INFORMATION SECTION
JUNE 30, 2014

**BORREGO WATER DISTRICT
ORGANIZATION
JUNE 30, 2014**

The Board of Directors for the fiscal year ended June 30, 2014, was comprised of the following members:

Name	Office	Term	Term expires
Beth Hart	President	4 Years	December 4, 2014
Lyle Brecht	Vice President	4 Years	December 4, 2014
Marshal Brecht	Treasurer/Secretary	4 Years	December 4, 2014
Lee Estep	Director	4 Years	December 2, 2016
Ray Delahay	Director	4 Years	December 2, 2016

Administration

Name	Position
Jerry Rolwing	General Manager
Kim Pitman	Administration Manager

**BORREGO WATER DISTRICT
ASSESSED VALUATION
JUNE 30, 2014**

The assessed valuation of the Borrego Water District at June 30, 2014, is as follows:

Assessed valuation

Secured property	<u>\$ 341,378,673</u>
Total assessed valuation	<u><u>\$ 341,378,673</u></u>

**BORREGO WATER DISTRICT
IMPROVEMENT DISTRICT NUMBER 4
CONDENSED STATEMENT OF NET POSITION
JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
ASSETS		
Current assets	\$ 2,230,997	\$ 1,514,780
Capital assets, net of depreciation	2,868,877	3,009,992
Other assets	225,008	241,501
TOTAL ASSETS	<u>\$ 5,324,882</u>	<u>\$ 4,766,273</u>
 LIABILITIES AND NET POSITION		
Current liabilities	\$ 192,882	\$ 134,371
Long-term liabilities	<u>2,750,000</u>	<u>2,775,000</u>
Total liabilities	2,942,882	2,909,371
 NET POSITION		
Net investment in capital assets	118,877	234,992
Unrestricted	<u>2,263,123</u>	<u>1,621,910</u>
Total net position	<u>2,382,000</u>	<u>1,856,902</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 5,324,882</u>	<u>\$ 4,766,273</u>

**BORREGO WATER DISTRICT
IMPROVEMENT DISTRICT NUMBER 4
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES		
Water revenue	\$ 1,854,854	\$ 1,661,701
Other income	102,627	90,848
Total operating revenues	<u>1,957,481</u>	<u>1,752,549</u>
OPERATING EXPENSES		
Water operations	729,732	663,289
Depreciation	168,649	169,525
General and administrative	431,613	535,829
Total operating expenses	<u>1,329,994</u>	<u>1,368,643</u>
Gain from operations	627,487	383,906
NON-OPERATING REVENUES (EXPENSES)		
Property taxes	38,370	41,919
Investment income	46	83
Grant income	-	-
Gain (loss) on disposal of assets	-	-
Interest expense	(124,313)	(124,875)
Amortization expense	(16,492)	(16,492)
Total non-operating revenues (expenses)	<u>(102,389)</u>	<u>(99,365)</u>
CHANGE IN NET POSITION	525,098	284,541
NET POSITION, BEGINNING	1,856,902	1,748,158
PRIOR PERIOD ADJUSTMENT	<u>-</u>	<u>(175,797)</u>
NET POSITION, ENDING	<u>\$ 2,382,000</u>	<u>\$ 1,856,902</u>

**BORREGO WATER DISTRICT
IMPROVEMENT DISTRICT NUMBER 4
CONDENSED STATEMENT OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 904,588	\$ 461,251
NET CASH (USED IN) FINANCING ACTIVITIES	(110,443)	(159,251)
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>46</u>	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	794,191	302,000
CASH AND CASH EQUIVALENTS, BEGINNING	<u>1,170,566</u>	<u>868,566</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 1,964,757</u>	<u>\$ 1,170,566</u>

BORREGO WATER DISTRICT
OTHER REPORTS OF INDEPENDENT AUDITORS SECTION
JUNE 30, 2014



**REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Borrego Water District
Borrego Springs, California

We have audited, 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 Auditing requirements for California Special Districts*, the financial statements of Borrego Water District, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Borrego Water 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Borrego Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of Borrego Water 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 audit 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.

**REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Borrego Water 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 audit, 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*.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hosaka, Rotherham & Company

San Diego, California
August 26, 2014

**BORREGO WATER DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

A. Summary of auditor's results

1. Financial statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

2. Federal awards

Internal control over major programs:

One or more material weaknesses identified? Yes N/A No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes N/A None Reported

Type of auditor's report issued on compliance for major programs: N/A

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of Circular A-133? Yes N/A No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
-----------------------	---

The District did not have over \$500,000 in Federal Expenditures.

Dollar threshold used to distinguish between type A and type B programs: N/A

Auditee qualified as low-risk auditee? Yes N/A No

B. Financial statement findings

None

C. Federal award findings and questioned costs

None

**BORREGO WATER DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
JUNE 30, 2014**

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
None	N/A	N/A

VIKING NOTE REFINANCING BOND COUNSEL

Options Investigated: Firm; Bond Attorney; Location; Recommended

- Weist Law – Cameron Weist; Scotts Valley, CA; SternBrothers
- Best Best & Kreiger – Warren Devin; San Diego office; Kelly Salt, BB&K
- Orrick – Jenna Magan; Sacramento office; Morgan Foley

Fee Structure

- Cameron Weist – fixed fee
- BB&K – fixed fee
- Orrick – fixed fee

Contingencies

- Payment only on successful transaction
- Tax-exempt, fixed rate, 15-year amortization
- Private placement w/ single investor
- No public disclosure document
- Transaction closes by end of February 2015
- District counsel does issuer's counsel opinion
- Standard opinion (no special opinions)
- Bond counsel drafts documents after term sheet is agreed to

Bond Counsel

Competent California Bond Counsel

The Weist Law Firm acts as bond counsel in a wide variety of financing transactions. As bond counsel, we either draft or review all necessary resolutions, documents and legal opinions required to structure, issue and sell the municipal bonds undertaken by our clients. We provide the appropriate legal, tax and disclosure advice and act as liaison between the issuer, financial advisor, underwriter, trustee and bondholder.

Taking a Leadership Role in Public Financings

The role of bond counsel shares certain connotations with the role of an NFL quarterback. Bond counsel must possess the leadership skills and other intangible qualities necessary to make sure that each member of the bond financing team knows exactly what is expected, how it is expected to be done, and the timeframe in which each member is expected to perform. Some of the specific tasks and duties of a bond counsel are to:

- Develop the structural framework of the bond transaction
- Attend all city council meetings, board meetings, staff and public meetings
- Responds to queries from developers, ratepayers and the like
- Obtain all government and regulatory approvals
- Verify that all legal requirements of a bond offering are met by the issuer
- Identify and cause the disclosure all the material legal proceedings and other similar eventualities that may affect the offering
- Interpret the laws and regulations regarding taxes, fees, assessments, rate increases, liens and other such matter affecting the revenue sources securing the municipal transaction
- Draft all notices, resolutions, ordinances, certifications, contracts and other such financing documents
- Arrange for and manage the bond closing, including the flow of all funds
- Issue a tax opinion, substantiating that a bond issue is tax exempt
- Prepare a closing transcript of proceedings to document the transaction

Experienced, Accomplished and Dedicated

Providing representation in the area of public finance law for over two decades, The Weist Law Firm provides clients with effective legal services that ensure that their transactions conclude smoothly. Our firm has an enviable track record of shepherding trouble-free bond offerings to the market. We are also known for providing follow-up counsel and advice after the offering has been made public. We believe that our role as bond counsel is not concluded simply because the formal transaction has been finished.

Legal Opinions that are Widely Accepted

The legal opinions issued by our firm are accepted throughout the country by requisite underwriters, banks, investors and lawyers. We are renowned for diligently researching and reviewing every aspect of a public finance transaction meticulously, preemptively avoiding problems for clients, underwriters and investors. We work closely with government staff and elected officials to ensure the success of each public financing project we undertake.

If your special district or municipality is seeking the services of competent bond counsel, contact us online or call the California-based Weist Law Firm at 831-438-7900 to learn more about our experience and record of accomplishment.



Firm Overview

Public Finance / Municipal Bonds

As one of California's leading bond counsel firms, **The Weist Law Firm** has established an outstanding reputation in securities law and municipal bond matters, having advised clients on over \$10 Billion in tax-exempt and taxable transactions.

Handling public securities, our California-based law practice is known for its ability to undertake all types of municipal financing transactions, both routine and complex. We serve federal, state and local governments, banks, investment banking firms and many other entities that seek the counsel of an experienced lawyer in public securities and municipal bond financing matters.

Industry Leader

For over two decades The Weist Law Firm has been a leader in the area of public finance and municipal securities law, annually ranking as one of the most active in the State of California. Our rankings reflect more than simply the volume of transactions handled by The Weist Law Firm for our public finance clients year after year. They are evidence of the consistent quality of service rendered by our firm and the accumulated experience we draw upon to serve clients efficiently, effectively and creatively.

Creating Value

As a compliment to our bond counsel practice, we provide a full range of related services for our clients, such as: working with Successor Agencies, Oversight Boards and California Department of Finance to refund prior agency tax allocation bonds; continuing disclosure compliance; conducting "Prop 218" rate adjustment campaigns; analyzing grant and loan program opportunities; preparing sensitivity reports; formation of joint powers authorities; formation of assessment districts and community facility districts, for both pay-as-you-go public safety components, as well as for backbone infrastructure; arbitrage and rebate compliance; and conducting General Obligation Bond campaigns.

Many of our clients are infrequent issuers of public debt, having not been previously involved in complex public financing projects. We take the time to work with them and ensure that they are full partners in the process. For example, we are a "Recognized Bond Counsel" for certain State and Federal programs such as the USDA Rural Development Grant and Loan Program and certain other such state sponsored low interest grant and loan programs. Our willingness to provide customized personal service, along with our diversity of experience, helps us to competently advise clients on the various opportunities that might be available to them, and about the process - helping them achieve the outcome needed. We counsel cities, towns, counties, schools, tribal nations, special districts and other such entities about the advantages of choosing one form of financing technique or strategy over another. In many cases, a blending of techniques becomes the most advantageous economic strategy. In all cases, we provide clients with all the information they need to successfully conclude a project.

Saving you time and money, increasing financial flexibility, enhancing productivity, and positioning each public project for the future are among the many benefits delivered by our focused, results-oriented practice.

