

3015

THUNDERBIRD COUNTY WATER DISTRICT
DISTRICT PROFILE SUMMARY SHEET

RECEIVED
SEP 18 2006

District Contact Person(s):
ROY SHULL, GENERAL MANAGER

Address:
24737 Standing Rock Road, Apple Valley, CA, 92307
Mailing: PO Box 1105, Apple Valley, CA 92307

LAFCO
San Bernardino County

E-mail Address:
thunderbirdcwg@aol.com

Website Address:
none

Date of Formation:
October 13, 1964 by resolution of the San Bernardino County Board of Supervisors

Principal Act:
Water Code 30000 et seq., Division 12; Water Code Section 31575

Improvement District(s): YES NO

If yes, please indicate name and define area of service (include map).
N/A

Governing Body:
5 member board of directors elected within the District

Membership:
Mrs. Beth Drake, President
Mr. Robert Arsenedo, Vice President
Mrs. Betty Kreml, Director
Mrs. Ruth Gabrielson, Director
Mr. Dave Landry, Director

Public Meetings:
2nd Tuesday of the month at 6:00pm at the District Office, 24737 Standing Rock Road

SERVICES

Currently Authorized Powers (Services):

SERVICE	FUNCTIONS
Water	Domestic service

Latent Powers (Services) -- those services authorized by the Agency's principal act, but not activated through the LAFCO process:

CA Water Code §31000 et seq.

SERVICE	FUNCTIONS
Construction on rights of way	
Sewer, Fire, Recreation, Sanitation,	
Power Generation	

Area Served: _____ Square Miles/ 1200 Acres

Population: 505 (2000 US Census)
535 (estimate for Jan 2006 given 6% growth)

Registered Voters: 317 As Of 12-29-05 (Date)

Services Provided Outside Agency Boundaries:

SERVICE	PROVIDED TO WHOM	DATE OF CONTRACT	SUNSET DATE
none			

Special charges for service outside boundaries:
None

Special policies for providing service outside boundaries:
None

SPHERE OF INFLUENCE

SPHERE ESTABLISHMENT

LAFCO #	Date Adopted	Location
1337	04/11/73	The official sphere establishment by LAFCO was on 4/17/73. Generally bordered on the north by Zuni and Thunderbird Roads, on the east by Sloan Rd. and Apache Tr., on the south by Valdez Road, on the west by Japatul Rd., Standing Rock Road, Laguna Seca Drive, and various section and half-section lines.

SHPERE CHANGES

LAFCO #	Date Adopted	Type Of Change	Location
670	1/16/69	Annexation #1	A portion of northeast ¼ of Section 18, T5N, R2W
1576	04/03/76	Annexation #2	A portion of the northeast 1/4 of Section 18, T5N, R2W
1714	12/09/77	Annexation #3	Generally located between Thunderbird Road and Old Mine Road, approximately 660' without Barbara Lane, Apple Valley

BUDGETARY INFORMATION

	Actual 2001-02	Actual 2002-03	Actual 2003-04	Estimated 2004-05	Budgeted 2005-06
Expenditures					
Capital/Fixed Assets					
Property Tax					
User Fees					

THUNDERBIRD COUNTY WATER DISTRICT

24737 Standing Rock Road

P.O. Box 1105

Apple Valley, CA 92307

(760) 247-2503

(760) 403-3923 Emergency

(760) 247-2503 Fax

E-mail: thunderbirdcwd@aol.com

I. Infrastructure Needs and Deficiencies

1. Capital Improvement Plans/Studies
 - a. No current plans or studies at this time.
2. Water Service Plans/Studies
 - a. Current system demand is approximately 122,600 GPD. The District is capable of producing 437,000 GPD.
3. Sewer Service Plans/Studies
 - a. N/A
4. Age and Condition of Facilities
 - a. Well #1, tank #2 and distribution piping were installed in 1967. Tank #1 and Well # 3 were installed in the early 1980's. Tank #3 and well #4 were installed in 2002-2003. Overall the system is in excellent condition.
5. Capacity Analysis
 - a. The District has a maximum build out of approximately 890 connections. The district currently serves 286 connections and is capable of producing enough potable water for 800 connections.
6. Future Development
 - a. Additional infrastructure requirements vary by development type. The most common requirement is the extension of distribution piping in order to serve subdivided parcels. These extensions are at the customers' expense.
 - b. As the number of connections grows the district will need to procure additional storage capacity.
 - c. The District will pay cash if available, otherwise both grants and low interest financing will be explored.
 - d. N/A
7. Reserve Capacity
 - a. The current capacity allows for 24 hours of reserve storage during the high use months.

II. Growth and Population

1. Population Information

- a. The current estimated population is 505(2000 Census) with a projected 6% growth for 2006 to approximately 535.
- b. Current District and sphere of influence boundaries are coterminous.

III. Financing Opportunities and Constraints

1. Finance Plans for:
 - a. Service upgrades and capacity improvements are funded through our capitol improvement fund on an as needed basis.
 - b. Revenue for upgrades and improvements is generated from annual assessments on all parcels within the District and from meter sales.
2. Bond Rating
 - a. N/A
3. Joint Financing Projects
 - a. The District does not participate.
4. Revenue Sources
 - a. The District receives its revenue from meter sales, annual standby assessments and water sales.

