

**SUBMITTAL TO THE BOARD OF SUPERVISORS  
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

677



**FROM:** County Auditor-Controller

**SUBMITTAL DATE:**  
May 21, 2014

**SUBJECT:** Receive and file Chiriaco Summit Water District Financial Statements with Independent Auditors' Report For the Years Ended June 30, 2005 through 2013. [\$0]

**RECOMMENDED MOTION:** That the Board of Supervisors:

1. Receive and file Chiriaco Summit Water District Financial Statements with Independent Auditors' Report For the Years Ended June 30, 2005 through 2013.

**BACKGROUND:**

**Summary**

Chiriaco Summit Water District ("District") received unmodified or "clean" opinions for each of the nine fiscal years audited. A "clean" audit opinion means the statements are fairly presented. A "clean" opinion is not a guarantee of financial health or error-free financials. The District is now compliant with the annual audited financial statements requirement of California Government Code Section 26909(a).

The District's audited financial statements disclose that as of June 30, 2013, the District's cash was insufficient to pay bills coming due on or before June 30, 2014. Note 6. *Going Concern*, discloses the District has sustained significant losses over the past nine years and is seeking to restructure its debt.

*Paul Angulo*  
Paul Angulo, CPA, M.A.  
County Auditor-Controller

Departmental Concurrence

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost:	POLICY/CONSENT (per Exec. Office)
COST	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	Consent <input checked="" type="checkbox"/> Policy <input type="checkbox"/>
NET COUNTY COST	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	
SOURCE OF FUNDS: N/A				Budget Adjustment: No	
				For Fiscal Year: N/A	

**C.E.O. RECOMMENDATION:**

APPROVE

BY:

*Karen L. Johnson*  
Karen L. Johnson

County Executive Office Signature

**MINUTES OF THE BOARD OF SUPERVISORS**

On motion of Supervisor Stone, seconded by Supervisor Jeffries and duly carried, IT WAS ORDERED that the above matter is received and filed as recommended.

Ayes: Jeffries, Stone and Ashley  
Nays: None  
Absent: Tavaglione & Benoit  
Date: June 3, 2014  
xc: [unclear] Auditor [unclear]

Kecia Harper-Ihem  
Clerk of the Board  
By: *Kecia Harper-Ihem*  
Deputy

- Positions Added
- Change Order
- A-30
- 4/5 Vote

Prev. Agn. Ref.:

District: ALL

Agenda Number:

2-10

**SUBMITTAL TO THE BOARD OF SUPERVISORS, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA  
FORM 11: Financial Statements with Independent Auditors' Report For the Years Ended June 30,  
2005 through 2013.**

**DATE: May 21, 2014**

**PAGE: 2 of 2**

**BACKGROUND:**

**Summary (continued)**

California Government Code Section 26909(a) requires special districts to file audit reports of its accounts and records within 12 months of the end of the fiscal year with the State Controller's Office and the county auditor of the county in which the special district is located. Section 26909(a) also requires the county auditor to make or cause to make an annual audit of a special district's accounts and records if the special district does not otherwise provide the required annual audit.

Since 2010, the County of Riverside's Office of the Auditor-Controller worked to collaborate with the District to bring it into compliance with Government Code Section 26909(a) in an economical, efficient, and fair manner.

**Impact on Residents and Businesses**

The audited financial statements provide information to residents and businesses of Chiriaco Summit Water District to assist in evaluating the District's operations and sustainability.

**ATTACHMENTS:**

- A. Chiriaco Summit Water District Financial Statements with Independent Auditors' Report For the Years Ended June 30, 2005 through 2013.

**CHIRIACO SUMMIT  
WATER DISTRICT**

**Financial Statements  
with  
Independent Auditors' Report**

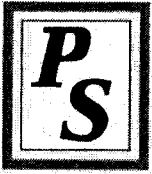
**For the Years Ended  
June 30, 2005 through 2013**

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**POWELL & SPAFFORD, INC.**  
CERTIFIED PUBLIC ACCOUNTANTS

Jessie C. Powell, CPA (Ret.)  
Patrick D. Spafford, CPA

Licensed by the California Board of Accountancy  
Member American Institute of Certified Public Accountants

## Independent Auditors' Report

To the Board of Trustees  
Chiriaco Summit Water District

### Report on the Financial Statements

We have audited the accompanying financial statements of Chiriaco Summit Water District (the District) as of and for the years ended June 30, 2005 through 2013, and the related notes to 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 and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chiriaco Summit Water District, as of June 30, 2005 through 2013, and the respective changes in financial position and, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Required Supplementary Information***

The District has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by 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. Our opinion on the basic financial statements is not affected by the missing information.

