

Facilitation PLLC

May 26, 2020

Board of Directors
Inscription Canyon Ranch Water Users Association
PO Box 2344
Prescott, AZ 86302

To the Board of Directors:

Facilitation was contacted by Mark Armstrong, Vice President of the Board of Directors of the Inscription Canyon Ranch Water Users Association, ("ICRWUA") to make adjustments and projections to 2019 financial data to create three scenarios of rate payer groups and the resultant estimated rates for the customers. The three customer base scenarios to be presented are:

- Scenario 1 – ICRWUA will remain intact with its current customer base, including the golf course.
- Scenario 2 – ICRWUA will retain its current customer base, but the golf course will be excluded.
- Scenario 3 – The portion known as Inscription Canyon Ranch ("ICR") on the west side of Williamson Valley Road ("WVR") will separate from the Talking Rock Ranch ("TRR") portion of ICRWUA on the east side of WVR, including the golf course.

In addition to the analysis described above, the original report also contained a comparison between the ICR and TRR systems and property tax information.

This reports first revision contained updated schedules based on details related to a "deal" regarding how ICRWUA property taxes for ICR and TRR are divided between the two taxing districts of 0197 and 0244. Also, purchased power amounts related to the golf course were adjusted based on new information regarding the booster pumps.

This second report revision includes updated costs for purchased water to reflect the final contract price and slight revisions to the property tax calculations.

If you have further questions, please don't hesitate to contact me at the phone number or email address listed below.

Sincerely,

Sonn S Ahlbrecht, CPA

Sonn S Ahlbrecht
Certified Public Accountant

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Inscription Canyon Ranch Water Users Association Rate Analysis Report

System Comparison

In many ways the two systems, aside from the TRR golf course, are very similar. Based on the Staff report docketed April 7, 2020, in Docket W-02824A-20-0013, the ICR system sold 31,806,320 gallons to an average 381 customers during 2019. After removing the gallons associated with the golf course, the TRR system sold 26,322,703 gallons to an average 388 customers.

Based on those amounts, the ICR system had an average monthly usage of 6,957 gallons and TRR was 5,654. This slight difference makes sense as there appears to be a group of smaller residential parcels on the TRR side. Company-wide during 2019 (excluding the golf course), 58,129,023 gallons were sold to 769 customers for an average monthly usage of 6,299 gallons.

The main difference between the two systems seems to be property and well ownership. The ICR system does not own any of the wells that serve it on the west side of WVR. Instead, it purchases water per an agreement at \$0.25 per thousand gallons¹. On the other hand, several parcels of land are owned that utility infrastructure sits upon, including the 210,000-gallon tank off Magner Drive and the 350,000-gallon tank by Whispering Canyon.

In addition, ICR owns two other parcels at 14000 and 14030 Grey Bears Trail that house a building and what appears to be a well site. The ICR system pays for power to both of those locations in addition to another referred to as "ICR well".

The three TRR wells all have the same Cadastral number on ADWR's website, all appear to be at approximately 15775 WVR, and are assumed to be on parcels 300-28-016K and/or 300-28-121L. The remainder of TRR's system assets are located on land owned by Talking Rock Ranch Association For Common Preservation. In addition to the above well site parcels, the TRR system pays for power at the unowned locations for the 300,000-gallon tank near 13000 N Cooper Morgan, the 350,000-gallon tank and pressure tank near 15527 Molly Way, and booster equipment at 14535 Double Adobe.

Property Taxes

Although it seems odd to many, each utility in Arizona pays property taxes. If it does not own land (on which property taxes are minimal), utilities are still required to pay a much larger amount of personal property tax that is based on its annual revenue. Currently, property tax expense is charged to only one expense account for both systems.

¹ The purchased water amount is increasing by \$0.10, from \$0.25 to \$0.35 per 1,000 gallons in August 2020, and was used for purposes of this report.

Inscription Canyon Ranch Water Users Association Rate Analysis Report

According to information from the Yavapai County website, both the ICR and TRR existing service areas are within tax area code ("TAC") 0197. Currently ICRWUA is paying two property tax bills: parcels 901-10-244 02 and 901-10-197 09, which are both personal property tax "parcels". The first parcel is in TAC 0244 and the other is in 0197. Both service areas are in 0197 and the only land parcels ICRWUA has in TAC 0244 are the two mentioned at 15575 WVR where the TRR system wells are.

Exhibit 1 illustrates the service area of TRR as it appears within TAC 0197. You can see that the well field off WVR near Copper Basin Wash is in TAC 0244. Exhibit 2 shows the entirety of the ICR system, which is also in TAC 0197. The 2019 tax bills reflected \$5,150.82 due in TAC 0244, and \$11,037.22 for 0197.

Exhibits 3 and 4 are the above mentioned 2019 property tax bills for ICRWUA for TAC 0244 and 0197 respectively. The entities that receive the property tax funds are listed so the Board can evaluate what is being paid to TAC 0244 instead of 0197, and the highlighted items are unique to each tax code. Because the property taxes are incorrect, TAC 0197 has been underfunded as some payments have been directed to TAC 0244 on the most recent bills. Since all of ICRWUA's revenue is generated in TAC 0197 and the majority of the system assets are in TAC 0197, that is the code where the property tax bills should be paid.

Since the last report issued in April 2020, new information regarding a "deal" about how property taxes are allocated between the systems by Yavapai County. Table 1 below details how the County is allocating property tax values in Exhibits 3 and 4 between the systems for the 2019 bills.