IV. Cost Avoidance Opportunities

1. Overlapping/Duplicative Services
 - a. None
2. Joint Agency Practices
 - a. None
3. Rely on Other Agencies
 - a. N/A
 - b. N/A
 - c. Maintenance and repair that exceeds the capability of District personnel is out sourced.
4. Growth Management Strategies
 - a. None
 - b. None
 - c. The District encourages conservation of our water.
 - d. Annexations are handled on a case by case basis. All costs incurred are the responsibility of the individual/s requesting the annexation.
 - e. The district does not provide any services outside current boundaries.
5. Level of Service

- a. The district strives to exceed customer needs to the extent possible. As a small District we can provide a more personal level of service.
 - b. Customer satisfaction is generally high.
6. Per-Unit Service Costs
- a. The current District rates are:
 - 0-1500 cubic feet \$40.00 bi-monthly
 - Over 1500 cubic feet \$1.40 / HCF
 - b. None

V. Rate Restructuring

1. Rate restructuring is considered by:
- a. District rates are reviewed annually; increases are driven by actual costs and needed improvements.
 - b. The District compares our rates with those of other similar districts within our area.

VI. Opportunities for Shared Facilities

1. Shared Facilities
- a. None
2. Duplication of Facilities
- a. N/A

VII. Government Structure Options

- a. N/A

VIII. Evaluation of Management Efficiencies

1. District personnel receive training from SDRMA, CSDA RCAC and AWWA as funding permits. We believe it is in our best interest to ensure the best training is made available to all District employees.
2. Staffing Levels
- a. The District currently has 2 employees, a General Manager and an Office Manager.
 - b.
3. Technology
- a. The District uses billing software, accounting software and water system monitoring and control equipment.
4. Budget
- a. The annual budget is evaluated by a committee and prepared by the General Manager.

- b. None
- c. Budget recommendations are reviewed during regular Board meetings. The public is ALWAYS welcome.
- d. The District accounting practices are audited annually by an independent firm.

5. Joint Powers Agreements

- a. N/A

IX. Local Accountability and Governance

1. Governing body

- a. District Board members are elected for a four year term.
- b. N/A
- c. The Board meets on the 2nd Wednesday of every month.
- d. All Boards and Committees adhere to the requirements of the Brown Act.
- e. Unknown

2. Customer Feedback

- a. The District maintains a file of all customer complaints.

3. Access

- a. 8:00 am – 12:00 pm Monday and Wednesday
- b. The District Attempts to send a newsletter with each bi-monthly billing.
- c. None
- d. None
- e. None

4. Regular Progress Reports

- a. Progress reports for all administration and operations are given during regular monthly meetings.

**MANDATORY FIVE YEAR
SPHERE OF INFLUENCE REVIEW
(Government Code Section 56425)**

3015

INTRODUCTION: The questions on this form are designed to obtain data about the entity's existing sphere of influence to allow the Commission and its staff to begin to assess the mandated sphere update process. You are encouraged to include any additional information that you believe is pertinent to the process. Use additional sheets where necessary and/or include any relevant documents.

1. NAME OF AGENCY: Thunderbird County Water District

2. Provide an identification of the entities that provide service to your agency. Please indicate whether they are public or private entities and include subsidiary districts in this description. Please include a description of City or District-governed agencies (i.e., redevelopment agency, development corporations, joint powers authorities, improvement districts, etc.):

None

3. Provide a narrative description of anticipated alterations in the agency's current sphere of influence that should be considered in this review. This identification should include any potential development that would require a sphere of influence amendment for implementation, etc. (If additional room for response is necessary, please attach additional sheets to this form.)

LAFCO 3015 includes a sphere of influence expansion of approximately 4,500 +/- acres. The expansion includes sections and portions of sections within T5N, R2W (Sections 7, 19, 20; the NW ¼ of Section 18; the eastern half and NW ¼ of Section 8; and portions of Sections 30 and 29. The expansion includes sections and portions of sections within T5N, R3W (Sections 13 and 24, and the southern half of Section 12).

4. **CITIES:** Provide an outline of negotiations with the County of San Bernardino related to any sphere change anticipated. Please include an outline of agreements on boundaries, development standards, zoning requirements, if any. This is required pursuant to Government Code Section 56425(b).

5. **CITIES:** Provide an outline of the dates for adoption and plans for update, if any, for:

General Plan _____

Elements if adopted separately _____

NAME

DATE OF ADOPTION/UPDATE PLANS

6. **CITIES/SPECIAL DISTRICTS:** For the services provided by the agency identify the appropriate document below and provide an outline of the date of adoption, schedule for update, copy of the document and copy of environmental document, if applicable:

Master Plan for Water Utility	<u>See Item 7C</u>
Master Plan for Sewer Utility	<u>N/A</u>
Master Plan for Fire Service	<u>N/A</u>
Master Plan for Park Service	<u>N/A</u>
Urban Water Management Plan	<u>N/A</u>

(with copy of certification from Department of Water Resources)
Other (Please name):

_____	_____
_____	_____
_____	_____

7. **SPECIAL DISTRICTS:** Provide an outline of the following items related to the services provided by the District. This response is specifically required by Government Code Section 56425(h) et seq.

a) Provide a written statement specifying the functions and/or classes of service provided by your District.

Thunderbird CWD provides potable drinking water.

b) Provide a written description of the nature, location and extent of the functions and/or classes of service outlined above. Where the service area is less than the boundaries of the District provide a map depiction of the location.