Focusing on Communication with Clients

We have built a reputation with our clients for superior service and excellence. Our law firm has an enviable record in public financing,



Recent Transactions

The following is a partial list of highlighted municipal bond / public finance transactions which The Weist Law Firm (which includes past and present affiliations) has represented either as bond counsel, disclosure counsel, underwriter's counsel or trustee's counsel:

- Successor Agency to the Lemoore Redevelopment Agency, Lemoore Redevelopment Project, Series 2014 Tax Allocation Refunding Bonds: \$15,855,465.00

- Calaveras County Water District, Series 2014 Water Revenue Loan (Water System Improvement Project of 2014), Bank Qualified: \$4,061,933.00

- South Placer Regional Transportation Authority, Lease Revenue Refunding Bonds (Transportation Refunding Project), Tax-Exempt Series 2014A Bonds: \$1,043,840

- Moss Landing Harbor District, Series 2014 Harbor Enterprise Revenue Refunding Bonds (2014 Debt Consolidation and Refunding Project), Bank Qualified: \$4,755,901.00

- Selma Public Financing Authority (Fresno County, California), Series 2014 Assessment Revenue Refunding Bonds (Series 1999A Assessment Revenue Bonds Refunding Project), Bank Qualified: \$955,000.00

- City of Riverbank, Series 2014 Wastewater Revenue Loan (Wastewater System Improvement Project), Bank Qualified: \$5,742,714.75

- County of Mariposa, Refunding Certificates of Participation (County Administration Building Refunding Project): \$8,806,500.00

- Calaveras County Water District, Series 2014 Wastewater Revenue Loan (Wastewater System Improvement Project of 2014), Bank Qualified: \$2,337,528.00

- South Placer Regional Transportation Authority, Lease Revenue Refunding Bonds (Transportation Refunding Project), Taxable Series 2014B Bonds: \$1,191,849

- City of Lemoore, Series 2013 Water Revenue Bonds (2013 Solar Project): \$7,068,000.00

- City of Pacific Grove, Series 2013 Refunding Wastewater Revenue Bonds (Bank Qualified): \$1,220,587.60

- Calaveras County Water District, Fly-In Acres Assessment District, Series 2013 Limited Obligation Improvement Bonds (Bank Qualified): \$2,065,327

- Stinson Beach Water District, Series 2013 Water Revenue Bonds (Bank Qualified): \$1,997,613.97

- Santa Cruz Port District, Series 2013 Enterprise Revenue Bonds (Santa Cruz Harbor Financing Project): \$14,418,960.43

- Santa Cruz Port District, Series 2013 Taxable Enterprise Revenue Bonds (Santa Cruz Harbor Financing Project): \$2,384,445.08

- Santa Cruz Port District, Series 2013 Line of Credit (Santa Cruz Harbor Financing Project): \$4,000,000.00

Attorney Profile

Cameron A. Weist

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Areas of Practice:

- Securities Law
- Government Contracts
- State, Local & Municipal Law
- Election Law
- Joint Exercise of Powers Law
- Bond Counsel
- Public Finance
- Disclosure Counsel
- Underwriter's Counsel
- Municipal Financing
- Build America Bonds
- Assessment District Bonds
- Installment Sale Obligations
- Water and Wastewater Revenue Bonds
- Energy Revenue Bonds
- Tax Credit Bonds
- Recovery Zone Bonds
- Tribal Economic Development Bonds
- Capital Appreciation Bonds
- Industrial Development Bonds
- Tax Allocation Bonds
- General Obligation Bonds
- Leases
- Promissory Notes
- Auction Rate Securities
- Derivative Securities
- Reinvestment Contracts
- Miscellaneous Variations of Swap Contracts

Professional Accolades:

- Peer Review Panelist: Association of Bond Lawyers
- Frequent Guest Lecturer and Panelist
- Educational Symposiums Chairperson
- Speaker at Trade Association Meetings
- Regular Contributor to Municipal Financing Publications

Professional Affiliations:

- State Bar of California

PUBLIC FINANCE

Municipalities, local government entities and special districts throughout California depend on Best Best & Krieger's public finance department as bond counsel for the full variety of available public financing options.

Whether the need is for new money, refunding, or a combination of both, clients rely on our transactional experience to handle all details relating to the authorization, tax-exemption, tax credit, sale and delivery of public securities. In addition to our bond counsel practice, we offer issuers our disclosure counsel services which enable us to accurately describe the issuer's credit story, given our knowledge of federal and California securities laws. We advise our clients on exemptions from applicable statutes, the disclosure requirements, and anti-fraud provisions of applicable securities regulation of the Securities Exchange Act of 1934 and the Securities Act of 1933.

We are leaders in helping our clients finance government infrastructure, economic development projects, public-private partnerships, water and sewer enterprises, transportation infrastructure, schools and housing. We have helped agencies throughout the State raise capital through lease and enterprise revenue borrowing to expand their systems and improve the quality of life for their constituents. We are experts in the use of the Marks Roos and Mello Roos Acts to expand new capital infrastructure.

Our primary public finance clients are municipalities, water and sewer districts, redevelopment agencies, school districts, public-private partnerships and affordable housing agencies. We help issue general obligation bonds, lease and enterprise revenue financings, assessment and special tax bonds, and both single-family and multi-family residential mortgage revenue bonds. Because we understand our clients' financing goals, we can tailor the financing instrument to their specific purposes. We assist them with the use of the variety of credit enhancement techniques to maximize the capital raised for both short-term and long-term, variable and fixed rate borrowings. We also advise clients on the use of derivative instruments, including swaps, forward delivery contracts and related financing instruments.

In addition to assisting public entities with their financing needs, our lawyers handle tax-exempt bond financings for a number of health care, educational and other 501(c)3 not-for-profit clients. Our sophisticated federal tax expertise ensures that all such financings meet all requirements for tax-exemption, if applicable. Our clients may consult with our federal tax expert prior to structuring a financing. During the course of our involvement, we actively include tax analysis. After the bonds have been delivered, we are available to provide on-going tax advice as well as advice on investments, disclosure and administration of the debt.

As state and local governments search for ways to reduce overall capital costs, BB&K continues to stay current with state and federal laws creating new markets. Build America Bonds were a recent debt instrument which expanded the market for public agencies. We assisted many agencies with accessing the new market opportunity. We also continue to review and prepare for additional market opportunities for tax-credit instruments, enterprise zones, or other tax-exempt securities.

PEOPLE

[view 10 people in this practice](#)

PRACTICE AREA NEWS

- ▶ [Moment of Truth: One State, One Water Future](#)
- ▶ [Propositions 218 and 26 Keeping You Awake at Night? Setting Utility Rates Without Counting Sheep](#)
- ▶ [Fight over water rates could limit popular tool to encourage conservation](#)
- ▶ [Stormwater Management Services That Provide a Water Supply Source May Be Funded With Water Service](#)

BBKnowledge
BY BEST BEST & KRIEGER LLP



Warren B. Diven

PARTNER

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Mr. Diven is a partner in the Public Finance practice group of Best Best & Krieger LLP. He has practiced public finance and public agency law for the past 33 years. For the past 26 years, Mr. Diven has specialized in public finance law, acting as lead counsel in engagements involving the following types of financings or finance issues:

Community facilities district bonds; revenue bonds and Certificates of Participation; Mark-Roos bonds; general obligation bonds; assessment district bonds; tax allocation bonds; municipal securities disclosure; assessment district and community facilities district foreclosure proceedings; and restructuring and workouts of distressed assessment districts and community facilities districts.

Mr. Diven has also served as the City Attorney for the Cities of San Marcos and Solana Beach and as general counsel for several community services districts.

Mr. Diven is an active member of the National Association of Bond Lawyers and the California Government Finance Officers' Association. Additionally, he serves on CASTOFF, a state-wide committee of bond lawyers, financial consultants and underwriters addressing issues pertaining to assessment and community facilities district financing and Legal Advisory Committee for the Coalition for Adequate School Housing (CASH). Mr. Diven has served as a speaker and lecturer on general obligation bond, revenue bond, assessment district and community facilities district financings, Propositions 218 and 39, judicial foreclosure proceedings for assessment districts and community facilities districts, restructuring and workouts of distressed assessment districts and community facilities districts and primary and continuing disclosure for various organizations, including the League of California Cities, the City Attorneys Associations of San Diego, Riverside and San Bernardino Counties, the American Public Works Association chapters of San Diego and Los Angeles Counties, the Coalition for Adequate School Housing (CASH) and continuing education programs of the University of California at UCSD, UCLA and UC Davis.

Mr. Diven received his B.A. degree from Kenyon College, Gambier, Ohio, in 1967, and his law degree, with *scholastic merit*, from the Thomas Jefferson School of Law, San Diego, in 1976.

EDUCATION

Thomas Jefferson School of Law, J.D., *scholastic merit* (1976)
Kenyon College, B.A.



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PRACTICE AREAS

- Special Districts
 - Special Taxes, Fees and Charges
- Education Law
 - Business Services & School Facilities
 - School Finance, Developer Fees & Mitigation
- Public Finance
- Municipal Law

NEWS

- Keeping PACE with Energy Efficiency Demand in California
- Financing Clean Energy Program at SoCal Energy Summit 2012
- BB&K Attorneys Write about Financing Large-Scale Solar Projects

Public Finance



Building on a nearly 100-year firm history in public finance that includes the financing of such iconic projects as the Golden Gate Bridge and Carnegie Hall, Orrick's public finance lawyers have handled thousands of public finance transactions, and consistently ranks as the top public finance firm in the United States.

Our clients include municipal issuers, non-profit corporations, Indian tribes, underwriters, private borrowers, credit providers, investment providers, swap/derivative product providers and others in both primary and secondary market transactions.

Unmatched Experience with Municipal Debt

Our experience encompasses every type of project or program financed with municipal debt, whether tax-exempt or taxable, for municipal or private borrowers. Examples include a broad range of infrastructure, cultural, sports, transportation, utility, housing, health care, education, and other projects.

Post-Issuance Compliance and Enforcement Issues

In conjunction with Orrick's wholly owned subsidiary, BLX Group, we also are a leader in helping clients and other municipal market participants with post-issuance compliance and enforcement issues, including arbitrage rebate, continuing disclosure, investment placement and management, program administration, IRS audits, SEC investigations, defaults, bankruptcies, and other workouts.

The Bond Buyer Rankings and Awards

2013 Thomson Reuters Rankings

- No. 1 - Bond Counsel – 310 issues aggregating more than \$32.7 billion dollars with a market share of 10.5%.
- No. 1 Disclosure Counsel – 138 transactions aggregating more than \$27 billion dollars with a market share of 25.6%.
- No. 3 Underwriter's Counsel – 105 transactions aggregating more than \$9.3 billion dollars with a market share of 4.3%.

2013 The Bond Buyer Far West Deal of the Year

The California Pollution Control Financing Authority's \$733 million sale of water furnishing revenue bonds issued on behalf of the San Diego County Water Authority to fund the Carlsbad Desalination Project. The deal was executed as a public-private partnership with Poseidon Resources and represents the first-ever project financing of a seawater desalination plant in the municipal market, establishing a new asset class for investors.

Contact

Roger L. Davis

Lawyers who practice in this area

> [In the News](#)

> [Events](#)

> [Recent Publications](#)

BLX Group

[Public Finance Green Book Series](#)

[Public Finance Webinars and Podcasts](#)



Jenna Magan

Partner
Public Finance

Sacramento

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vcmagan@orrick.com

Profile

Jenna Magan is a Partner in Orrick's Public Finance Department and is the chair of the Public Finance Department's Higher Education and Healthcare Practice Group. Jenna has completed several hundred public finance transactions, providing her with a broad expertise in a number of public finance practice areas. Jenna has worked on virtually all structures available in public finance, including fixed and variable, tax-exempt and taxable, insured (including FHA mortgage insurance), letter of credit (including FHLB wraps) and liquidity supported bonds, conversions, restructurings and reofferings, senior/subordinate, capital appreciation and convertible capital appreciation bonds, securitizations, project finance, direct purchases, bank-qualified transactions and 144A offerings.

Since joining Orrick in 1992, Jenna has acted as bond, disclosure, underwriter's, bank/direct purchaser's and issuer's counsel for the following types of transactions.

Healthcare, Senior Living and Other 501(c)(3) Financings. Healthcare borrowers include large and small healthcare providers, systems and stand-alone facilities, federally qualified health centers, non-profits and hospital districts. Jenna's healthcare borrowers include Cedars-Sinai Medical Center, Children's Hospital Los Angeles, Rady Children's Hospital San Diego, Lodi Memorial Hospital, Henry Mayo Newhall Memorial Hospital, Delano Regional Medical Center, Methodist Hospital of Southern California and Tucson Medical Center.

Senior living borrowers include CCRC's, independent living facilities, assisted living facilities and skilled nursing facilities. Jenna's senior living borrowers include Front Porch, The Episcopal Home, On Lok Senior Health Services, California-Nevada Methodist Homes, Paradise Valley Estates, Northern California Presbyterian Homes and Services, Air Force Village West and La Loma Senior Living Services.