*Lowell & Spafford*

May 13, 2014



## **FINANCIAL STATEMENTS**

**CHIRIACO SUMMIT WATER DISTRICT**

**Statements of Net Position**

June 30, 2005 through 2013

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 12,490	\$ (1,260)	\$ 1,686	\$ 7,746
Accounts receivable, net	1,279	12,710	7,482	7,853
Other receivables	-	-	-	-
Prepaid expenses	<u>1,766</u>	<u>2,019</u>	<u>2,017</u>	<u>2,089</u>
Total current assets	<u>15,535</u>	<u>13,469</u>	<u>11,185</u>	<u>17,688</u>
Non-current assets:				
Capital assets, net of accumulated depreciation	483,206	500,173	521,183	544,115
Other receivable	-	-	-	-
	<u>483,206</u>	<u>500,173</u>	<u>521,183</u>	<u>544,115</u>
Total assets	<u>\$ 498,741</u>	<u>\$ 513,642</u>	<u>\$ 532,368</u>	<u>\$ 561,803</u>
<b>Liabilities and net position</b>				
Current liabilities:				
Long-term debt - due within one year	\$ 364,734	\$ 364,734	\$ 375,339	\$ 375,339
Accounts payable	161,229	95,471	78,242	64,285
Accrued expenses	552	367	899	1,080
Customer deposits	<u>4,455</u>	<u>4,371</u>	<u>-</u>	<u>1,000</u>
Total current liabilities	<u>530,970</u>	<u>464,943</u>	<u>454,480</u>	<u>441,704</u>
Long-term liabilities:				
Long-term debt - due in more than one year	-	-	-	-
Total liabilities	<u>530,970</u>	<u>464,943</u>	<u>454,480</u>	<u>441,704</u>
<b>Net position</b>				
Net investment in capital assets	483,206	500,173	521,183	544,115
Unrestricted (deficit)	<u>(515,435)</u>	<u>(451,474)</u>	<u>(443,295)</u>	<u>(424,016)</u>
Total net position (deficit)	<u>\$ (32,229)</u>	<u>\$ 48,699</u>	<u>\$ 77,888</u>	<u>\$ 120,099</u>

*The accompanying notes are an integral part of these financial statements.*

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 15,075	\$ 9,272	\$ 31,971	\$ 16,525	\$ 1,506
8,179	10,699	5,699	4,840	4,718
-	25,720	-	24,354	26,426
2,047	1,860	2,295	3,310	2,483
<u>25,301</u>	<u>47,551</u>	<u>39,965</u>	<u>49,029</u>	<u>35,133</u>
567,048	588,107	610,868	622,873	635,246
-	-	25,720	25,720	25,720
<u>567,048</u>	<u>588,107</u>	<u>636,588</u>	<u>648,593</u>	<u>660,966</u>
<u>\$ 592,349</u>	<u>\$ 635,658</u>	<u>\$ 676,553</u>	<u>\$ 697,622</u>	<u>\$ 696,099</u>
\$ 327,734	\$ 102,019	\$ 10,285	\$ 13,478	\$ 4,149
26,862	309,281	321,654	405,477	399,526
3,472	3,120	2,631	628	503
2,750	1,750	1,750	1,750	1,750
<u>360,818</u>	<u>416,170</u>	<u>336,320</u>	<u>421,333</u>	<u>405,928</u>
57,605	-	94,306	-	3,193
<u>418,423</u>	<u>416,170</u>	<u>430,626</u>	<u>421,333</u>	<u>409,121</u>
567,048	588,107	610,868	622,873	635,246
(393,122)	(368,619)	(364,941)	(346,584)	(348,268)
<u>\$ 173,926</u>	<u>\$ 219,488</u>	<u>\$ 245,927</u>	<u>\$ 276,289</u>	<u>\$ 286,978</u>