Drinking Water is provided via underground distribution mains. The system is supported by 3 wells and 3 reservoirs.

c) Provide a brief outline of master plans adopted for each of the services listed above including a summary of their findings and the date of their adoption. If master plans are required to be filed with a County, State or Federal agency please note the date of their acceptance. Provide a copy of the master plans with this document if not previously provided to the LAFCO staff office including a copy of the environmental determination associated with the document.

8. Provide a response to the four factors outlined in Government Code Section 56425 required for a sphere of influence review outlined as follows:

a) The present and planned land uses in the area, including agricultural and open-space lands.

Residential (The current sphere contains RC, RL) *EPS-1 174*

b) The present and probable need for public facilities and services in the area.

Water, based upon development.

c) The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.

The water system currently supports 280 customers.

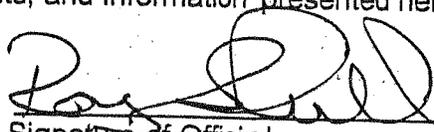
d) The existence of any social or economic communities of interest in the area.

None

CERTIFICATION

I hereby certify that the statements furnished above and in the attached supplements, exhibits, and documents present the date and information required for this mandatory review to the best of my ability, and that the facts, statements, and information presented herein are true and correct to the best of my knowledge and belief.

DATE: 8-30-06



Signature of Official

Roy Schull
Printed Name

General Manager
Title

Thunderbird County Water District
Profit & Loss Budget Overview
July 2006 through June 2006

Jul '05 - Jun 06

Ordinary Income/Expense

Income

4000 · Meter Sales	30,000.00	*NOTE
4150 · Water Sales	112,258.92	
Total Income	<u>142,258.92</u>	

Cost of Goods Sold

5000 · Water Purchases	12,000.00
5100 · Water Testing	3,000.00
5200 · Water Fee	200.00
6070 · Utilities	15,000.00
6080 · Equipment Rental	1,000.00
6150 · Depreciation	7,484.00 **
6250 · Materials & Supplies	10,000.00
6280 · Outside Service	10,000.00
6292 · Repair & Maintenance	7,500.00
Total COGS	<u>66,184.00</u>

Gross Profit	76,074.92
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Expense

6000 · Accounting	3,200.00
6005 · Bank Charges	0.00
6010 · Director's Fees	3,675.00
6050 · Payroll Taxes	4,518.00
6090 · Fees & Taxes	200.00
6160 · Dues & Subscriptions	1,000.00
6170 · Insurance	6,000.00
6200 · Internet	350.00
6260 · Misc.	200.00
6270 · Office Supplies	3,000.00
6291 · Penalties	0.00
6293 · Postage	250.00
6295 · Professional Development	3,000.00
6300 · Telephone	2,500.00
6350 · Travel	3,000.00
6395 · Salaries & Wages	47,700.00
6400 · Office Utilities	675.00
6999 · Uncategorized Expenses	0.00
Total Expense	<u>79,268.00</u>

Net Ordinary Income	-3,193.08	** Depreciation is Estimate
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Other Income/Expense

Other Income

4200 · Interest Income	0.00	***
4300 · Other Income		
Late Fees	0.00	***
Turn-on Fee	0.00	***
Will Serve Letter Fee	600.00	
4300 · Other Income - Other	0.00	***
Total 4300 · Other Income	<u>600.00</u>	

Total Other Income	600.00	*** Cannot Budget variable income
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Net Other Income	600.00
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Net Income	<u>-2,593.08</u>
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*NOTE- Meter Sales \$48,000.00 - TRANSFER \$18,000.00 TO CAPITAL FUND

Thunderbird County Water District
Profit & Loss Budget Overview
July 2005 through June 2006

Jul '05 - Jun 06

CAPITAL FUNDS

Income

4100 - Standby Fees	<u>28,634.70</u>
Meter Sales/Capital Improvements	<u>18,000.00</u>
Total Capital Income	46,634.70

Expense

Citizen's Bank - Tank Loan	11,820
Distribution Main Extension (660' - 8" Laguna Seca Rd)	20,000.00
Maintenance Vehicle	<u>2500</u>

Total Expenditures 34,320.00

Net Capital Income 12,314.70

12:50 PM
05/23/06
Accrual Basis

hunderbird County Water District
Capital Improvments Budget
July 2005 through June 2006

	Budget
Ordinary Income/Expense	
Income	
4001 · Meter Installation	
4002 · Building Fund	
4003 · Future Rplcmt/Makeup Water	
4004 · Future Capital Improvements	18,000.00
4100 · Standby Fees	28,642.20
Total Income	<u>46,642.20</u>
Cost of Goods Sold	
5004 · Future Capital Improvement Costs	16,000.00
Total COGS	<u>16,000.00</u>
Expense	
Citizen's Bank - Tank Loan	11,820.00
Distribution Main Extention	
Total Expenses	<u>11,820.00</u>
Gross Profit	<u>18,822.20</u>
Net Ordinary Income	<u>18,822.20</u>
Net Income	<u><u>18,822.20</u></u>