Practices

- Public Finance
- Airport and Port Financing
- General Obligation Bonds
- Health Care Financing
- Higher Education and Student Loan Financing
- Lease Revenue and Certificates of Participation
- Pension Obligation Bond Financing
- Revenue Bond Financing
- School Finance
- Short-Term Financing
- Swaps and Other Hedges
- Tobacco Securitizations
- Transportation Finance
- Water and Wastewater



DATA REQUEST LIST

Agency: Borrego Water District

Study: Water and Wastewater Rate, Connection Fee, and Miscellaneous Fee Study

Date: October 15, 2014

The following is a preliminary list of data requirements to conduct the Water and Wastewater Rate Study, Connection Fee Study, and Miscellaneous Fee Study for the Borrego Water District (District). Whenever possible, we would appreciate it if the District can provide the requested data in electronic format in Microsoft Access or **Microsoft Excel**. We anticipate that this initial list will encompass the majority of the information necessary to conduct the studies, however, if during our analysis we determine that additional data is required we will notify the District at that time.

GENERAL INFORMATION (ALL UTILITIES)

1. Financial Information:

- a. Detailed Operating Budget for FYE2013 and FYE2014 (actuals)
- b. Adopted Budget FY 2014-2015, if available
- c. Long-term Capital Improvement Plan (CIP) including funding sources, separated by CIP that is growth related versus replacement and refurbishment (R&R)
 - i. Project Description
 - ii. Annual project costs, including studies, design, and construction costs
- d. Debt Service payment schedules and the appropriate section of the Official Statements that describes the calculation associated with coverage ratio for all existing debts, if any.
- e. Estimated beginning and ending balances of the enterprise's unrestricted and restricted reserves at the end of fiscal year 2013-14 (e.g. operating, capital, rate stabilization, etc.)
- f. Detailed schedule of revenues for the past two fiscal years and projected revenues for the current fiscal year (FYE 2013, FYE 2014, and projected FYE 2015)
- g. Current adopted financial policies, if any
- h. Any strategic / long-term planning documents identifying District's goals or objectives

WATER RATE STUDY

It is important that the consumption data is cleaned for duplicates and that negative values are removed. Our analysis will be based on the data made available to us.

- 1. Detailed Water Account and Monthly Consumption Data:** identifies each individual customer account and provides an accounting of water consumption by each account over a 24-month period (FYE 2013 & 2014). The data will include one record per account per billing period for those months that the account received a bill
 - a. Unique account number – It is important that there be no duplicates
 - b. Meter size - For compound meters with multiple dials, the meter size should be identified in the same manner as that used to determine the monthly meter charge
 - c. Tenant Type/Customer Type - Either single-family, multifamily, irrigation or commercial. If needed, provide a separate table to explain the coding
 - d. Number of dwelling units served by the meter – (for multifamily residential customers). If there are multiple meters, the number of dwelling units should account for these situations
 - e. Improvement District Zone
 - f. Read Date - the month and year to which the consumption is ascribed. Taken together, the account number and date should have no duplicates
 - g. Days of Service (DOS) – number of days in the billing period
 - h. Billed Consumption - this is the consumption occurring in the billing period for the account. The units should be consistent with the units used to create the bill (i.e., rounded appropriately, etc.) For compound meters, the consumption on all relevant dials should be summed to create this value
 - i. Billed Amount – the total billed amount for the billing period for the account
- 2. Water Account and Usage Summary:**
 - a. Water Account and Usage Summary
 - i. In aggregate, summary of water usage by customer class for last two fiscal years
 - ii. Independent from the individual account detail requested above, please provide a summary report reflecting number of water accounts by customer classes, by meter size
 - b. Number of public fire hydrants and private fire lines by size, if readily available
- 3. Other Documents:**
 - a. Maximum day and maximum hour peaking factors for the system (typically in latest Master Plan)
 - b. Water supply information by source for the last two fiscal years and projections for the study period, if available
 - i. Quantity available in acre ft
 - ii. Unit cost in \$/acre ft
 - iii. Water production in the last 2 fiscal years
 - iv. Estimated system water loss (as a percentage)

WASTEWATER RATE STUDY

1. **Wastewater Account and Flow Information:** identifies each individual customer account and provides an accounting of flow by each account over a 24-month period (FYE 2013 & 2014). The data will include one record per account per billing period for those months that the account received a bill
 - a. Unique account number – It is important that there be no duplicates in this table
 - b. Tenant Type/Customer classifications
 - i. EDU definitions – flows and strengths
 - c. # of customers/# of EDU's by customer classification
 - d. Days of Service (DOS) – number of days in the billing period.
 - e. Billed HCF – this is the flow occurring in the billing period for the account. The units should be consistent with the units used to create the bill (i.e. rounded appropriately, etc.)
 - f. Inflow & Filtration (I&I) info
2. **Wastewater Account and Flow Summary:**
 - a. Number of accounts by customer classes for the last two fiscal years
 - b. Total flow by customer classes for the last two fiscal years

CONNECTION AND CAPACITY FEE STUDY

1. **Current Asset Lists by service area – List of individual assets including the following fields:**
 - a. Asset descriptions
 - b. Fund Number
 - c. Asset Functionality (Source of Supply, Water Supply Reliability, Transmission, Booster Pumping, Distribution, Treatment & Storage, General, etc.)
 - d. Original cost
 - e. Useful life
 - f. Installed date or date put in service
 - g. Capacity – Current utilization & max capacity
2. **Master Plans to determine future growth and total water demand for each utility enterprise:**
 - a. Future growth or ultimate water demand (Water, Wastewater)
 - i. For Capacity Fee Study we need total expected demand at Build-Out
 - b. Future capital projects identifying fund number and functionality (same as asset list), costs, capacity served by each project and percentage of capacity to serve existing customers, if applicable
 - i. For Capacity Fee Study, please provide most recent Master Plan through build-out

3. Financial Information:

- a. Estimated ending balances of each reserve for the prior fiscal year (FYE 2014)
- b. Debt Obligations
 - i. Estimated remaining proceeds, if any
 - ii. Percentage of Debt Service allocated to growth and list of facilities that were funded through bond issues

4. Other Documents:

- a. Most recent Urban Water Management Plan
- b. Any property related revenues that are dedicated to CIP for each enterprise.
 - i. Describe and estimate annual revenues for each source
- c. Any additional documentation, *excel* files, or reports describing the current fee approach and calculations
 - Note: RFC received the “Capital Improvement Program and Review of Capacity Fees” excerpt from the Master Plan
- d. Current Capacity Fee Schedule by fee component

MISCELLANEOUS FEES

1. Miscellaneous Fees:

- a. Number of employees by position title for each Department. Please include the following for each position:
 - i. Current Fiscal Year Salary and Benefits
 - ii. Number of Full Time-Equivalents in each utility department (FTE’s)
- b. Estimated Productive Hours.
 - i. Productive Hours are typically calculated starting with 2080 hours (52 weeks x 40 hours), then adjusting for vacations, holidays, admin time (meetings), etc.
- c. List of Fees to review and determine full-cost recovery

RESOLUTION NO. 2014-10-02

**A RESOLUTION OF THE BOARD OF DIRECTORS
OF THE BORREGO WATER DISTRICT SUPPORTING
THE EFFORTS OF THE BORREGO SPRINGS
STEWARDSHIP COUNCIL TO ESTABLISH THE
DESTINATION BORREGO SPRINGS CAMPAIGN**

WHEREAS, the Borrego Springs Stewardship Council (the “Council”) was formed, among other reasons, to provide a vehicle for promoting the natural wonders and recreational activities in the Borrego Springs area; and

WHEREAS, members of the Council have contributed their efforts toward gaining national and international recognition of the many opportunities for visitors to the Borrego Springs area, including the Anza-Borrego Desert State Park, Borrego Springs as an International Dark Sky Community, golf courses and resorts, and serves as the home for numerous examples of notable art, architecture, educational and recreational resources, to tourists; and

WHEREAS, the Council has developed the “Borrego Springs Stewardship Council Geotourism Charter,” (the “Charter”) for the purpose of creating a commitment of stewardship and sustainability by members of the Borrego Springs community, in order to promote, sustain, and enhance the geographical character of Borrego Springs for the benefit of the community and generations of tourists to come.

NOW, THEREFORE, IT IS HEREBY RESOLVED by the Board of Directors of the Borrego Springs Water District, as follows:

Section 1. That the Board of Directors supports the efforts of the Borrego Springs Stewardship Council to establish the Destination Borrego Springs campaign, in order to manage and promote all of the resources of the Borrego Springs community in a manner that protects the biodiversity of the community and surrounding areas.

Section 2. That the Board of Directors encourages its employees, residents, and customers, to consider participating in the stewardship of the many assets and amenities in the Borrego Springs area, not only those created through the efforts of the community but also those natural resources that must be preserved for our children and grandchildren, and beyond, when working, recreating, and traveling throughout the Borrego Springs area.

RESOLUTION NO. 2014-10-01

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE
BORREGO WATER DISTRICT REVISING THE SCHEDULE
OF REGULAR MEETINGS**

WHEREAS, on June 14, 1983, this Board of Directors adopted Ordinance No. 83-1 establishing the Administrative Code of the Borrego Water District (“Administrative Code”) pursuant to the specific and implied grants of authority in Division 13, commencing with Section 34000, of the Water Code of the State of California to serve in part as the Bylaws of the Borrego Water District as required by Section 35300 et seq. of the Water Code; and

WHEREAS, Section 4.1.1 of the Administrative Code as adopted by Ordinance No. 83-1 established a schedule of the regular meetings of the Board of Directors; and

WHEREAS, on February 28, 2007 the Board of Directors adopted Ordinance No. 07-1 amending Section 4.1.1 of the Administrative Code governing the date and time of regular meetings of the Board of Directors to read: “4.1.1 Regular Meetings. Regular meetings of the Board shall be held pursuant to such schedule as the Board may adopt by Resolution from time to time. In the event the regular meeting date falls on a holiday designated in Section 6700 of the Government Code, a regular meeting of the Board of the cancellation of a regular meeting or meetings may be made by a majority vote of the members of the Board at least fifteen (15) days prior to the change or cancellation. A determination to change or cancel a regular meeting must be made at a regular or special meeting of the Board;” and

WHEREAS, the Board of Directors adopted Resolution 2007-2-1 on February 28, 2007 setting its regular board meetings at 9:00 a.m. on the second and fourth Wednesday of each month.

WHEREAS, the Board of Directors Adopted Resolution 2008-9-03 on September 24, 2008 setting its regular board meetings at 9:15 a.m. on the fourth Wednesday of every month.

WHEREAS, the Board of Directors adopted Resolution 2009-09-03 on September 16, 2009 setting its regular meetings for the months of October, November and December 2009 on the third Wednesday of such months.

WHEREAS, the Board of Directors adopted Resolution 2011-02-01 on February 15, 2011 setting its regular meetings at 9:00 a.m. on the fourth Wednesday of the month.

WHEREAS, pursuant to Ordinance 07-1, the Board of Directors desires to revise the schedule for its regular meetings.

NOW, THEREFORE, the Board of Directors of the Borrego Water District does hereby resolve, determine and order as follows:

Section 1. The Board of Directors of the Borrego Water District shall hold its regular meetings at 9:00 a.m. on the fourth Wednesday of each month.

Section 2. Notwithstanding Section 1, above, the regular meetings of the Board of Directors of the Borrego Water District for the months of November and December 2014 shall be held on the third Wednesday of such months (November 19th and December 17th, 2014).