## CHIRIACO SUMMIT WATER DISTRICT

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

For the Years Ended June 30, 2005 through 2013

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Operating revenues</b>				
Water sales	\$ 98,813	\$ 84,844	\$ 69,934	\$ 73,734
<b>Operating expenses</b>				
General and administrative	90,934	27,777	20,084	31,343
Water services	67,941	76,351	61,454	61,619
Depreciation and amortization	23,134	22,839	22,932	22,932
	<u>182,009</u>	<u>126,967</u>	<u>104,470</u>	<u>115,894</u>
Operating income (loss)	<u>(83,196)</u>	<u>(42,123)</u>	<u>(34,536)</u>	<u>(42,160)</u>
<b>Non-operating revenues (expenses)</b>				
In-kind donations	2,400	2,400	1,600	-
Other Income (expense)	5,703	16,348	5,460	7,874
Interest expense	(5,835)	(5,814)	(14,735)	(19,541)
	<u>2,268</u>	<u>12,934</u>	<u>(7,675)</u>	<u>(11,667)</u>
Change in net position	(80,928)	(29,189)	(42,211)	(53,827)
Net position (deficit), beginning of year as previously stated	48,699	77,888	120,099	173,926
Prior period adjustment	-	-	-	-
Net position (deficit), beginning of year as restated	<u>48,699</u>	<u>77,888</u>	<u>120,099</u>	<u>173,926</u>
Net position (deficit), end of year	<u>\$ (32,229)</u>	<u>\$ 48,699</u>	<u>\$ 77,888</u>	<u>\$ 120,099</u>

*The accompanying notes are an integral part of these financial statements.*

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<u>\$ 78,252</u>	<u>\$ 70,724</u>	<u>\$ 73,672</u>	<u>\$ 68,371</u>	<u>\$ 55,239</u>
31,442	12,521	23,523	9,099	28,217
58,294	53,369	53,020	47,510	58,379
<u>22,775</u>	<u>22,761</u>	<u>22,404</u>	<u>22,070</u>	<u>8,412</u>
<u>112,511</u>	<u>88,651</u>	<u>98,947</u>	<u>78,679</u>	<u>95,008</u>
<u>(34,259)</u>	<u>(17,927)</u>	<u>(25,275)</u>	<u>(10,308)</u>	<u>(39,769)</u>
-	-	-	-	-
5,288	5,597	4,203	67	9,548
<u>(16,591)</u>	<u>(14,109)</u>	<u>(9,290)</u>	<u>(448)</u>	<u>(286)</u>
<u>(11,303)</u>	<u>(8,512)</u>	<u>(5,087)</u>	<u>(381)</u>	<u>9,262</u>
<u>(45,562)</u>	<u>(26,439)</u>	<u>(30,362)</u>	<u>(10,689)</u>	<u>(30,507)</u>
219,488	245,927	276,289	286,978	347,441
-	-	-	-	<u>(29,956)</u>
<u>219,488</u>	<u>245,927</u>	<u>276,289</u>	<u>286,978</u>	<u>317,485</u>
<u>\$ 173,926</u>	<u>\$ 219,488</u>	<u>\$ 245,927</u>	<u>\$ 276,289</u>	<u>\$ 286,978</u>

**CHIRIACO SUMMIT WATER DISTRICT**

**Statements of Cash Flows**

For the Years Ended June 30, 2005 through 2013

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Cash flows from operating activities</b>				
Cash received from customers	\$ 110,328	\$ 83,987	\$ 69,305	\$ 72,310
Cash payments to employees	(20,363)	(24,100)	(15,045)	(16,926)
Cash payments to suppliers for goods and services	<u>(69,916)</u>	<u>(71,538)</u>	<u>(51,045)</u>	<u>(41,047)</u>
Net cash provided by (used in) operating activities	<u>20,049</u>	<u>(11,651)</u>	<u>3,215</u>	<u>14,337</u>
<b>Cash flows from noncapital and related financing activities</b>				
Other income (expense)	<u>(50)</u>	<u>10,596</u>	<u>(292)</u>	<u>2,122</u>
Net cash provided by (used in) noncapital and related financing activities	<u>(50)</u>	<u>10,596</u>	<u>(292)</u>	<u>2,122</u>
<b>Cash flows from capital and related financing activities</b>				
Acquisition and construction of capital assets	(6,167)	(1,829)	-	-
Proceeds from long-term debt	-	-	-	-
Principal payments on long-term debt	-	-	-	(10,000)
Interest paid on long-term debt	<u>(82)</u>	<u>(62)</u>	<u>(8,983)</u>	<u>(13,788)</u>
Net cash provided by (used in) capital and related financing activities	<u>(6,249)</u>	<u>(1,891)</u>	<u>(8,983)</u>	<u>(23,788)</u>
Net change in cash and cash equivalents	13,750	(2,946)	(6,060)	(7,329)
<b>Cash and cash equivalents</b>				
Balance, beginning of year	<u>(1,260)</u>	<u>1,686</u>	<u>7,746</u>	<u>15,075</u>
Balance, end of year	<u>\$ 12,490</u>	<u>\$ (1,260)</u>	<u>\$ 1,686</u>	<u>\$ 7,746</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>				
Operating income (loss)	\$ (83,196)	\$ (42,123)	\$ (34,536)	\$ (42,160)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	23,134	22,839	22,932	22,932
Interest forgiven				
(Increase) decrease in assets:				
Receivables	11,431	(5,228)	371	326
Other receivables	-	-	-	-
Prepaid expenses	253	(2)	72	(42)
Increase (decrease) in liabilities:				
Accounts payable	65,758	6,624	13,957	37,423
Accrued expenses	185	(532)	(181)	(2,392)
Customer deposits	84	4,371	(1,000)	(1,750)
Net cash provided by (used in) operating activities	<u>\$ 17,649</u>	<u>\$ (14,051)</u>	<u>\$ 1,615</u>	<u>\$ 14,337</u>
<b>Noncash operating and investing activity</b>				
Conversion of accounts payable to long-term debt	\$ -	\$ -	\$ -	\$ -
Refinance of existing debt	\$ -	\$ 267,000	\$ -	\$ -
Receipt of donated facilities	\$ 2,400	\$ 2,400	\$ 1,600	\$ -