Thunderbird County Water District
Budget
July 2006 through June 2007
FINAL

Ordinary Income/Expense	<u>06-07</u>
Income	<u>Budget</u>
4001 · Meter Installation	9,600.00
4002 · Building Fund	8,400.00
4003 · Future Rplcmt/Makeup Water	12,000.00
4150 · Water Sales	127,000.00
Total Income	<u>157,000.00</u>
Cost of Goods Sold	
5001 · Meter Installation Costs	9,600.00
5003 · Future Rplmt/Makeup Water Costs	10,560.00
5100 · Water Testing	3,000.00
5200 · Water Fee	500.00
6070 · Utilities	15,750.00
6080 · Equipment Rental	1,000.00
6150 · Depreciation	
6250 · Materials & Supplies	2,000.00
6280 · Outside Service	6,000.00
6292 · Repair & Maintenance	7,000.00
Total COGS	<u>55,410.00</u>
Gross Profit	101,590.00
Expense	
5002 · Building Fund Costs	8,400.00
6000 · Accounting	3,200.00
6002 · Advertising Expense	300.00
6003 · Auto Expense	1,500.00
6005 · Bank Charges	0.00
6010 · Director's Fees	3,675.00
6050 · Payroll Taxes	
6090 · Fees & Taxes	800.00
6160 · Dues & Subscriptions	1,000.00
6170 · Insurance	6,000.00
6200 · Internet	370.80
6260 · Misc.	200.00
6270 · Office Supplies	3,000.00
6291 · Penalties	0.00
6293 · Postage	1,000.00
6295 · Professional Developement	3,000.00
6300 · Telephone	2,500.00
6350 · Travel	2,000.00
6395 · Salaries & Wages	59,400.00
6400 · Office Utilities	675.00
6560 · Payroll Expenses	5,019.30
6999 · Uncategorized Expenses	0.00
Total Expense	<u>102,040.10</u>
Net Ordinary Income	-450.10
Other Income/Expense	
Other Income	
4200 · Interest Income	700.00
4300 · Other Income	
Late Fees	0.00
Returned Check Charges	
Turn-on Fee	0.00
Will Serve Letter Fee	
4300 · Other Income - Other	0.00
Total 4300 · Other Income	<u>0.00</u>
Total Other Income	<u>700.00</u>
Net Other Income	700.00
Net Income	<u>249.90</u>

**THUNDERBIRD
COUNTY WATER DISTRICT**

Report on Audit

June 30, 2006 and 2005

THUNDERBIRD COUNTY WATER DISTRICT

(A Special District)

June 30, 2006 and 2005

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Thunderbird County Water District
Apple Valley, California

We have audited the accompanying basic financial statements of Thunderbird County Water District (a special district), as of June 30, 2006 and June 30, 2005, respectively, as listed in the table of contents and for the years then ended. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirement 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Thunderbird County Water District, as of June 30, 2006 and 2005, and the results of its operations, changes in net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

As discussed in Note 1 to the financial statements, the District adopted the provisions of Government Accounting Standards Board Statement No. 34, "*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*". The District has not presented the management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information, shown on page 12, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Messner & Hadley, LLP.

Messner & Hadley, LLP
Certified Public Accountants

October 23, 2006

THUNDERBIRD COUNTY WATER DISTRICT

(A Special District)

STATEMENTS OF NET ASSETS

June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
ASSETS		
Current assets		
Cash and investments	\$ 115,716	\$ 94,786
Accounts receivable	14,158	9,820
Prepaid expenses	<u>150</u>	<u>298</u>
Total current assets	130,024	104,904
Non-current assets		
Capital assets, net	248,770	236,234
Deposits	<u>2,500</u>	<u>2,500</u>
Total non-current assets	<u>251,270</u>	<u>238,734</u>
TOTAL ASSETS	<u>\$ 381,294</u>	<u>\$ 343,638</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 28,980	\$ 6,600
Accrued liabilities	2,222	2,356
Customer deposits	4,170	2,370
Current portion long-term debt	<u>8,422</u>	<u>7,977</u>
Total current liabilities	43,794	19,303
Long-term debt	55,453	63,874
Net assets		
Restricted (for capital improvements)	117,734	86,651
Unrestricted	<u>164,313</u>	<u>173,810</u>
Total net assets	<u>282,047</u>	<u>260,461</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 381,294</u>	<u>\$ 343,638</u>

See accompanying notes and auditors' report

THUNDERBIRD COUNTY WATER DISTRICT

(A Special District)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS For the Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Operating revenues		
Water sales	\$ 119,401	\$ 105,123
Water services	24,000	52,000
Standby charges	<u>31,083</u>	<u>29,681</u>
Total operating revenues	174,484	186,804
Operating expenses		
Source of supply	12,419	8,280
Pumping	14,777	14,161
Transmission and distribution	73,555	56,711
General and administrative	<u>52,279</u>	<u>43,373</u>
Total expenses	153,030	122,525
Depreciation	<u>8,372</u>	<u>9,265</u>
Total operating expenses	<u>161,402</u>	<u>131,790</u>
OPERATING INCOME	13,082	55,014
Non-operating revenues (expenses)		
Interest income	905	1,123
Miscellaneous	11,334	3,689
Interest expense	<u>(3,735)</u>	<u>(4,365)</u>
Total non-operating revenues (expenses)	<u>8,504</u>	<u>447</u>
INCREASE IN NET ASSETS	21,586	55,461
NET ASSETS		
Beginning, July 1	<u>260,461</u>	<u>205,000</u>
Ending, June 30	<u>\$ 282,047</u>	<u>\$ 260,461</u>

See accompanying notes and auditors' report

THUNDERBIRD COUNTY WATER DISTRICT

(A Special District)