	Contract / Project	January	February	March	April	May	June
	PAYMENTS						
1	Viking - payment due on 5th anniversary						
2	T2 Borrego	1/1/15: Pay spare cost in advance			Raffelis spare capacity cost analysis	5/1/15 Notice of 2015/2016 spare capacity due.	6/15/15: commitment of annual spare capacity due from T2 6/30/15: T2 to fallow 200 acre feet 6/30/15; T2 to pay BWD \$110 per a/f over 800.
3	Airport Access Permits						Annual Renewal Due
4	P & I Payment for ID4 COP's			1st half of payments due			
6	CONTRACTS						
7	American Red Cross-can cancel any time for any reason						
8	Club Circle (Cameron)		option to renew lease by 2/28/2015				Lease expires 6/30/2015
9	Green Desert Landscape		discuss w/ Bob the option of continuing with contract 2/28/2015				Agreement expires 6/30/2015
10	JC Labs	1/15/2015 agreement expires/thereafter month to month.					
11	Konika Minolta						
12	Secap - postage machine				4/1/2017 send letter of cancellation if desired		
13	San Diego Mailing Solutions (Annual maintenance - postage and stuffer machine)						
14	Ramona Disposal - Club Circle						
15	Ramona Disposal - BWD Dumpsters						
16	REPORTS						
17	CASGEM				Submit CASGEM water level data		
18	CCR						
19	Cameron Bros. Water Usage Report (golf course) to county						
20	Santago Estate						Occupancy report due
21	Annual EAR Report (CDHS)			Due 3/31 for previous year			
22	Check fallow property for water usage						
23	ADMINISTRATIVE						
24	Audit					Begin audit	
25	Budget			Pump check	CIP meeting, draft budget document	Final Budget document / FY Rate Resolution	
26	Investment Policy						Investment polices restated
27	Rates	Begin 218 process for FY 2016	218 Public Hearing I for FY 2016				
28	Special Assessments / tax bill resolutions-Taussig						Special Assessments resolutions due
29	Town Hall Meeting			2015			
30	Elections						
31	Water Credit repricing			2015			

	July	August	September	October	November	December
1	7/8/2017 payment due spare capacity lease					
2	7/1/17: establish water budget					12/31/14: T2 to purchase land to fallow 12/31/18 lease expires
3						
4			2nd half of payments due			
6						
7						
8						
9	Cost of Water Adjustment each July 1st. With Cameron					
10						
11	Lease contract expires 7/2015					
12	lease expires 7/2017					
13		Annual maintenance contract expires 10/6/15.				
14		contact RDS re: contract renewal 2015				rate valid until 12/2015
15		contact RDS re: contract renewal 2015				rate valid until 12/2015
16						
17					Submit CASGEM water level data	
18				10/1/14 Mail CCR Certification form		
19				Send to County DPLU by 10/31		
20						
21						
22			Annual fallow property check			
23						
24			Review of draft audit report			
25						
26						
27			Raftelis begins financial plan for FY 2016	218 Public Hearing II for FY 2016		
28						
29						
30					New board is elected	
31						

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	C	D	AV	AZ	BA	BB
1	BWD CASH FLOW					
2			ADOPTED	ACTUAL	PROJECTED	ACTUAL
3	2014-2015					
4			BUDGET	SEPTEMBER	SEPTEMBER	YTD
5			2014-2015	2014	2014	2014-2015
6	REVENUE					
7	WATER REVENUE					
7	Residential Water Sales		899,221	96,838	75,080	270,594
8	Commercial Water Sales		120,570	11,275	9,651	33,828
9	Irrigation Water Sales		142,918	12,191	15,646	63,254
10	GWM Surcharge		114,930	11,659	10,258	33,803
11	Water Sales Power Portion		364,158	37,639	32,070	107,994
12	Readiness Water Charge		1,080,000	94,305	94,000	283,643
13	Readiness Water Charge - Liened properties		27,600	568	750	568
14	RH Golf Course surplus capacity lease			0	0	189,630
15	Meter Installation		5,809	0	0	-
16	Water hook-up charge			0	0	-
17	Reconnect Fees		4,080	0	340	680
18	Backflow Testing/installation		4,600	0	0	(212)
19	Bulk Water Sales		3,500	100	0	182
20	Penalty & Interest Water Collection		6,000	1,214	500	4,236
21	TOTAL WATER REVENUE:		2,773,387	265,789	238,295	988,200
22		Receivables				
23	PROPERTY ASSESSMENTS/AVAILABILITY CHARGES	as of 10/08/14				
24	641500 1% Property Assessments	68,118	64,625	630	630	1,513
25	641502 Property Assess wtr/swr/flid (25 parcels \$66 ea(1,650))	108,079	1,650	236	236	236
27	641501 Water avail Standby	100,822	82,559	795	795	1,832
29	641504 ID 3 Water Standby (La Casa)	35,966	33,722	0	0	-
30	641503 Pest standby	20,139	17,938	96	96	209
31	TOTAL PROPERTY ASSES/AVAIL CHARGES:	333,124	200,493	1,756	1,756	3,789
32						
33	SEWER SERVICE CHARGES					
34	Town Center Sewer Holder's Fees		170,190	14,274	14,274	42,821
35	Town Center Sewer User Fees		38,040	3,320	3,170	6,640
36	Sewer user Fees		345,125	26,416	30,250	81,852
37	Sewer-liened		2,160	0	180	-
38	Penalty Interest-Sewer			10	0	10
39	Sewer Capacity Fees			0	0	-
40	TOTAL SEWER SERVICE CHARGES:		555,515	44,019	47,874	131,323
41						
42	OTHER INCOME					
44	Annexation Fees			0	0	-
45	Fire Hydrant Installation			0	0	-
46	Miscellaneous Income (net csd fee/JPIA rebate/check free)		15,880	84	80	268
47	Water Credits income		8,250	0	0	2,500
51	Interest Income		80	2	2	6
52	TOTAL OTHER INCOME:		24,210	86	82	2,774
53						
54	TOTAL INCOME:		3,553,605	311,650	288,006	1,126,087
55						
56	CASH BASIS ADJUSTMENTS					
57	Decrease (Increase) in Accounts Receivable			(15,899)	0	(8,386)
58	CC Golf Equipment receivable		2,270	189	189	568
59	Other Cash Basis Adjustments-Construction meter deposit			850	0	1,700
60	TOTAL CASH BASIS ADJUSTMENTS:		2,270	(14,860)	189	(6,119)
61						
62	TOTAL INCOME RECEIVED:		3,555,875	296,790	288,195	1,119,968

	BH	BI	BJ	BK	BL	BM	BN	BO	BP	BQ
1										
2	YTD + PROJ MONTHS>>	PROJECTED	PROJECTED	PROJECTED	PROJECTED	PROJECTED	PROJECTED	PROJECTED	PROJECTED	PROJECTED
3	PROJECTED	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE
4	2014-2015	2014	2014	2014	2015	2015	2015	2015	2015	2015
5										
6										
7	927,151	82,109	78,774	62,765	65,341	58,160	53,226	80,272	81,896	94,016
8	121,173	10,787	10,043	8,118	9,864	7,954	9,228	10,861	10,688	9,801
9	160,495	18,639	12,863	9,098	9,721	7,221	5,867	9,706	11,276	12,850
10	116,277	11,178	10,287	8,154	8,657	7,475	6,636	9,882	10,157	10,050
11	368,593	34,957	32,129	25,490	27,073	23,375	21,988	32,612	30,818	32,157
12	1,129,643	94,000	94,000	94,000	94,000	94,000	94,000	94,000	94,000	94,000
13	7,318	750	750	750	750	750	750	750	750	750
14	189,630	0	0	0	0	0	0	0	0	0
15	5,809	0	0	0	0	5,809	0	0	0	0
16	0	0	0	0	0	0	0	0	0	0
17	3,740	340	340	340	340	340	340	340	340	340
18	4,388	0	0	0	4,600	0	0	0	0	0
19	3,640	0	750	0	0	484	343	482	750	650
20	8,736	500	500	500	500	500	500	500	500	500
21	3,046,593	253,260	240,435	209,214	220,845	206,067	192,879	239,405	241,174	255,114
22										
23										
24	64,281	500	1,995	21,031	10,822	1,673	1,610	15,990	7,882	1,267
25	2,111	226	0	1,650	0	0	0	0	0	0
27	82,682	571	6,180	21,949	22,601	2,726	3,044	5,292	14,332	4,156
29	33,814	203	1,070	15,015	12,713	439	584	1,046	2,254	490
30	17,963	84	400	4,559	6,759	377	394	2,063	2,597	523
31	200,851	1,583	9,645	64,203	52,894	5,215	5,632	24,390	27,065	6,435
32										
33										
34	170,190	14,274	14,274	14,274	14,274	14,274	14,000	14,000	14,000	14,000
35	35,170	3,170	3,170	3,170	3,170	3,170	3,170	3,170	3,170	3,170
36	354,102	30,250	30,250	30,250	30,250	30,250	30,250	30,250	30,250	30,250
37	1,620	180	180	180	180	180	180	180	180	180
38	10	0	0	0	0	0	0	0	0	0
39	0	0	0	0	0	0	0	0	0	0
40	561,092	47,874	47,874	47,874	47,874	47,874	47,600	47,600	47,600	47,600
41										
42										
44	0	0	0	0	0	0	0	0	0	0
45	0	0	0	0	0	0	0	0	0	0
46	15,908	80	80	80	80	15,000	80	80	80	80
47	10,750	2,750	0	2,750	0	0	0	2,750	0	0
51	80	16	2	2	16	2	2	16	2	16
52	26,738	2,846	82	2,832	96	15,002	82	2,846	82	96
53	0									
54	3,835,274	305,562	298,036	324,123	321,709	274,157	246,193	314,240	315,921	309,245
55										
56										
57	(8,386)	0	0	0	0	0	0	0	0	0
58	2,270	189	189	189	189	189	189	189	189	189
59	1,700	0	0	0	0	0	0	0	0	0
60	(4,417)	189	189	189	189	189	189	189	189	189
61										
62	3,830,857	305,751	298,225	324,312	321,898	274,346	246,382	314,429	316,111	309,434