*The accompanying notes are an integral part of these financial statements.*

2009	2008	2007	2006	2005
\$ 81,772	\$ 65,724	\$ 72,813	\$ 68,249	\$ 60,506
(15,138)	(13,646)	(10,191)	(10,746)	(9,965)
<u>(43,527)</u>	<u>(63,693)</u>	<u>(122,803)</u>	<u>(38,542)</u>	<u>43,118</u>
<u>23,107</u>	<u>(11,615)</u>	<u>(60,181)</u>	<u>18,961</u>	<u>93,659</u>
<u>(464)</u>	<u>(61)</u>	<u>3,903</u>	<u>67</u>	<u>9,548</u>
<u>(464)</u>	<u>(61)</u>	<u>3,903</u>	<u>67</u>	<u>9,548</u>
(1,716)	-	(10,399)	(9,697)	(114,500)
-	-	94,306	10,285	-
(4,285)	(2,572)	(3,193)	(4,149)	(4,027)
<u>(10,839)</u>	<u>(8,451)</u>	<u>(8,990)</u>	<u>(448)</u>	<u>(286)</u>
<u>(16,840)</u>	<u>(11,023)</u>	<u>71,724</u>	<u>(4,009)</u>	<u>(118,813)</u>
5,803	(22,699)	15,446	15,019	(15,606)
<u>9,272</u>	<u>31,971</u>	<u>16,525</u>	<u>1,506</u>	<u>17,112</u>
<u>\$ 15,075</u>	<u>\$ 9,272</u>	<u>\$ 31,971</u>	<u>\$ 16,525</u>	<u>\$ 1,506</u>
\$ (34,259)	\$ (17,927)	\$ (25,275)	\$ (10,308)	\$ (39,769)
22,775	22,761	22,404	22,070	8,412
2,520	(5,000)	(859)	(122)	5,267
25,720	-	24,354	2,072	(17,333)
(187)	435	1,015	(827)	723
5,186	(12,373)	(83,823)	5,951	135,856
352	489	2,003	125	503
1,000	-	-	-	-
<u>\$ 23,107</u>	<u>\$ (11,615)</u>	<u>\$ (60,181)</u>	<u>\$ 18,961</u>	<u>\$ 93,659</u>
\$ 287,605	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -

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# CHIRIACO SUMMIT WATER DISTRICT

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies

#### Reporting Entity

Chiriaco Summit Water District (the District) was formed on May 9, 2000 under the provisions of the Municipal Water District Act of 1911 for the purpose of developing a domestic water supply for the area of Chiriaco Summit, California. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governments and to general practice within California Special Districts. The District accounts for its financial transactions in accordance with the policies and procedures of the State Controller's Office Division of Local Government Fiscal Affairs Minimum Audit Requirements and Reporting Guidelines for California Special Districts.