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities		
Cash received from customers	\$ 181,481	\$ 193,144
Cash paid to suppliers	(77,361)	(83,132)
Cash paid to employees	<u>(54,305)</u>	<u>(48,642)</u>
Net cash provided by operating activities	49,815	61,370
Cash flows from capital and related financing activities		
Principal payments on long-term debt	(7,977)	(40,267)
Purchase of equipment	<u>(20,908)</u>	<u>(21,729)</u>
Net cash used in capital and related financing activities	<u>(28,885)</u>	<u>(61,996)</u>
NET CHANGE IN CASH	20,930	(626)
CASH		
Beginning, July 1	<u>94,786</u>	<u>95,412</u>
Ending, June 30	<u>\$ 115,716</u>	<u>\$ 94,786</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 21,586	\$ 55,461
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	8,372	9,265
Change in assets and liabilities:		
Accounts receivable	(4,338)	2,650
Prepaid expenses	148	(18)
Accounts payable	22,380	(2,811)
Accrued liabilities	(133)	(4,177)
Customer deposits	<u>1,800</u>	<u>1,000</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 49,815</u>	<u>\$ 61,370</u>

See accompanying notes and auditors' report

THUNDERBIRD COUNTY WATER DISTRICT

(A Special District)

NOTES TO FINANCIAL STATEMENTS

June 30, 2006 and 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Thunderbird County Water District (the “District”) was formed October 20, 1964, under the Provision of the California Water Code. Its boundaries encompass approximately 977.5 acres. The District is governed by the Board of Directors (five members) elected by the voters within the District for four-year terms. The District provides water to customers within its boundaries.

Fund Accounting

The accounts of the District are organized on the basis of fund accounting. Resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled. The District’s funds are accounted for as an enterprise fund type of the proprietary fund group.

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The District distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with water sales to customers.

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The enterprise fund is accounted for on a flow of economic resources measurement focus. This measurement focus emphasizes the determination of net income. The accrual basis of accounting is used for the enterprise fund. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Pursuant to GASB Statement No. 20, “*Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*”, all Financial Accounting Standards Board (FASB) statements and authoritative pronouncements issued before November 30, 1989 are applied to proprietary operations unless they conflict with GASB pronouncements. The District has elected not to apply FASB statements issued subsequent to November 30, 1989.

The District adopted the provisions of Governmental Accounting Standards Board Statement No. 34, “*Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*”. Statement No. 34 established standards for external financial reporting for all state and local governmental entities, which includes a statement of net assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows. It requires the classification of net assets into three components: (1) invested in capital assets, net of related debt; (2) restricted; and (3) unrestricted.

These classifications are defined as follows:

(1) *Invested in capital assets, net of related debt*

This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that

THUNDERBIRD COUNTY WATER DISTRICT

(A Special District)

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2006 and 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Basis of Accounting, Continued

are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

(2) *Restricted*

This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

(3) *Unrestricted*

This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

Budgets and Budgetary Accounting

The Board of Directors does not operate under any legal budgeting constraints.

Cash

For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with an initial maturity of three months or less to be cash, including restricted assets. Cash in banks is considered to be cash.

Accounts Receivable

The District considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required.

Prepaid Expenses

Expenses for insurance or other operating costs extending to future accounting periods have been recorded as prepaid expenses.

Capital Assets

Capital assets are stated at cost. Depreciation is provided on a straight-line basis over the estimated useful lives which range from five to forty years. Depreciation expense for the years ended June 30, 2006 and 2005 was \$8,372 and \$9,265, respectively. It is the policy of the District to capitalize property, plant and equipment with a cost of \$1,000 or more.

Retained Earnings

A portion of retained earnings has been reserved for capital improvements. The reserve is equal to the amount of standbys collected since July 1, 1996, less the amount of the loan payment.

Compensated Absences

The District has no requirement for retirement or compensated absences.

THUNDERBIRD COUNTY WATER DISTRICT

(A Special District)

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2006 and 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – CASH AND INVESTMENTS

The District maintains a cash and investment pool that is available for all funds. Each fund type balance in the pool is reflected on the combined balance sheet as cash and investments. The District apportions interest earnings to all funds based on their monthly cash balances.

Cash Deposits

The carrying amounts of the District's cash deposits were \$115,716 at June 30, 2006. Bank balances before reconciling items were \$116,061 at that date, the total amount of which was collateralized or insured with securities held by pledging financial institutions in the District's name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the District's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the District's name.

The market value of the pledged securities must equal at least 110% of the District's deposits. California law also allows financial institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the District's deposits. The District may waive collateral requirements for cash deposits, which are fully insured up to \$100,000 by the Federal Deposit Insurance Corporation (FDIC).

The District follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under provisions of bond indentures. Interest income earned on pooled cash and investments is allocated on an accounting period basis to the various funds based on the period-end cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

Investments

Under the provisions of the District's investment policy, and in accordance with California Government Code, the following investments were authorized:

- Securities issued by the U.S. Treasury
- Securities issued and fully guaranteed as to payment by an agency of the U.S. Government
- Banker's Acceptances
- Non-negotiable certificates of deposit
- Repurchase Agreements
- California Local Agency Investment Fund (State Pool)

THUNDERBIRD COUNTY WATER DISTRICT

(A Special District)

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2006 and 2005

NOTE 2 – CASH AND INVESTMENTS, Continued

Investments, Continued

- Corporate medium-term notes
- Mortgage-backed securities
- Diversified Management Companies, as defined by Section 23701m of the Revenue Taxation Code

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments were stated at fair value using the aggregate method in all funds, resulting in the following investment income in all funds:

	<u>June 30, 2006</u>
Interest income	<u>\$ 905</u>

The District's portfolio value fluctuates in an inverse relationship to any change in interest rates. Accordingly, if interest rates have risen, the portfolio value will have declined. If interest rates have fallen, the portfolio value will have risen.