	C	D	AV	AZ	BA	BB
1	BWD CASH FLOW					
2			ADOPTED	ACTUAL	PROJECTED	ACTUAL
3	2014-2015		BUDGET	SEPTEMBER	SEPTEMBER	YTD
4			2014-2015	2014	2014	2014-2015
63	EXPENSES					
64						
65	MAINTENANCE EXPENSE					
66	R & M Buildings & Equipment		142,000	25,151	12,000	55,543
67	R & M - WWTP		60,000	6,607	5,000	8,397
68	Telemetry		20,000	0	1,500	-
69	Trash Removal		3,600	174	300	748
70	Vehicle Expense		18,000	3,943	1,000	8,018
71	Fuel & Oil		33,000	2,181	2,750	7,248
72	TOTAL MAINTENANCE EXPENSE:		276,600	38,055	22,550	79,954
73						
74	PROFESSIONAL SERVICES EXPENSE					
75	Tax Accounting (Tausig)		3,000	517	0	517
76	Administrative Services (ADP/Bank Fees)		6,000	545	500	1,069
77	Audit Fees		14,439	4,813	0	14,439
78	Computer billing-TBD		18,250	700	750	1,273
79	Consulting/Technical/Contract Labor		1,200	0	100	-
80	Engineering		35,000	74,680	2,900	60,594
81	District Legal Services		20,000	974	1,500	5,993
82	Testing/lab work		18,000	715	450	2,110
83	Regulatory Permit Fees		38,000	3,165	4,000	3,178
84	TOTAL PROFESSIONAL SERVICES EXPENSE:		153,889	86,107	10,200	89,173
85						
86	INSURANCE/DEBT EXPENSE					
87	ACWA Insurance		74,000	23,281	23,281	23,281
88	Workers Comp		14,400	3,821	3,600	3,821
89	COP 2008 Installment		255,713	0	0	196,875
90	TOTAL INSURANCE/DEBT EXPENSE:		344,113	27,102	26,881	223,977
91						
92	PERSONNEL EXPENSE					
93	Board Meeting Expense (board stipend/board secretary)		12,870	1,130	1,170	2,230
94	Salaries & Wages (gross)		730,000	64,141	60,852	185,383
95	Taxes on Payroll		15,500	1,014	900	2,818
96	Medical Insurance Benefits	+5% Jan-June :	180,000	14,583	14,583	58,332
97	Calpers Retirement Benefits		162,000	13,485	13,500	40,222
98	Salaries & Wages contra account		(12,195)	(990)	(1,170)	(1,980)
99	Conference/Conventions/Training/Seminars		7,000	333	1,900	3,795
100	TOTAL PERSONNEL EXPENSE:		1,095,175	93,696	91,735	290,799
101						
102	OFFICE EXPENSE					
103	Office Supplies		18,000	1,115	1,500	4,312
104	Office Equipment/ Rental/Maintenance Agreements		25,000	564	5,350	11,416
105	Postage & Freight		13,000	2,182	50	6,235
106	Taxes on Property		2,366	0	0	-
107	Telephone/Answering Service		7,674	668	668	1,990
108	Dues & Subscriptions		3,970	36	339	529
109	Printing, Publications & Notices		838	0	0	-
110	Uniforms		6,000	309	500	1,146
111	OSHA Requirements/Emergency preparedness		4,500	0	375	-
112	TOTAL OFFICE EXPENSE:		81,347	4,873	8,782	25,627
113						
114	UTILITIES EXPENSE					
115	Pumping-Electricity		360,000	43,780	40,000	143,604
116	Office/Shop Utilities		17,319	2,361	1,960	7,192
117	Cellular Phone		8,000	577	667	1,540
118	TOTAL UTILITIES EXPENSE:		385,319	46,719	42,627	152,337
119						
120	TOTAL EXPENSES:		2,336,442	296,553	202,774	861,868
121						
122	CASH BASIS ADJUSTMENTS					
123	Decrease (Increase) in Accounts Payable			(30,803)	0	62,477
124	Increase (Decrease) in Inventory			7,356	0	3,408
125	Other Cash Basis Adjustments				0	1,160
126	TOTAL CASH BASIS ADJUSTMENTS:			(23,447)	0	67,045
127						
128	TOTAL EXPENSES PAID:		2,336,442	273,106	202,774	928,913
129						
130	NET CASH FLOW (O&M)		1,219,433	23,683	85,421	191,055

	BH	BI	BJ	BK	BL	BM	BN	BO	BP	BQ
1										
2	YTD + PROJ MONTHS>>	PROJECTED	PROJECTED	PROJECTED	PROJECTED	PROJECTED	PROJECTED	PROJECTED	PROJECTED	PROJECTED
3	PROJECTED	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE
4	2014-2015	2014	2014	2014	2015	2015	2015	2015	2015	2015
63										
64										
65										
66	161,543	12,000	12,000	12,000	12,000	12,000	12,000	12,000	11,000	11,000
67	53,397	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
68	15,500	1,500	2,000	1,500	2,000	1,500	2,000	1,500	2,000	1,500
69	3,448	300	300	300	300	300	300	300	300	300
70	23,018	1,675	1,487	1,838	2,000	2,000	1,500	1,500	1,500	1,500
71	31,998	2,750	2,750	2,750	2,750	2,750	2,750	2,750	2,750	2,750
72	288,904	23,225	23,537	23,388	24,050	23,550	23,550	23,050	22,550	22,050
73										
74										
75	2,017	0	0	0	0	0	0	0	0	1,500
76	5,569	500	500	500	500	500	500	500	500	500
77	14,439	0	0	0	0	0	0	0	0	0
78	8,023	750	750	750	750	750	750	750	750	750
79	900	100	100	100	100	100	100	100	100	100
80	13,514	(70,280)	2,900	2,900	2,900	2,900	2,900	2,900	2,900	2,900
81	21,493	1,500	2,000	1,500	2,000	1,500	2,000	1,500	2,000	1,500
82	15,215	990	1,220	1,050	2,720	1,725	1,200	1,200	1,500	1,500
83	34,678	500	18,080	500	1,500	500	4,722	399	3,175	2,123
84	115,848	(65,940)	25,550	7,300	10,470	7,975	12,172	7,349	10,925	10,873
85										
86										
87	67,281	0	0	0	0	0	11,000	33,000	0	0
88	14,621	0	0	3,600	0	0	3,600	0	0	3,600
89	255,713	0	0	0	0	0	58,838	0	0	0
90	337,615	0	0	3,600	0	0	73,438	33,000	0	3,600
91										
92										
93	12,760	1,170	1,170	1,170	1,170	1,170	1,170	1,170	1,170	1,170
94	733,214	62,472	62,611	62,472	62,499	57,611	59,231	60,852	60,852	59,231
95	15,718	900	1,100	930	3,500	1,700	1,200	1,500	1,100	970
96	180,001	14,583	14,583	14,583	15,584	15,584	15,584	15,584	15,584	0
97	161,722	13,500	13,500	13,500	13,500	13,500	13,500	13,500	13,500	13,500
98	(11,835)	(1,170)	(1,170)	(1,170)	(1,170)	(495)	(1,170)	(1,170)	(1,170)	(1,170)
99	7,895	700	1,000	600	100	400	500	100	600	100
100	1,099,475	92,155	92,794	92,085	95,183	89,470	90,015	91,536	91,636	73,801
101										
102										
103	17,812	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
104	27,666	2,650	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700
105	13,000	20	2,000	20	2,014	0	2,020	50	591	50
106	2,366	2,188	0	0	177	0	0	0	0	0
107	7,784	645	617	596	627	511	700	700	700	700
108	3,578	0	0	25	237	132	200	2,360	50	45
109	766	550	0	0	0	0	116	0	0	100
110	5,646	500	500	500	500	500	500	500	500	500
111	3,375	375	375	375	375	375	375	375	375	375
112	81,992	8,429	6,692	4,715	7,130	4,717	7,111	7,185	5,416	4,970
113										
114										
115	503,604	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
116	18,457	1,313	1,185	1,174	1,384	1,192	1,032	1,179	1,237	1,570
117	7,539	667	667	667	667	667	666	666	666	666
118	529,601	41,980	41,852	41,841	42,051	41,859	41,698	41,845	41,903	42,236
119										
120	2,453,435	99,849	190,425	172,929	178,884	167,571	247,984	203,964	172,430	157,530
121										
122										
123	104,854	42,377	0	0	0	0	0	0	0	0
124	3,408	0	0	0	0	0	0	0	0	0
125	1,160	0	0	0	0	0	0	0	0	0
126	109,422	42,377	0	0	0	0	0	0	0	0
127										
128	2,562,857	142,226	190,425	172,929	178,884	167,571	247,984	203,964	172,430	157,530
129										
130	1,310,377	205,903	107,800	151,382	143,014	106,776	(1,602)	110,465	143,681	151,904

	C	D	AV	AZ	BA	BB
1	BWD CASH FLOW					
2			ADOPTED	ACTUAL	PROJECTED	ACTUAL
3	2014-2015		BUDGET	SEPTEMBER	SEPTEMBER	YTD
4			2014-2015	2014	2014	2014-2015
131	NON O & M EXPENSES					
132	USGS Basin study			3,526	3,526	3,526
133	GWM -Plan Completion		15,000	7,763	1,250	11,570
140	Twin Tanks, 1970's-inside coating (rescheduled into 2015-2016)					-
142	ID4, Reducing Station design and installation (rescheduled to 2014-2015)					-
146	ID 5, Reducing Station design and installation(rescheduled to 2014-2015)		10,000		10,000	-
147	GWM-Plan conversion to IRWM		35,000		3,500	-
148	Application for IRWMP round three implementation		35,000		3,500	-
149	Collection system repairs \$25,000/manhole replacement \$50,000		75,000			-
151	Lugo building repairs		5,000		400	-
152	Pipeline-Country Club Road Booster Sta #3 south to Slash M					-
154	Rewind motors-ID1-10/ID4-11(rescheduled to 2014-2015)				15,000	-
155	Rewind motors-ID1-12/ID5-5		30,000			-
156	ID 1-16 pump and casing cleaning(rescheduled to 2014-2015)					96,269
157	ID4-4 pump and casing cleaning		60,000			-
159	Booster Station Motors		16,000		8,000	-
160	WWTP-Skid Steer		65,000		65,000	-
161	WWTP-Portable engine driven pump		10,000			-
162	WWTP-Rehab grit chamber & sludge holding tank diffuser system		30,000			-
163	WWTP-Jetting & Vactor Truck Service		10,000			-
164	WWTP-Rehab Clarifier		40,000			-
165	WWTP-Video Collection Lines		25,000			-
170	218 Process		110,000			-
171	Circle J Pipeline project		57,000			-
172	Trailer to haul pipe		10,000			-
173	Air Quality Compliance		40,000			-
174	New Computer for server		10,000		10,000	-
175	TOTAL NON O&M EXPENSES		688,000	11,289	120,176	111,365
176						
177	CASH RECAP					
178	Cash beginning of period		1,688,382	2,036,349	2,036,349	1,969,053
179	Net Cash Flow (O&M)		1,219,433	23,683	85,421	191,055
180	Total Non O&M Expenses		(688,000)	(11,289)	(120,176)	(111,365)
181	CASH AT END OF PERIOD		2,219,815	2,048,743	2,001,593	2,048,743
182						
183	RESERVES					
184	Working Capital (4 months)		(750,000)		(750,000)	
185	Viking Ranch		(300,000)		(300,000)	
186	Available for Emergency Reserves		1,169,815		951,593	
187	Target Emergency Reserves		2,000,000		2,000,000	
188	Emergency Reserves Deficit		(830,185)		(1,048,407)	
189						
190	SIGNIFICANT ITEMS		ACTUAL	PROJECTED		
191						
192	Residential Water Sales	96,838	75,080	Extra production for T2		
193	Audit Fees	4,813	0	Paid in Sept. Projected in Oct.		
194	Salaries & Wages (gross)	64,141	60,852	Excess OT due to water main breaks		
195	R & M Buildings & Equipment	25,151	12,000	System improvements to mall-\$9,000		
196	Office Equipment/ Rental/Maintenance Agreements	564	5,350	Projection off-misc. agreements paid in Aug.		
197	Vehicle Expense	3,943	1,000	Repair Ford F-150		
198	Engineering	86,107	2,900	T2 costs to be reimbursed-\$73,180		

	BH	BI	BJ	BK	BL	BM	BN	BO	BP	BQ
1										
2	YTD + PROJ MONTHS>>	PROJECTED	PROJECTED	PROJECTED	PROJECTED	PROJECTED	PROJECTED	PROJECTED	PROJECTED	PROJECTED
3	PROJECTED	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE
4	2014-2015	2014	2014	2014	2015	2015	2015	2015	2015	2015
131										
132	12,775				9,249					
133	22,820	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250
140	0	0								
142	20,000	0		20,000						
146	10,000			10,000						
147	35,000	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	7,000
148	35,000	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	7,000
149	75,000		25,000			50,000				
151	4,200	400	400	400	500	500	500	500	500	500
152	154,000					154,000				
154	30,000		15,000			15,000				
155	30,000	0			15,000		15,000			
156	96,269									
157	60,000	0					60,000			
159	16,000			8,000		8,000				
160	65,000	65,000								
161	10,000	10,000								
162	30,000							30,000		
163	10,000				10,000					
164	40,000		40,000							
165	25,000					25,000				
170	110,000		13,750	13,750	13,750	13,750	13,750	13,750	13,750	13,750
171	57,000	0	57,000							
172	10,000	10,000								
173	40,000			40,000						
174	10,000				10,000					
175	1,008,064	93,650	159,400	100,400	66,749	274,500	97,500	52,500	22,500	29,500
176	1,008,064									
177										
178	1,969,053	2,048,743	2,160,996	2,109,395	2,160,377	2,236,642	2,068,918	1,969,816	2,027,781	2,148,962
179	1,310,377	205,903	107,800	151,382	143,014	106,776	(1,602)	110,465	143,681	151,904
180	(1,008,064)	(93,650)	(159,400)	(100,400)	(66,749)	(274,500)	(97,500)	(52,500)	(22,500)	(29,500)
181	2,271,366	2,160,996	2,109,395	2,160,377	2,236,642	2,068,918	1,969,816	2,027,781	2,148,962	2,271,366
182										
183										
184	(750,000)	(750,000)	(750,000)	(750,000)	(750,000)	(750,000)	(750,000)	(750,000)	(750,000)	(750,000)
185	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)
186	1,221,366	1,110,996	1,059,395	1,110,377	1,186,642	1,018,918	919,816	977,781	1,098,962	1,221,366
187	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
188	(778,634)	(889,004)	(940,605)	(889,623)	(813,358)	(981,082)	(1,080,184)	(1,022,219)	(901,038)	(778,634)
189										
190										
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198										