The preparation of these financial statements requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets, liabilities, revenues, and expenditures, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates. Management also determines the accounting principles to be used in the preparation of the financial statements. A description of the significant accounting policies employed in the preparation of these financial statements follows:

Accounting principles generally accepted in the United States of America require that these financial statements present the accounts of the District and any of its component units. Component units are legally separate entities of which the District is considered to be financially accountable or otherwise has a relationship, which is such that the exclusion of the entity would cause the financial statements to be misleading. Blended component units are considered, in substance, part of the District's operations, so the accounts of these entities are to be combined with the data of the District. Component units, which do not meet these requirements, are reported in the financial statements as discrete units to emphasize their separate legal status. However, the District has determined that it is not financially accountable for, nor has any other relationship with, any other organization, which would require its inclusion in these financial statements.

#### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The District accounts for its activities as a proprietary fund. The financial statements are accounted for on a flow of economic resources measurement focus, using the accrual basis of accounting. Under this method all assets and liabilities associated with operations are included on the balance sheet, revenues are recorded as earned and expenses are recorded at the time liabilities are incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements are met. The accounting for fiduciary funds is much like that used for proprietary funds.

The intent of the District is to establish water usage rates sufficient to provide for payment of general operations and maintenance expenses as well as required debt service. When both restricted and unrestricted resources are available for use, restricted resources are generally assumed to have been used first.

# CHIRIACO SUMMIT WATER DISTRICT

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies (Continued)

The District distinguishes operating revenues and expenses from non-operating items. Operating revenues include revenues derived from water sales and water related activities; operating expenses include all expenses applicable to the furnishing of these services. Nonoperating revenue and expenses include revenue and expenses not associated with the District's normal business of supplying water. Non-operating revenues and expenses include interest income and expense, gain and loss on disposition of property and equipment, grants, and other peripheral activities. Although capital contributions, as well as special and extraordinary items when there are any, are shown separately, technically they are subcategories of non-operating revenues and expenses.

#### **Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand and demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Although state statutes mandate the District maintain substantially all of its cash in the Riverside County Treasury, the District has obtained independent status and therefore maintains all of its cash in a local bank.

#### *Custodial Credit Risk – Deposits*

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District will not be able to recover its deposits. As of June 30, of each year the carrying amount of the District's bank account was not exposed to custodial credit risk.

#### **Accounts Receivable - Water Users**

The balance shown as a receivable represents the amount of water usage and service charges that have been earned but not yet collected at yearend. The amount of uncollectible water sales that is written off is determined by direct write-off of individual accounts that have been outstanding for more than one year. The items are usually final bills that are not paid after the user moves from the District. The amount of bad debts each year, if any, is not significant to the District.

#### **Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets are defined by the District as assets with an initial, individual cost of more than \$500 and an estimated useful life of five years or more.

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets are depreciated using the straight-line method over the estimated useful lives varying from 40 years for pipelines, 5 to 40 years for plant equipment and 5 to 10 years for office equipment.

# CHIRIACO SUMMIT WATER DISTRICT

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies (Continued)

#### Compensated Absences

The majority of the District's employees are employed on a part-time basis, and therefore are not entitled to vacation or sick leave.

#### Property Taxes

The District does not currently receive property taxes through the County of Riverside.

#### Net Position

In the statements of net position, net position is classified in the following categories:

*Net Investment in Capital Assets* – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the capital assets.

*Restricted Net Assets* – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

*Unrestricted Net Assets* – This amount is all net assets that do not meet the definition of “net investment in capital assets” or “restricted net assets.”

#### Water Sales

Generally, customers are billed a flat monthly rate, based on customer size and number of persons in a household. Contractors are charged based upon per unit use.

### 2. Capital Assets

The following is a summary of the changes in capital assets for each year:

	Balance <u>6/30/04</u>	Increases	Balance <u>6/30/05</u>	Increases	Balance <u>6/30/06</u>	Increases	Balance <u>6/30/07</u>
Capital assets being depreciated:							
Pipeline	\$ 294,898	\$ -	\$ 294,898	\$ -	\$ 294,898	\$ -	\$ 294,898
Plant equipment	114,829	93,279	208,108	9,697	217,805	8,850	226,655
Engineering costs	136,797	21,221	158,018	-	158,018	-	158,018
Office equipment	-	-	-	-	-	1,549	1,549
	<u>546,524</u>	<u>114,500</u>	<u>661,024</u>	<u>9,697</u>	<u>670,721</u>	<u>10,399</u>	<u>681,120</u>
Less: accumulated depreciation	17,366	8,412	25,778	22,070	47,848	22,404	70,252
	<u>\$ 529,158</u>	<u>\$ 106,088</u>	<u>\$ 635,246</u>	<u>\$ (12,373)</u>	<u>\$ 622,873</u>	<u>\$ (12,005)</u>	<u>\$ 610,868</u>