In accordance with GASB Statement No. 31, the portfolio for year-end reporting purposes is treated as if it were all sold. Therefore, fund balance must reflect the portfolio's change in value. These portfolio value changes are unrealized unless sold. The District's policy is to buy and hold investments until their maturity dates.

Summary of Cash and Investments

The following is a summary of pooled cash and investments at June 30, 2006:

	<u>Business-Type Activities</u>
Cash and investments	<u>\$ 115,716</u>

At June 30, 2006, the District had the following deposits and investments:

	<u>Credit Quality Ratings</u>	<u>Fair Value</u>
Deposits	Not Rated	<u>\$ 115,716</u>

THUNDERBIRD COUNTY WATER DISTRICT

(A Special District)

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2006 and 2005

NOTE 2 – CASH AND INVESTMENTS, Continued

Risk Disclosures

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy limits the District's investment portfolio to maturities not to exceed five years at time of purchase.

Credit Risk. State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). It is the District's policy to limit its investments in these investment types to the top rating issued by NRSROs, including raters Standard & Poor's, Fitch Ratings, and Moody's Investors Service.

Summary of Investments to Maturity

The fair value of investments held by maturity at June 30, 2006 is shown below:

Maturity:	Current to one year	\$ 115,716
	Two to three years	-
	Four to five years	-
	Total	<u>\$ 115,716</u>

NOTE 3 – CAPITAL ASSETS

The detail of capital assets and the changes for the year ended June 30, 2006 are as follows:

<u>Assets at Cost</u>	<u>Balance June 30, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2006</u>
Capital assets not being depreciated:				
Land	\$ 7,322	\$ -	\$ -	\$ 7,322
Capital assets being depreciated:				
Office building and equipment	25,616	-	-	25,616
Plant and equipment	<u>588,906</u>	<u>20,908</u>	-	<u>609,814</u>
Total capital assets being depreciated	<u>614,522</u>	<u>20,908</u>	-	<u>635,430</u>
Total capital assets	<u>\$ 621,844</u>	<u>\$ 20,908</u>	<u>\$ -</u>	<u>\$ 642,752</u>
Accumulated depreciation:				
Office building and equipment	\$ 21,356	\$ 1,060	\$ -	\$ 22,416
Plant and equipment	<u>364,254</u>	<u>7,312</u>	-	<u>371,566</u>
Total accumulated depreciation	<u>\$ 385,610</u>	<u>\$ 8,372</u>	<u>\$ -</u>	<u>\$ 393,982</u>
CAPITAL ASSETS, net book value	<u>\$ 236,234</u>			<u>\$ 248,770</u>

THUNDERBIRD COUNTY WATER DISTRICT

(A Special District)

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2006 and 2005

NOTE 3 – CAPITAL ASSETS, Continued

The detail of capital assets and the changes for the year ended June 30, 2005 are as follows:

<u>Assets at Cost</u>	Balance <u>June 30, 2004</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2005</u>
Capital assets not being depreciated:				
Land	\$ 7,322	\$ -	\$ -	\$ 7,322
Capital assets being depreciated:				
Office building and equipment	22,937	2,679	-	25,616
Plant and equipment	<u>569,856</u>	<u>19,050</u>	<u>-</u>	<u>588,906</u>
Total capital assets being depreciated	<u>592,793</u>	<u>21,729</u>	<u>-</u>	<u>614,522</u>
Total capital assets	<u>\$ 600,115</u>	<u>\$ 21,729</u>	<u>\$ -</u>	<u>\$ 621,844</u>
Accumulated depreciation:				
Office building and equipment	\$ 19,642	\$ 1,714	\$ -	\$ 21,356
Plant and equipment	<u>356,703</u>	<u>7,551</u>	<u>-</u>	<u>364,254</u>
Total accumulated depreciation	<u>\$ 376,345</u>	<u>\$ 9,265</u>	<u>\$ -</u>	<u>\$ 385,610</u>
CAPITAL ASSETS, net book value	<u>\$ 223,770</u>			<u>\$ 236,234</u>

NOTE 4 – LONG-TERM DEBT

Long-term debt at June 30 consisted of the following:

	<u>2006</u>	<u>2005</u>
Citizens Business Bank		
Interest rate: 5.5%. Repayment provisions: bi-annual principal and interest of \$5,910 through February 2012.		
Balance:	\$ 63,875	\$ 71,851
Less current portion	<u>(8,422)</u>	<u>(7,976)</u>
Long-term portion	<u>\$ 55,453</u>	<u>\$ 63,875</u>

THUNDERBIRD COUNTY WATER DISTRICT

(A Special District)

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2006 and 2005

NOTE 4 – LONG-TERM DEBT, Continued

As of June 30, 2006, the annual maturities of long-term debt are as follows:

Year ending June 30,	
2007	\$ 8,422
2008	8,892
2009	9,387
2010	9,911
2011	10,463
Thereafter	<u>16,800</u>
	<u>\$ 63,875</u>

NOTE 5 – RISK MANAGEMENT

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets, and injuries to employees. The District mitigates these risks through internal control procedures, physical security of assets, and safety training of employees. Additionally, the District maintains liability and property insurance through participation in the Joint Powers Authority, Association of California Water Agencies Joint Power Insurance Authority (ACWA/JPIA). See the Joint Power Agreement (Note 6) for nature of participation. Settled claims have not exceeded this coverage in any of the past two fiscal years.