BORREGO WATER DISTRICT

	BALANCE SHEET September 30, 2014 (unaudited)	BALANCE SHEET August 31, 2014 (unaudited)	MONTHLY CHANGE (unaudited)
ASSETS:			
CURRENT ASSETS			
Cash and cash equivalents	\$ 2,048,742.81	\$ 2,036,348.82	\$ 12,393.99
Accounts receivable from water sales and sewer charges	\$ 369,899.69	\$ 354,000.28	\$ 15,899.41
Interest receivable	\$ -	\$ -	\$ -
Inventory	\$ 144,121.51	\$ 136,765.63	\$ 7,355.88
Availability charges receivable	\$ -	\$ -	\$ -
Allowance for uncollectable availability charges	\$ -	\$ -	\$ -
Grant Receivable	\$ -	\$ -	\$ -
Prepaid expenses	\$ 30,298.12	\$ 30,298.12	\$ -
Other Receivables	\$ 1,703.00	\$ 1,892.20	\$ (189.20)
TOTAL CURRENT ASSETS	\$ 2,594,765.13	\$ 2,559,305.05	\$ 35,460.08
RESTRICTED ASSETS			
Debt Service:			
Deferred amount of COP Refunding	\$ 132,554.49	\$ 132,554.49	\$ -
Unamortized bond issue costs	\$ 92,454.19	\$ 92,454.19	\$ -
Total Debt service	\$ 225,008.68	\$ 225,008.68	\$ -
Trust fund:			
Investments with fiscal agent -CFD 2007-1	\$ 93,192.96	\$ 93,189.80	\$ 3.16
Total Trust fund	\$ 93,192.96	\$ 93,189.80	\$ 3.16
TOTAL RESTRICTED ASSETS	\$ 318,201.64	\$ 318,198.48	
UTILITY PLANT IN SERVICE			
Land	\$ 3,034,775.65	\$ 3,034,775.65	\$ -
Flood Control Facilities	\$ 4,319,603.58	\$ 4,319,603.58	\$ -
Capital Improvement Projects	\$ 186,213.42	\$ 186,213.42	\$ -
Sewer Facilities	\$ 5,521,773.57	\$ 5,521,773.57	\$ -
Water facilities	\$ 10,585,969.56	\$ 10,585,969.56	\$ -
Pipelines, wells and tanks	\$ 151,699.02	\$ 151,699.02	\$ -
General facilities	\$ 1,006,881.13	\$ 1,006,881.13	\$ -
Equipment and furniture	\$ 312,133.38	\$ 312,133.38	\$ -
Vehicles	\$ 495,572.91	\$ 495,572.91	\$ -
Accumulated depreciation	\$ (10,998,128.60)	\$ (10,998,128.60)	\$ -
NET UTILITY PLANT IN SERVICE	\$ 14,616,493.62	\$ 14,616,493.62	\$ -
OTHER ASSETS			
Water rights -ID4	\$ 185,000.00	\$ 185,000.00	\$ -
TOTAL OTHER ASSETS	\$ 185,000.00	\$ 185,000.00	
TOTAL ASSETS	\$ 17,714,460.39	\$ 17,678,997.15	\$ 35,463.24

Balance sheet continued

	BALANCE SHEET September 30, 2014 (unaudited)	BALANCE SHEET August 31, 2014 (unaudited)	MONTHLY CHANGE (unaudited)
LIABILITIES:			
<i>CURRENT LIABILITIES PAYABLE FROM CURRENT ASSETS</i>			
Accounts Payable	\$ 80,442.15	\$ 49,639.55	\$ 30,802.60
Accrued expenses	\$ 173,602.49	\$ 284,285.49	\$ (110,683.00)
Deferred Revenue	\$ -	\$ -	\$ -
Deposits	\$ 22,943.75	\$ 22,093.75	\$ 850.00
TOTAL CURRENT LIABILITIES PAYABLE FROM CURRENT ASSETS	\$ 276,988.39	\$ 356,018.79	\$ (79,030.40)
<i>CURRENT LIABILITIES PAYABLE FOM RESTRICTED ASSETS</i>			
Debt Service:			
Accounts Payable to CFD 2007-1	\$ 93,192.96	\$ 93,189.80	\$ 3.16
TOTAL CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS	\$ 93,192.96	\$ 93,189.80	\$ 3.16
<i>LONG TERM LIABILITIES</i>			
2008 Certificates of participation(payable from restricted assets)	\$ 2,615,000.00	\$ 2,615,000.00	\$ -
Viking Ranch Note	\$ 1,425,000.00	\$ 1,425,000.00	\$ -
TOTAL LONG TERM LIABILITIES	\$ 4,040,000.00	\$ 4,040,000.00	\$ -
TOTAL LIABILITIES	\$ 4,410,181.35	\$ 4,489,208.59	\$ (79,027.24)
<i>FUND EQUITY</i>			
Contributed equity	\$ 9,611,814.35	\$ 9,611,814.35	\$ -
Retained Earnings:			
Unrestricted Reserves/Retained Earnings	\$ 3,692,464.69	\$ 3,577,974.21	\$ 114,490.48
Total retained earnings	\$ 3,692,464.69	\$ 3,577,974.21	\$ 114,490.48
TOTAL FUND EQUITY	\$ 13,304,279.04	\$ 13,189,788.56	\$ 114,490.48
TOTAL LIABILITIES AND FUND EQUITY	\$ 17,714,460.39	\$ 17,678,997.15	\$ 35,463.24



BORREGO WATER DISTRICT

TREASURER'S REPORT SEPTEMBER, 2014

Bank Balance	Carrying Value	Fair Value	% of Portfolio			Valuation Source
			Current Actual	Rate of Interest	Maturity	

Cash and Cash Equivalents:

Demand Accounts at WFB/UB/LAIF

WFB/UB General Account/Petty Cash	\$ 2,034,359	\$ 1,897,157	\$ 1,897,157	92.60%	0.00%	N/A	WFB/UB
Payroll Account	\$ 81,766	\$ 80,222	\$ 80,222	3.92%	0.01%	N/A	WFB
MMA	\$ 50,436	\$ 50,436	\$ 50,436	2.46%	0.03%	N/A	WFB
LAIF	\$ 20,927	\$ 20,927	\$ 20,927	1.02%	0.22%	N/A	LAIF
Total Cash and Cash Equivalents	\$ 2,187,489	\$ 2,048,743	\$ 2,048,743	100.00%			

Facilities District No. 2007-1

First American Treas Obligation -US BANK	\$ 93,193	\$ 93,193	\$ 93,193				
Total Cash,Cash Equivalents & Investments	\$ 2,280,682	\$ 2,141,936	\$ 2,141,936				

Cash and investments conform to the District's Investment Policy statement filed with the Board of Directors on June 25, 2014.

Cash, investments and future cash flows are sufficient to meet the needs of the District for the next six months.

Sources of valuations are Umpqua Bank, Wells Fargo Bank (WFB), LAIF and US Trust Bank.

Kim Pitman, Administration Manager



BORREGO WATER DISTRICT

To: BWD Board of Directors
 From: Kim Pitman
 Subject: Consideration of the Disbursements and Claims Paid
 Month Ending September, 2014

A. Vendor disbursements paid during this period:		\$ 263,125.42
<i>Significant items:</i>		
San Diego Gas & Electric	\$	36,617.51
RHGC portion of San Diego Gas & Electric	\$	9,132.28
CalPERS Payments	\$	16,178.52
Employee Health Benefits	\$	15,742.94
ACWA/JPIA-Auto & General Liability Insurance Renewal/WC	\$	27,102.00
B. Capital Projects/Fixed Asset Outlays:		
C. Total Professional Services for this Period:		
<i>(included in vendor disbursements paid above)</i>		
Downey Brand, Attorneys	Legal-general GWM	\$ 7,003.67
	Total Invoice:	\$ 7,003.67
McDougal, Love, Eckis	Legal-general GWM	\$ 973.50 \$ 759.00
	Total Invoice:	\$ 1,732.50
Hoska, Rotherham & Co-Audit		\$ 4,813.00
	Total Invoice:	\$ 4,813.00
Dudek Engineering-T-2-to be reimbursed		\$ 73,179.74
	Total Invoice:	\$ 73,179.74
D. Payroll for this Period:		
Gross Payroll	\$	64,141.00
Employer Payroll Taxes and ADP Fee	\$	1,186.97
Total	\$	65,327.97

BORREGO WATER DISTRICT
 FOR BOARD CONSIDERATION AND APPROVAL
 SEPTEMBER 30, 2014

GENERAL ACCOUNT

CHECK#	DATE	PAYEE & DESCRIPTION	AMOUNT
19436	10/02/14	U.S.BANK CORPORATE PAYMENT SYS SEE INVOICE FOR DETAILS SEE INVOICE FOR DETAILS	3,709.92
19431	09/29/14	ABILITY ANSWERING/PAGING SER ANSWERING SERVICE	178.70
19408	09/11/14	CB&T ACWA-JPIA EMPLOYEE MEDICAL	15,742.94
19437	10/02/14	ACWA/JPIA WORKERS COMPENSATION PE: 7/1/14 - 9/30/14	3,821.00
19459	10/14/14	ACWA/JPIA AUTO AND GENERAL LIABILITY PROGRAM PE: 10/1/14 - 10/1/15	23,281.00
19412	09/16/14	AFLAC EMPLOYEE PAID SUPPLEMENTAL INS	1,864.46
19423	09/23/14	AIRGAS USA, LLC REGULATOR FOR CALIBRATION KIT GAS DETECTOR BOTTLE FOR CALIBRATION KIT	426.15
19449	10/07/14	AMERICAN BACKFLOW SPECIALTIES BACKFLOW ASSEMBLY REBUILD KITS HIGH SCHOOL	918.97
19450	10/07/14	AMERICAN LINEN INC. UNIFORMS FOR CREW	308.79
19438	10/02/14	AT CONFERENCE CONFERENCE CALLING	29.57
19424	09/23/14	AT&T MOBILITY CELL PHONES FOR CREW	501.14
19451	10/07/14	AT&T-CALNET 2 PHONES	328.17
19413	09/16/14	D.G.HUNSINGER/ ELECTRICAL WORK CONTROL PANEL WWTP	100.00
19460	10/14/14	BORREGO SPRINGS BOTTLED WATER WATER FOR CREW	119.17
19409	09/11/14	BORREGO SUN ANNUAL SUBSCRIPTION 9/17/14 - 9/16/15	36.00
19439	10/02/14	CMS BUSINESS FORMS, INC. ENVELOPES FOR BILLING	317.64
19440	10/02/14	COUNTY OF SAN DIEGO PERMIT FEES	249.00
19414	09/16/14	DAVID TAUSSIG & ASSOCIATES, INC CONSULTING/ADMINISTRATION OF LEVIES	516.83
19461	10/14/14	DE ANZA READY MIX CONCRETE KICKER NORTH SIDE OF MALL MASTER METER CONCRETE KICKER SOUTH SIDE OF MALL MASTER METER	532.20