## CHIRIACO SUMMIT WATER DISTRICT

### Notes to Financial Statements

#### 2. Capital Assets (Continued)

The following is a summary of the changes in capital assets for each year: (Continued)

	Balance <u>6/30/07</u>	Increases	Balance <u>6/30/08</u>	Increases	Balance <u>6/30/09</u>	Increases	Balance <u>6/30/10</u>
Capital assets being depreciated:							
Pipeline	\$ 294,898	\$ -	\$ 294,898	\$ -	\$ 294,898	\$ -	\$ 294,898
Plant equipment	226,655	-	226,655	-	226,655	-	226,655
Engineering costs	158,018	-	158,018	-	158,018	-	158,018
Office equipment	1,549	-	1,549	1,716	3,265	-	3,265
	681,120	-	681,120	1,716	682,836	-	682,836
Less: accumulated depreciation	70,252	22,761	93,013	22,775	115,788	22,933	138,721
	<u>\$ 610,868</u>	<u>\$ (22,761)</u>	<u>\$ 588,107</u>	<u>\$ (21,059)</u>	<u>\$ 567,048</u>	<u>\$ (22,933)</u>	<u>\$ 544,115</u>

	<u>6/30/10</u>		<u>6/30/11</u>		<u>6/30/12</u>		<u>6/30/13</u>
Capital assets being depreciated:							
Pipeline	\$ 294,898	\$ -	\$ 294,898	\$ -	\$ 294,898	\$ -	\$ 294,898
Plant equipment	226,655	-	226,655	-	226,655	6,167	232,822
Engineering costs	158,018	-	158,018	-	158,018	-	158,018
Office equipment	3,265	-	3,265	1,829	5,094	-	5,094
	682,836	-	682,836	1,829	684,665	6,167	690,832
Less: accumulated depreciation	138,721	22,932	161,653	22,839	184,492	23,134	207,626
	<u>\$ 544,115</u>	<u>\$ (22,932)</u>	<u>\$ 521,183</u>	<u>\$ (21,010)</u>	<u>\$ 500,173</u>	<u>\$ (16,967)</u>	<u>\$ 483,206</u>

#### 3. Non-Current Liabilities

Long-term debt at June 30, 2005 through 2010 consisted of the following:

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Desert Alliance for Community Empowerment</b> (related party)						
Empowerment Zone #1						
Interest rate: 3.00%						
Repayment provision: Monthly principal and interest payments of \$359, originally due April 20, 2007						
Security: Unsecured						
Balances	\$ 7,342	\$ 3,193	\$ -	\$ -	\$ -	\$ -
<b>Empowerment Zone #2</b>						
Interest rate: 3.00%						
Repayment provision: Monthly interest payments with balance originally due August 1, 2006						
Security: Unsecured						
Balances	-	10,285	10,285	7,713	3,428	3,428

**CHIRIACO SUMMIT WATER DISTRICT**

**Notes to Financial Statements**

**3. Non-Current Liabilities (Continued)**

Long-term debt at June 30, 2005 through 2010 consisted of the following: (Continued)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Desert Alliance for Community Empowerment (related party) (Continued)</b>						
<u>Empowerment Zone #3</u>						
Interest rate: 6.00%						
Repayment provision: Monthly interest payments with balance originally due July 1, 2008						
Security: Unsecured						
Balances	-	-	94,306	94,306	94,306	94,306
<b>Promissory Note due Kreiger &amp; Stewart, Inc. paid through an agreement with Joseph L. Chiriaco, Inc. (related party)</b>						
Interest rate: 5.00%						
Repayment provision: Monthly interest payments with a \$10,000 principal payment due each year through June 30, 2018						
Security: Unsecured						
Balances	-	-	-	-	287,605	277,605
	7,342	13,478	104,591	102,019	385,339	375,339
Less current portion	4,149	13,478	10,285	102,019	327,734	375,339
	<u>\$ 3,193</u>	<u>\$ -</u>	<u>\$ 94,306</u>	<u>\$ -</u>	<u>\$ 57,605</u>	<u>\$ -</u>

Long-term debt at June 30, 2011 through 2013 consisted of the following:

	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b>Desert Alliance for Community Empowerment (related party)</b>			
<u>Empowerment Zone #2</u>			
Interest rate: 3.00%			
Repayment provision: Monthly interest payments with balance originally due August 1, 2006			
Security: Unsecured			
Balances	\$ 3,428	\$ 3,428	\$ 3,428
<u>Empowerment Zone #3</u>			
Interest rate: 6.00%			
Repayment provision: Monthly interest payments with balance originally due July 1, 2008			
Security: Unsecured			
Balances	94,306	94,306	94,306