NOTE 6 – JOINT VENTURE

The District participates in a joint venture under a Joint Powers Agreement (JPA): the Special District Risk Management Authority. 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.

The Special District Risk Management Authority has budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements.

- A. Entity Special District Risk Management Authority
- B. Purpose To purchase property and liability insurance for member districts and provide a program of self-insurance for workers compensation.
- C. Participants Special districts in California
- D. Governing Board Two directors selected by the California Special Districts Association and five elected from membership and certain members from the special districts

SUPPLEMENTARY INFORMATION

THUNDERBIRD COUNTY WATER DISTRICT

(A Special District)

SCHEDULE OF OPERATING EXPENSES

For the Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Source of supply		
Purchased water	\$ 12,419	\$ 8,280
Pumping		
Plant power	14,777	14,161
Transmission and distribution		
Salaries and wages	38,232	34,032
Lab fees	6,110	2,785
Materials and supplies	5,749	9,087
Outside services	19,812	4,430
Repairs and maintenance	<u>3,652</u>	<u>6,377</u>
Total transmission and distribution	73,555	56,711
General and administrative		
Salaries and wages	16,092	14,610
Payroll taxes	5,851	3,825
Directors' fees	<u>2,680</u>	<u>2,625</u>
	24,623	21,060
Advertising	256	-
Dues and subscriptions	2,515	1,459
Insurance expense	4,829	5,661
Licenses and permits	353	922
Miscellaneous	1,005	1,251
Office supplies	4,834	2,817
Professional development	5,313	1,778
Professional fees	3,200	3,700
Telephone	2,377	2,313
Travel	<u>2,974</u>	<u>2,412</u>
Total general and administrative	<u>52,279</u>	<u>43,373</u>
Total expenses	153,030	122,525
Depreciation	<u>8,372</u>	<u>9,265</u>
TOTAL OPERATING EXPENSES	<u>\$ 161,402</u>	<u>\$ 131,790</u>

See accompanying notes and auditors' report

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**THUNDERBIRD COUNTY WATER DISTRICT
DEVELOPMENT OF DISTRICT'S WATER SYSTEM HYDRAULIC MODEL
AND WATER SUPPLY CAPABILITY GENERAL REVIEW**

1. INTRODUCTION, SCOPE OF STUDY, STUDY AREA

Thunderbird County Water District (hereinafter also referred to as TCWD) approved a proposal from So & Associates Engineers, Inc. in October of 2004 to develop District's water system hydraulic model. The focus effort is to conduct a quick review of the District's current water usage per meter (average water duty coefficient) and to identify current system deficiencies, and required system improvements (water supply, storage, and transmission pipeline) for existing and future customers.

The TCWD service area is located inside the sphere of the Town of Apple Valley. The service area of TCWD encompasses approximately 977.5 acres (1.5 square miles) with a total of 890 parcels. Figure No. 1 shows the study area and the TCWD boundary.

The study area is entirely residential development, (consisting of single family housing) located in Section 17, part of Sections 8 and 18, Township 5 North, Range 2 West in the Town of Apple Valley, California. The Water District is bound by Zuni Road to the North, Chuck-Vialla Road to the South, Chanto Road to the East and Japatul Road to the West, as shown in existing water system map (See Figure 2). The TCWD service area ranges in elevation from 2,980 feet to 3,185 feet above mean sea level and has three water pressure zones.

2. CURRENT AND BUILD-OUT WATER REQUIREMENTS, FIRE FLOW

As of November 2004, the total number of active customers currently within TCWD is 267 (EDU's) with an estimated total annual water usage of about 130 acre-feet. This usage equates to an average water duty coefficient of about 435 gallons per day per meter (or equivalent dwelling unit). Based on discussions with TCWD staff, the maximum day demand (MDD) will be assumed to be about 2.5 times the average day demand (ADD).

The maximum day demand takes into consideration that water usage occurs within a period of 8 to 10 hours. The water system must be able to meet the MDD plus fire flow, which will be separately discussed. As a general recommendation, the water system must be able to meet the following criteria:

- Water Supply - Maximum-day Demand (MDD) whenever possible
- Water Storage - MDD + 30% of MDD for yearly operational Fluctuations + Fire Flow Storage.
- Water Distribution System – Capable of delivering the MDD flow plus fire flow.

Table 1 below presents the current and build-out water requirements for TCWD.

TABLE 1: CURRENT AND BUILD-OUT WATER REQUIREMENTS

	Estimated No. of Customers (EDU's)	ADD		MDD				Recommended Storage (gallons)	
		gpd	AF/Yr	2.5 X ADD		3 X ADD		MDD as 2.5 times ADD	MDD as 3 times ADD
				gpd	gpm	gpd	gpm		
Current	267	116,145	130	290,362	201	348,435	242	377,500	453,000
Build-Out	890	387,150	434	967,875	672	1,161,450	807	1,258,000	1,510,000

Note: water duty coefficient of 435 gpd/EDU is used

- ADD = Average Day Demand
- MDD = Maximum Day Demand
- gpd = gallons per day
- gpm = gallons per minute
- AF/ Yr = acre-feet per year

3. GENERAL REVIEW OF EXISTING WATER FACILITIES

The TCWD service area is approximately 977.5 acres as presented in Section 2. The water supply source, transmission pipeline, storage, and distribution piping are briefly described in the following paragraphs.