BORREGO WATER DISTRICT
FOR BOARD CONSIDERATION AND APPROVAL
SEPTEMBER 30, 2014

CHECK#	DATE	PAYEE & DESCRIPTION	AMOUNT
19441	10/02/14	JAMES G HORMUTH/DBA TRUE VALUE SEE INVOICE FOR DETAILS	325.38
19410	09/11/14	DEBBIE MORETTI PEST CONTROL	113.00
19442	10/02/14	DOWNEY BRAND PROFESSIONAL SERVICES	7,003.67
19432	09/29/14	DUDEK WATER SUPPLY FOR RAMS HILL 20143039 AND 20143648	73,179.74
19452	10/07/14	E.S. BABCOCK & SONS, INC. WATER SAMPLES TO LAB	685.00
19415	09/16/14	FAIN DRILLING & PUMP CO. INC. ADD AC TO ID1 WELL 16 TO COOL VFD	2,200.56
19416	09/16/14	FED EX POSTAGE	170.68
19453	10/07/14	GREEN DESERT LANDSCAPE MANAGEMENT FEE CLUB CIRCLE	5,210.80
19417	09/16/14	HD SUPPLY WATERWORKS, LTD. SEWER LINE PLUG FOR PREVENTING RAIN WATER INFILTRATION TO THE SEWER	272.56
19462	10/14/14	HOME DEPOT CREDIT SERVICES SEE INVOICE FOR DETAILS	979.40
19425	09/23/14	HOSAKA, ROTHERHAM & CO. AUDIT REPORT 3RD PAYMENT	4,813.00
19454	10/07/14	JC LABS & MONITORING SERVICE WASTEWATER CONSULTING SERVICES	1,500.00
19426	09/23/14	KENNY STRICKLAND, INC. FUEL FOR DISTRICT VEHICLES	688.23
19443	10/02/14	KENNY STRICKLAND, INC. FUEL FOR DISTRICT VEHICLES 9154591	1,492.45
19433	09/29/14	LAIDLAW PLUMBING REPAIR OF SHOP RESTROOMS	108.07
19444	10/02/14	McCALLS METERS, INC METERS	4,855.28
19445	10/02/14	McDOUGAL LOVE ECKIS PROFESSIONAL SERVICES	181.50
19463	10/14/14	McDOUGAL LOVE ECKIS PROFESSIONAL SERVICES SEPT	1,551.00
19434	09/29/14	PACIFIC PIPELINE SUPPLY INC TOOLS/ EQUIPMENT 3" GASKETS, INVENTORY DI TEE, SEWER PLUG, INVENTORY MATERIAL FOR SYSTEM IMPROVEMEN MALL INVENTORY, SPARE PARTS INVENTORY, SPARE PARTS MATERIALS FOR MALL SYSTEM IMPROVEMENT	14,168.28
19464	10/14/14	PACIFIC PIPELINE SUPPLY INC MATERIALS FOR MALL 4" BACKFLOW ASSEMBLIES	

BORREGO WATER DISTRICT
FOR BOARD CONSIDERATION AND APPROVAL
SEPTEMBER 30, 2014

CHECK#	DATE	PAYEE & DESCRIPTION	AMOUNT
		MATERIALS FOR MALL 4" BACKFLOW ASSEMBLIES, COUPLING, SPOOL INVENTORY REPAIR CLAMPS	6,327.67
19381	09/08/14	CASH	
		PETTY CASH	300.00
19418	09/16/14	PUBLIC EMP'S RETIREMENT SYSTEM CAL PERS RETIREMENT PLAN	8,089.26
19446	10/02/14	PUBLIC EMP'S RETIREMENT SYSTEM EMPLOYEE RETIREMENT BENEFITS	8,089.26
19419	09/16/14	PITNEY BOWES/PURCHASE POWER POSTAGE	2,000.00
19420	09/16/14	QUILL CORPORATION OFFICE SUPPLIES	218.37
19447	10/02/14	QUILL CORPORATION OFFICE SUPPLIES OFFICE SUPPLIES	327.94
19455	10/07/14	RAMONA DISPOSAL SERVICE TRASH SERVICE, OFFICE AND CLUB CIRCLE	3,184.50
19411	09/11/14	RAMONA TIRE REPAIR OF FORD F150	3,815.38
19427	09/23/14	SAN DIEGO GAS & ELECTRIC ELECTRICITY CHARGES	19,078.21
19435	09/29/14	SAN DIEGO GAS & ELECTRIC ELECTRICITY	26,671.58
19428	09/23/14	SECAP FINANCE POSTAGE MACHINE LEASE	137.49
19465	10/14/14	SOUTHLAND WATER TECHNOLOGIES KNIGHT PRO WATCH GEAR MOTOR	333.16
19466	10/14/14	STAPLES CREDIT PLAN OFFICE SUPPLIES	143.02
19467	10/14/14	SWRCB RENEW OP CERT LICENSE BENITO	80.00
19429	09/23/14	SWRCB ACCOUNTING OFFICE SYSTEM 3710036, LW1460515 LARGE WATER SYSTEM FEES PE: 7/1/13 - 6/30/14	3,155.52
19456	10/07/14	SYNECO SYSTEMS, INC BIOLOGIC FOR ODOR CONTROL	1,010.62
19421	09/16/14	TRAVIS PARKER SERVER MAINTENANCE	580.64
19430	09/23/14	TRAVIS PARKER PARTS	30.00
19457	10/07/14	UNDERGROUND SERVICE ALERT DIG ALERTS	9.00
19422	09/16/14	UNITED STATES PARTIAL BILLING FOR FY 2014 4/1/14 - 6/30/14	3,526.48
19468	10/14/14	VERIZON WIRELESS EMERGENCY PHONES	76.21
19448	10/02/14	WENDY QUINN RECORDING SECRETARY SEPTEMBER	140.00
19458	10/07/14	XYLEM WATER SOLUTIONS USA, INC BACKFLOW ASSEMBLY REBUILD KITS	

BORREGO WATER DISTRICT
FOR BOARD CONSIDERATION AND APPROVAL
SEPTEMBER 30, 2014

CHECK#	DATE	PAYEE & DESCRIPTION	AMOUNT
		REPLACEMENT FLUSH VALVE FOR LIFT STATION WITH REPAIR KIT	3,320.86
		TOTAL	263,125.42

Borrego Water District Management Report – October 2014

By: Jerry Rolwing

FEDERAL LEVEL

U.S. Geological Survey: The USGS final report entitled "Hydrogeology, Hydrologic Effects of Development, and Simulation of Groundwater Flow in the Borrego Valley, San Diego County, California is expected to be released in December 2014.

U.S. Bureau of Reclamation: The Reclamation final report entitled "Southeast California Regional Basin Study" has been held up due to a reorganization of upper management at Reclamation and the Department of the Interior. I will continue to check with the Temecula office for updates.

STATE LEVEL

On September 16th, Governor Brown signed AB 1739, SB 1168 and SB 1319, which taken collectively establish a new structure for managing the State's groundwater. Since the District is presently drafting an updated groundwater management plan, I sent a list of questions to the Southern District office of the Department of Water Resources (DWR) to uncover how the new legislation will affect our process (attachment A). DWR has responded and will have the answers for us later this week.

The Southern District DWR staff will be here for semi-annual water level measurements in November. these measurements are used to create and update the Valley's water table map, depicting the groundwater elevations and associated trends.

COUNTY LEVEL

The Borrego Water District is working with the County Department of Planning and Development Services to modify the water credit program and structure a relationship as we move forward with the Groundwater Sustainability Plan for the Borrego Valley Groundwater Basin.

LOCAL LEVEL

The Borrego Water Coalition is scheduled to submit policy recommendations later this year for District review and will be featured in the Fall Groundwater Management Workshops for public comments.

DISTRICT LEVEL

A strip of land 300 feet by 2,595 feet from Borrego Springs Road to DiGiorgio Road, approximately one mile north of Christmas Circle was offered to the District for future flood control purposes. The land features a row of tamarisk trees along the southern border of the parcel. It was determined that the possible liability outweighed the present need for the property and management was not able to recommend accepting this property.

An update of the District's Sewer System Management Plan is due to the State Water Resources Control Board by the end of the calendar year. The original plan was written submitted by the previous general

manager in 2010. Staff is working with the District Engineer to revise the plan and will run the final by the O&M ad hoc committee of the Board prior to filing.

Work will also begin on updating the Capital Improvement Plan with the District Engineer and the O&M ad hoc Committee in order to provide data to Raftelis for the upcoming Water and Wastewater Rate Analysis.

IRWM Questions for DWR

1) The Borrego Water District's existing groundwater management plan adopted in 2002 does not reflect current needs for basin groundwater sustainability or IRWM projects. The District is presently in the process of updating the Plan. However, we understand that GWMP's will no longer be accepted by DWR after January 1, 2015 and our work to complete the revision can not be completed by that date. When we apply for an Implementation Grant with the IRWMP will our ability to secure funding in future implementation rounds be adversely affected because of revision was not completed and our original plan does not reflect the current sustainability issues ?

2) How much funding is remaining in the Colorado River Region (7) for future implementation rounds of the IRWMP? Are there any plans for adding a round 4 to the schedule?

3) Can IRWM implementation funding be used to implement early stages of the Groundwater Sustainability, such as:

- a) Valley-wide (all private wells) water meter purchase and installation
- b) Purchase/fallow of farmland to reduce groundwater extractions
- c) Purchase/Installation of pressure transducers for recording water levels
- d) Water quality sample collection and laboratory costs
- e) Incorporation of water quality data into existing groundwater modeling program
- f) Prepare CEQA documentation for groundwater sustainability implementation projects
- g) Design of surface water infiltration basins
- h) Construction of surface water infiltration basins
- i) Road re-construction to minimize silt infiltration into watershed channels
- j) Retrofitting existing golf course and farm irrigation systems to reduce water usage

4) Can the IRWMP be constructed in phases as recommended by former DWR Deputy Chief Dale Hoffman-Floerke in the attached letter in order to achieve greater stakeholder participation in this remote region?

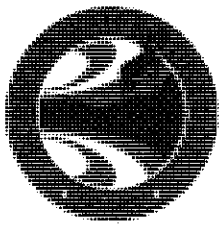
Phase 1 - Borrego Valley Groundwater Basin

Phase 2 - Borrego Valley Watershed

Phase 3 - Entire Regional area

5) If the present Water Bill (Proposition 1) is approved, approximately how long will it take to have future funding cycles available for participants?

6) Does having a "medium" priority on the CASGEM Ranking provide for higher ranking in IRWM implementation funding?



BORREGO WATER DISTRICT

September 2014

WATER OPERATIONS REPORT

<u>WELL</u>	<u>TYPE</u>	<u>FLOW RATE</u>	<u>STATUS</u>	<u>COMMENT</u>
ID1-8	Production	350	In Use	
ID1-10	Production	300	In Use	
ID1-12	Production	950	In Use	
ID1-16	Production	850	In Use	
Wilcox	Production	150	In Use	Diesel backup well for ID-4
ID4-4	Production	350	In Use	
ID4-10	Production	80	In Use	
ID4-11	Production	1000	In Use	Diesel engine drive exercised monthly
ID4-18	Production	250	In Use	
ID5-5	Production	900	In Use	Diesel engine drive exercised monthly

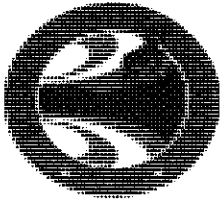
System Problems: All Production Wells and reservoirs are in operating condition.