**CHIRIACO SUMMIT WATER DISTRICT**

**Notes to Financial Statements**

**3. Non-Current Liabilities (Continued)**

Long-term debt at June 30, 2011 through 2013 consisted of the following: (Continued)

	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b>Promissory Note due Kreiger &amp; Stewart, Inc. paid through an agreement with Joseph L. Chiriaco, Inc. (related party)</b>			
Interest rate: 5.00%			
Repayment provision: Monthly interest payments with a \$10,000 principal payment due each year through June 30, 2018			
Security: Unsecured			
Balances	277,605	-	-
<b>Debt due Joseph L. Chiriaco Inc. (related party)</b>			
Interest rate: non-stated			
Repayment provision: non stated			
Security: Unsecured			
Balances	-	267,000	267,000
	<u>375,339</u>	<u>364,734</u>	<u>364,734</u>
Less current portion	<u>375,339</u>	<u>364,734</u>	<u>364,734</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

A schedule of changes in non-current liabilities for the years ended June 30, 2005 through June 30, 2008 is shown below:

	<u>Balance</u>
Balance June 30, 2004	\$ 11,369
Additions	-
Decreases	<u>(4,027)</u>
Balance June 30, 2005	7,342
Additions	10,285
Decreases	<u>(4,149)</u>
Balance June 30, 2006	13,478
Additions	94,306
Decreases	<u>(3,193)</u>
Balance June 30, 2007	104,591
Additions	-
Decreases	<u>(2,572)</u>
Balance June 30, 2008	102,019

# CHIRIACO SUMMIT WATER DISTRICT

## Notes to Financial Statements

### 3. Non-Current Liabilities (Continued)

A schedule of changes in non-current liabilities for the years ended June 30, 2008 through June 30, 2013 is shown below:

	<u>Balance</u>
Balance June 30, 2008	102,019
Additions	287,605
Decreases	<u>(4,285)</u>
Balance June 30, 2009	385,339
Additions	-
Decreases	<u>(10,000)</u>
Balance June 30, 2010	375,339
Additions	-
Decreases	<u>-</u>
Balance June 30, 2011	375,339
Additions	267,000
Decreases	<u>(277,605)</u>
Balance June 30, 2012	364,734
Additions	-
Decreases	<u>-</u>
Balance June 30, 2013	<u>\$ 364,734</u>

### 4. Related Party Transactions

All of the Trustees are also customers of the District. Two trustees of the District own a Company that has various business entities that represent between 61% and 85% of total water revenue to the District from 2005 through 2013. The Company was also reimbursed by the District for rent, operating expenses and general and administrative expenses. Amounts reimbursed to the Company by the District were \$643 in 2005, \$814 in 2006, \$4,426 in 2007, \$5,036 in 2008, \$6,501 in 2009, \$3,957 in 2010, \$1,307 in 2011, \$2,635 in 2012 and \$2,836 in 2013. During 2011 the Company donated office space valued at \$1,600 in 2011, and \$2,400 in both 2012 and 2013.

The District is also indebted to the Company beginning in 2009, see Note 3. One trustee of the District is also on the Board of Directors of Desert Alliance for Community Empowerment, which the District is indebted to, See Note 3. Interest accrued on the indebtedness to Desert Alliance for Community Empowerment was \$285 in 2005. Interest forgiven on the indebtedness to Desert Alliance for Community Empowerment was \$362 in 2006, \$5,527 in 2007, \$5,829 in 2008, \$5,752 in 2009 through 2013.

## CHIRIACO SUMMIT WATER DISTRICT

### Notes to Financial Statements

#### 5. Prior Period Adjustment

Prior period adjustment is the result of the following:

- Engineering fees related to water system project not properly capitalized for \$136,797.
- Organizational costs, net of amortization incorrectly reported on statement of net assets in the amount of \$(112,297).
- Payables not properly recorded of \$(91,527).
- Receivables and prepaid expenses not properly recorded of \$37,071.

For the year ended June 30, 2004, the effect of these adjustments was to decrease change in net position by \$(29,956).

#### 6. Going Concern

The District has sustained significant losses over the past 9 years. In addition, as of June 30, 2013 the District's current liabilities exceeded its current assets by \$473,042. These factors, as well as the District's necessity of obtaining additional working capital create an uncertainty about the District's ability to continue as a going concern.