Water Source: Groundwater from vertical wells is the primary source of supply. These wells have the total production capability of about 495 gpm (as presented in Table 2 below). These wells provide adequate supply for the current customers unless one of the wells is down for servicing. Maintenance and rehabilitation of existing wells and drilling of additional future wells are essential to provide a reliable source of water supply.

TABLE 2: EXISTING WELL DATA

Name	Capacity (gpm)	Pump Motor (HP)
Well No. 1	118	40
Well No. 2	158	50
Well No. 3	219	60
Total	495	

Note : Based on actual data from 6-30-96 through 8-27-96

Water Storage: Currently, there are 3 operational reservoirs in the TCWD water system. The capacity ranges from 0.1 to 0.21 million gallons (as presented in Table 3 below). These tanks are bolted steel tanks and are not as strong/durable as the welded steel tanks. They should be inspected regularly (quarterly or semi-annually) to ensure the integrity of the structure and interior protective coating.

TABLE 3: EXISTING RESERVOIR DATA

Name	Capacity (gallons)	Material Type	Diameter (ft.)	Height (ft.)	Status
Tank No. 1	100,000	Bolted Welded (?)	27	24	Operational
Tank No. 2	100,000	Bolted Welded (?)	27	24	With bad bottom
Tank No. 3	210,000	Bolted	38.6	24	New Tank
Total	410,000				

The State Department of Health Services (DHS) requires maintaining one day of storage based on the maximum-day demand (MDD) to ensure continued service during power outages, well pump malfunctions, or other emergency situations. The total storage

consists of emergency, operational, and fire storage; emergency storage is equal to the volume of one maximum-day demand; and operational storage is approximately 30 percent of the maximum-day demand as discussed earlier. Based on the review of the hydraulic model, the 750 gpm fire flow requirement for two hours is taken into consideration in this general review.

Adding the 750 gpm fire flow (2 hours) into the recommended operations/emergency storage (377,500 gals), the total storage should be 467,500 gallons. Therefore, District should consider additional storage with new projects.

Distribution Facilities: Pipe network, booster stations and pressure reducing stations come under distribution facilities. The distribution pipeline system consists of 4-inch to 8-inch pipelines. Table 4 presents the existing piping information within the system.

TABLE 4: EXISTING DISTRIBUTION SYSTEM

PIPELINES

Diameter (inch)	Length (L.F.)	Volume		Material
		cu. ft.	gals	
4"	4,160	625	4,700	ACP
6"	43,100	8,460	63,300	ACP
8"	7,150	1,437	10,750	ACP
Total	54,410	10,522	78,750	

Note: ACP = Asbestos Cement Pipe

Pressure reducing stations permit the transfer of water from higher pressure zones to lower pressure zones. Within the system, there are three separate pressure zones operating at different pressure levels:

- 4" system adjacent to storage tanks operating at approximately 45 psig;
- Upper system operating at pressure determined by water level in the storage tanks
- Lower system operating by setting of pressure regulator valve (PRV) situated at well site and at Lot 176.

System Hydraulic Modeling: Pipe segments and junction nodes of the existing distribution system were compiled as a data-base for establishing the computer hydraulic model. The hydraulic model utilizes H2O-Net software (Version 5.2), run on an AutoCAD release 2000 platform. Water requirements were developed by estimating the demands around each of the pipe junction nodes based on equivalent dwelling units (EDU's) and water duty coefficient (at 435 gpd/EDU) discussed earlier in this report.

Fire flows at 600, 750 and 1,000 gallons per minute during maximum-day conditions were then simulated at nodes randomly selected throughout the TCWD service area. Figures 3-A, 3-B and 3-C show the pressure deficient locations at fire flow runs of 600 gpm, 750 gpm and 1,000 gpm respectively.

The existing water system provides a reasonable hydraulic network to distribute water throughout the TCWD service area. However, as aging pipelines are considered for replacement, they should be replaced with minimum 8-inch diameter pipes to ensure that the system can meet maximum day demand plus fire flow. As shown in Figure 3-C with the system under a simulated fire flow at 1,000 gpm, there are a significant number of locations with residual pressures falling below the required 20 psig. These are caused by the high friction loss in the small diameter pipes.

4. RECOMMENDATION

Based on the hydraulic model simulations and review of the water requirements, the TCWD will be required to upgrade its water facility to enable the in-fill parcels to be developed. Additionally, there will be interest of adjacent parcels desiring to be annexed and served by the District. For the immediate consideration, the District's planning should include the following facility improvements:

- One additional new tank – due to the need to repair one of the existing tanks, this could be combined with additional storage to serve the proposed new development.

- One additional new well – for the new development; financing could be provided through the new connection fees.
- Replace the existing small piping with larger distribution mains to ensure adequate fire flow.

The District Board will have additional discussions with General Manager and consulting engineer to establish connection fees for in-fill lots and any other future annexations. The District's O&M budget should include a funding element for facility depreciation (repair and replacement cost).