WASTEWATER OPERATIONS REPORT

Rams Hill Water Reclamation Plant serving ID-1, ID-2 and ID-5 Total Cap. 0.25 MGD (million gallons per day):

Average flow: 57,091 (gallons per day)

Peak flow: 78,258 gpd Thursday September 25, 2014



BORREGO WATER DISTRICT

WATER PRODUCTION SUMMARY

September 2014

DATE	ID-1	ID-3	ID-4	ID-5	DISTRICT-WIDE TOTALS
Oct-12	33.21	12.41	122.78	29.77	198.17
Nov-12	36.38	11.13	100.49	0.00	148.00
Dec-12	20.41	8.54	101.89	0.00	130.84
Jan-13	15.18	10.21	103.59	2.05	131.03
Feb-13	11.65	9.60	76.50	2.26	100.01
Mar-13	10.26	8.33	85.01	4.54	108.14
Apr-13	12.26	10.88	135.54	7.10	165.78
May-13	22.86	11.86	118.08	5.37	158.17
Jun-13	26.59	12.71	133.18	2.86	175.34
Jul-13	27.81	14.19	153.49	2.42	197.91
Aug-13	27.96	13.26	123.17	2.45	166.84
Sep-13	30.51	11.16	117.30	0.92	159.89
Oct-13	29.63	10.86	137.93	4.34	182.76
Nov-13	21.45	11.58	113.46	5.28	151.77
Dec-13	16.85	6.75	89.16	3.48	116.24
Jan-14	12.51	7.44	99.13	4.12	123.20
Feb-14	20.59	6.37	90.06	3.81	120.83
Mar-14	34.62	6.90	89.53	3.93	134.98
Apr-14	29.52	8.32	118.08	6.35	162.27
May-14	72.93	8.46	111.16	5.15	197.70
Jun-14	87.66	9.52	121.42	2.34	220.94
Jul-14	132.29	9.13	138.73	2.72	282.87
Aug-14	132.62	9.72	112.59	2.17	257.10
Sep-14	127.21	10.49	140.83	1.99	280.52
12 Mo. TOTAL	717.88	105.54	1362.08	45.68	2231.18

Totals reflect individual improvement district usage. Interties from ID-3 and ID-5 have been subtracted from well pumpage totals and applied to respective ID's. All figures in Acre Feet of water pumped or recorded on intertie meters.

WATER LOSS SUMMARY (%)

DATE	ID-1	ID-3	ID-4	ID-5	DISTRICT-WIDE AVERAGE
Aug-14	0.89	2.10	17.00	N/A	6.66
12 Mo. Average	2.40	1.53	12.58	N/A	5.50

BORREGO WATER DISTRICT
 Water Production / Use Records
 ID # 1
 Month of September 2014

----- Water Production (Acre Feet) -----									
Date	Well 1	Well 2	Well 8	Well 10	Well 12	Well 16	Wells 1&2	Total	LessID3&4
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
SEP'13	0.00	0.00	1.00	10.35	30.32	0.00	0.00	41.67	30.51
OCT'13	0.00	0.00	0.06	11.21	29.22	0.00	0.00	40.49	29.63
NOV'13	0.00	0.00	0.00	11.99	21.04	0.00	0.00	33.03	21.45
DEC'13	0.00	0.00	0.94	7.26	15.40	0.00	0.00	23.60	16.85
JAN'14	0.00	0.00	0.00	0.09	19.86	0.00	0.00	19.95	12.51
FEB'14	0.00	0.00	0.20	8.03	18.73	0.00	0.00	26.96	20.59
MAR'14	5.35	6.74	0.00	27.26	17.92	0.00	12.09	45.18	50.37
APR'14	0.00	0.00	0.07	32.69	31.33	0.00	0.00	64.09	55.77
MAY'14	24.66	25.30	1.52	27.76	43.65	0.00	49.96	72.93	114.43
JUN'14	15.43	13.90	0.04	24.42	63.20	0.00	29.33	87.66	107.47
JUL'14	18.94	13.16	0.03	39.19	70.10	0.00	32.10	109.32	132.29
AUG'14	23.93	7.56	0.61	27.67	59.88	22.69	31.49	110.85	132.62
SEP'14	26.13	11.75	0.06	19.00	48.79	31.97	37.88	99.82	127.21
TOTALS	114.44	78.41	3.53	236.57	439.12	54.66	192.85	733.88	821.19

----- Water Use (Acre Feet) -----										
Date	Domestic	Irrigat'n	Constrt'n	Golf Course	Golf Spare Cap	ID 3	ID 4	Total	Water Loss	% Loss
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
SEP'13	10.18	18.81	0.00	0.00	0.00	11.16	0.00	40.15	1.52	3.65%
OCT'13	11.12	13.31	0.06	0.00	0.00	10.86	0.00	35.35	5.14	12.69%
NOV'13	9.63	10.24	0.00	0.00	0.00	11.58	0.00	31.45	1.58	4.80%
DEC'13	8.09	7.67	0.00	0.00	0.00	6.75	0.00	22.51	1.09	4.62%
JAN'14	8.40	8.29	0.00	0.00	0.00	7.44	0.00	24.13	-4.18	-20.90%
FEB'14	6.66	5.11	0.00	0.00	6.00	6.37	0.00	24.14	2.82	10.46%
MAR'14	6.88	4.98	1.88	3.62	15.75	6.90	0.00	40.01	5.17	11.43%
APR'14	9.20	8.32	1.90	6.96	26.25	8.32	0.00	60.95	3.14	4.90%
MAY'14	8.85	8.90	0.19	10.21	37.71	8.46	0.00	74.32	-1.39	-1.90%
JUN'14	10.03	12.25	0.00	4.32	50.52	9.52	0.00	86.64	1.02	1.17%
JUL'14	11.26	16.13	0.62	12.03	58.98	9.13	0.00	108.15	1.17	1.07%
AUG'14	13.27	17.82	0.41	0.00	68.48	9.72	0.00	109.70	1.15	1.05%
SEP'14	13.51	13.13	0.09	0.00	61.73	10.49	0.00	98.95	0.87	0.89%
TOTALS	116.90	126.15	5.15	37.14	325.42	105.54	0.00	716.30	17.58	2.40%

BORREGO WATER DISTRICT
 Water Production / Use Records
 ID # 3
 Month of September 2014

Date	La Casa del Zorro Total Acre Feet		Deep Well Trail / Others Acre Feet			Total	Total	Total
	Irrigat'n	Domestic	Irrigat'n	Domestic	Total	Irrigat'n	Domestic	Acre Feet
SEP'13	0.93	4.67	0.03	5.36	5.39	0.96	10.03	10.99
OCT'13	1.17	4.50	0.06	4.96	5.02	1.23	9.46	10.69
NOV'13	0.59	3.28	0.12	6.84	6.96	0.71	10.12	10.83
DEC'13	0.20	3.22	0.10	3.77	3.87	0.30	6.99	7.29
JAN'14	0.00	2.60	0.12	4.65	4.77	0.12	7.25	7.37
FEB'14	0.00	2.04	0.04	4.15	4.19	0.04	6.19	6.23
MAR'14	0.00	3.02	0.08	3.78	3.86	0.08	6.80	6.88
APR'14	0.00	3.37	0.06	4.80	4.86	0.06	8.17	8.23
MAY'14	0.00	3.24	0.04	5.15	5.19	0.04	8.39	8.43
JUN'14	0.00	3.32	0.21	5.81	6.02	0.21	9.13	9.34
JUL'14	0.00	2.88	0.14	5.96	6.10	0.14	8.84	8.98
AUG'14	0.00	3.30	0.17	5.91	6.08	0.17	9.21	9.38
SEP'14	0.00	3.19	0.11	6.97	7.08	0.11	10.16	10.27
TOTALS	1.96	37.96	1.25	62.75	64.00	3.21	100.71	103.92

Date	Water Produced Acre Feet	Water Delivered Acre Feet	Wtr Loss	% Loss
SEP'13	11.15	10.99	0.16	1.43%
OCT'13	10.86	10.69	0.17	1.57%
NOV'13	11.58	10.83	0.75	6.48%
DEC'13	6.75	7.29	-0.54	-8.00%
JAN'14	7.44	7.37	0.07	0.94%
FEB'14	6.37	6.23	0.14	2.20%
MAR'14	6.90	6.88	0.02	0.29%
APR'14	8.32	8.23	0.09	1.08%
MAY'14	8.46	8.43	0.03	0.35%
JUN'14	9.52	9.34	0.18	1.89%
JUL'14	9.13	8.98	0.15	1.64%
AUG'14	9.72	9.38	0.34	3.50%
SEP'14	10.49	10.27	0.22	2.10%
TOTALS	105.54	103.92	1.62	1.53%

BORREGO WATER DISTRICT
 Water Production / Use Records
 ID # 4
 Month of September 2014

----- Water Production (Acre Feet) -----											
Date	Well 2	Well 3	Well 4	Well 5	Well 10	Well 11	Well 18	Wilcox	Well 85	Total	Less ID5
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
SEP'13	0.00	0.00	0.00	7.60	9.42	95.61	4.33	0.34	0.00	117.30	116.38
OCT'13	0.00	0.00	0.09	12.89	10.69	113.95	4.64	0.01	0.00	142.27	137.93
NOV'13	0.00	0.00	0.22	10.85	9.41	93.97	4.29	0.00	0.00	118.74	113.46
DEC'13	0.00	0.00	15.89	5.63	9.26	59.13	2.32	0.41	0.00	92.64	89.16
JAN'14	0.00	0.00	53.25	6.89	10.82	29.03	3.24	0.02	0.00	103.25	99.13
FEB'14	0.00	0.00	45.47	6.06	9.34	29.74	3.26	0.00	0.00	93.87	90.06
MAR'14	0.00	0.00	42.13	6.11	8.97	33.10	3.12	0.03	0.00	93.46	89.53
APR'14	0.00	0.00	52.05	10.17	10.42	47.59	4.20	0.00	0.00	124.43	118.08
MAY'14	0.00	0.00	43.37	10.03	8.83	50.44	3.64	0.00	0.00	116.31	111.16
JUN'14	0.00	0.00	46.08	10.57	9.43	54.04	3.64	0.00	0.00	123.76	121.42
JUL'14	0.00	0.00	49.84	11.88	10.39	64.30	4.96	0.08	0.00	141.45	138.73
AUG'14	0.00	0.00	31.96	8.53	8.86	61.91	3.50	0.00	0.00	114.76	112.59
SEP'14	0.00	0.00	54.73	10.38	10.84	62.48	4.39	0.00	0.00	142.82	140.83
TOTALS	0.00	0.00	435.08	109.99	117.26	699.68	45.20	0.55	0.00	1407.76	1362.08
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

Date	Water Produced Acre Feet	Water Use Acre Feet	Wtr Loss	% Loss	ID 5 Acre Feet
=====	=====	=====	=====	=====	=====
SEP'13	117.30	98.21	19.09	16.27%	0.92
OCT'13	142.27	120.19	22.08	15.52%	4.34
NOV'13	118.74	104.29	14.45	12.17%	5.28
DEC'13	92.64	85.79	6.85	7.39%	3.48
JAN'14	103.25	91.70	11.55	11.19%	4.12
FEB'14	93.87	83.03	10.84	11.55%	3.81
MAR'14	93.46	82.18	11.28	12.07%	3.93
APR'14	124.43	110.90	13.53	10.87%	6.35
MAY'14	116.31	102.57	13.74	11.81%	5.15
JUN'14	123.76	108.72	15.04	12.15%	2.34
JUL'14	141.45	121.06	20.39	14.41%	2.72
AUG'14	114.76	101.69	13.07	11.39%	2.17
SEP'14	142.82	118.54	24.28	17.00%	1.99
TOTALS	1407.76	1230.66	177.10	12.58%	45.68
=====	=====	=====	=====	=====	=====