Management is working with Desert Alliance for Community Empowerment to convert the two outstanding loans to a 5 year term with zero interest on the larger loan and 6% on the smaller loan. Management of the District is also actively implementing a plan to increase revenue and profit margins by actively seeking grants and increasing water rates.

The ability of the District to continue as a going concern is dependent upon improving its profitability, generating additional cash flow, obtaining additional working capital and restructuring its existing debt. The financial statements do not include any adjustments that might be necessary if the District is unable to continue as a going concern.



**Riverside County Board of Supervisors  
Request to Speak**

Submit request to Clerk of Board (right of podium),  
Speakers are entitled to three (3) minutes, subject  
to Board Rules listed on the reverse side of this form.

**SPEAKER'S NAME:** GARRY GRANT

**Address:** \_\_\_\_\_  
(only if follow-up mail response requested)

**City:** \_\_\_\_\_ **Zip:** \_\_\_\_\_

**Phone #:** \_\_\_\_\_

**Date:** JUNE 3<sup>RD</sup> 0124 **Agenda #** 2-10

**PLEASE STATE YOUR POSITION BELOW:**

**Position on "Regular" (non-appealed) Agenda Item:**  
 **Support**     **Oppose**     **Neutral**

**Note:** If you are here for an agenda item that is filed  
for "Appeal", please state separately your position on  
the appeal below:

\_\_\_\_\_ **Support**    \_\_\_\_\_ **Oppose**    \_\_\_\_\_ **Neutral**

**I give my 3 minutes to:** \_\_\_\_\_

## **BOARD RULES**

### **Requests to Address Board on "Agenda" Items:**

You may request to be heard on a published agenda item. Requests to be heard must be submitted to the Clerk of the Board before the scheduled meeting time.

### **Requests to Address Board on items that are "NOT" on the Agenda:**

Notwithstanding any other provisions of these rules, member of the public shall have the right to address the Board during the mid-morning "Oral Communications" segment of the published agenda. Said purpose for address must pertain to issues which are under the direct jurisdiction of the Board of Supervisors. YOUR TIME WILL BE LIMITED TO THREE (3) MINUTES.

### **Power Point Presentations/Printed Material:**

Speakers who intend to conduct a formalized Power Point presentation or provide printed material must notify the Clerk of the Board's Office by 12 noon on the Monday preceding the Tuesday Board meeting, insuring that the Clerk's Office has sufficient copies of all printed materials and at least one (1) copy of the Power Point CD. Copies of printed material given to the Clerk (by Monday noon deadline) will be provided to each Supervisor. If you have the need to use the overhead "Elmo" projector at the Board meeting, please insure your material is clear and with proper contrast, notifying the Clerk well ahead of the meeting, of your intent to use the Elmo.

### **Individual Speaker Limits:**

Individual speakers are limited to a maximum of three (3) minutes. Please step up to the podium when the Chairman calls your name and begin speaking immediately. Pull the microphone to your mouth so that the Board, audience, and audio recording system hear you clearly. Once you start speaking, the "green" podium light will light. The "yellow" light will come on when you have one (1) minute remaining. When you have 30 seconds remaining, the "yellow" light will begin flash, indicating you must quickly wrap up your comments. Your time is up when the "red" light flashes. The Chairman adheres to a strict three (3) minutes per speaker. *Note: If you intend to give your time to a "Group/Organized Presentation", please state so clearly at the very bottom of the reverse side of this form.*

### **Group/Organized Presentations:**

Group/organized presentations with more than one (1) speaker will be limited to nine (9) minutes at the Chairman's discretion. The organizer of the presentation will automatically receive the first three (3) minutes, with the remaining six (6) minutes relinquished by other speakers, as requested by them on a completed "Request to Speak" form, and clearly indicated at the front bottom of the form.

### **Addressing the Board & Acknowledgement by Chairman:**

The Chairman will determine what order the speakers will address the Board, and will call on all speakers in pairs. The first speaker should immediately step to the podium and begin addressing the Board. The second speaker should take up a position in one of the chamber aisles in order to quickly step up to the podium after the preceding speaker. This is to afford an efficient and timely Board meeting, giving all attendees the opportunity to make their case. Speakers are prohibited from making personal attacks, and/or using coarse, crude, profane or vulgar language while speaking to the Board members, staff, the general public and/or meeting participants. Such behavior, at the discretion of the Board Chairman may result in removal from the Board Chambers by Sheriff Deputies.