Parcel Number	Value in \$	Portion Allocated
901-10-1970	\$600,667	66.67%
901-10-2440	300,333	33.33%
Total	\$901,000	100.00%

Table 1

The Arizona Department of Revenue and Yavapai County are taking the assessed value in dollars of ICRWUA as a whole, and splitting it into thirds, where TAC 0197 represents two thirds of the total and TAC 0244 representing one third of the total. During 2019, TAC 0197 had a tax rate of 10.8894% and TAC 0244's tax rate was 12.6603%

Exhibit 5 shows the revised property tax expense calculations used for this report, which is generally the same methodology ACC Staff and ADOR use to calculate property taxes. The first three columns calculate Scenario 1 property taxes for the ICR and TRR systems as ADOR is calculating them. Because the TRR system is being allocated two-thirds of the consolidated revenue, its share of the personal property tax is higher.

Inscription Canyon Ranch Water Users Association Rate Analysis Report

Scenario 1

Exhibit 6 presents Scenario 1, which is the current customer base including both ICR and TRR customers and the golf course. The property tax adjustments for all scenarios were explained above and are on Exhibit 5 for reference. The other expense adjustments were to increase the ICR purchased water expense for the change in rate from \$0.25 to \$0.35 per 1,000 gallons. This change resulted in an estimated increase of \$3,182 per year based upon the 2019 ICR system usage. The other adjustment was to reclassify a purchased power refund check from TRR to ICR in the amount of \$1,510.

Once the expense adjustments are made, total projected expenses going forward should be about \$575,969. Considering total 2019 revenue was \$573,649, it is clear an increase would be necessary to have positive operating income. As of late, the ACC has been setting the operating margin around 10.00%². Under this scenario, an increase of \$66,500 will result in revenue of \$640,149 per year, and operating income of \$64,181, or a 10.03% operating margin.

The increase of \$66,500 is approximately 11.59% of 2019 revenue, and has been spread evenly across all customer classes. See Table 2 below for the impact to the bill with average monthly consumption of 6,299 gallons:

	Current Bill	11.59% Increase	New Bill
Monthly Minimum	\$ 20.00	\$ 2.32	\$ 22.32
Up to 4,000 gallons	11.20	1.30	12.50
4,000-10,000 gallons	9.20	1.07	10.27
Total	\$ 40.40	\$ 4.69	\$ 45.09

Table 2

The average user would see their bill increase 11.59%, by \$4.69 per month from \$40.40 per month to \$45.09 under this scenario.

The golf course would also experience an increase of 11.59%. In 2019 it paid \$126,797 for its water at a rate of \$1.40 per thousand gallons. The rate would increase by \$0.16 to \$1.56 per thousand gallons resulting in an increase of about \$14,699 per year, or \$1,225 per month from \$10,566 to \$11,791.

² During the April 14, 2020 Open Meeting, Commissioner Justin Olsen stated that an operating margin should not be granted to utilities whose owners do not have an investment. Due to the amount of AIAC and CIAC used to build the systems, ICRWUA will not have positive rate base for many years.

Inscription Canyon Ranch Water Users Association Rate Analysis Report

Scenario 2

Exhibit 7 presents Scenario 2, which is the current customer base of the utility as in Scenario 1, but the golf course revenue and expenses are excluded. Again, property taxes were adjusted as explained above and detailed on Exhibit 5. The purchased water expense adjustment for the ICR system and the reclassification of \$1,510 from TRR to ICR are also included here.

New adjustments for Scenario 2 are to remove \$126,797 of 2019 revenue for lake water sales to the golf course. The other golf course related item is the TRR's systems purchased power expense of \$86,325, which includes the cost to pump water for the golf course. The golf course share has been decreased based on information received about the locations and purposes of each booster pump.

The electric costs for the booster stations on Molly Way (\$23,818) and Double Adobe (\$5,796) were removed from the total power cost of \$86,325 as they not serving the golf course. What remains is the power costs for the Cooper Morgan (\$30,462) site and the well fields on WVR (\$26,249). About 77.48% of the total TRR system gallons were golf course related, so that percentage was applied to the remaining electric costs of \$56,712, which times 77.48% is \$43,941³.

Once the expense adjustments are made, total projected expenses going forward should be about \$531,308. The loss of golf course revenue will have to be made up for, and under this scenario, an increase of \$143,597 will result in revenue of \$590,450 per year, and operating income of \$59,142, which is a 10.02% operating margin.

This increase amount of \$143,597 is approximately 32.14% of 2019 revenue, and has been spread evenly across all customer classes. See Table 3 below for the impact to the bill for average monthly consumption of 6,299 gallons:

	Current Bill	32.14% Increase	New Bill
Monthly Minimum	\$ 20.00	\$ 6.43	\$ 26.43
Up to 4,000 gallons	11.20	3.60	14.80
4,000-10,000 gallons	9.20	2.96	12.16
Total	\$ 40.40	\$ 12.99	\$ 53.39

Table 3

The average consumer of 6,299 gallons would see their bill increase by \$12.99 per month under this scenario, or 32.14%, from \$40.40 per month to \$53.39.

³ The adjustment on the worksheet is \$42,431 on Exhibit 7 is net the \$1,510 reclassification from ICR power costs.

Inscription Canyon Ranch Water Users Association Rate Analysis Report

Scenario 3

Exhibit 8 presents Scenario 3, which only includes the customers on the ICR system. The golf course and TRR system revenues and expenses are not included in this scenario. The property tax adjustment reduces property tax expense based upon the calculation on Exhibit 5. Purchased water expense again is increased for the change in rate and purchased power is reduced by \$1,510 for an APS refund that was expensed to the TRR system.

Once the expense adjustments are made, total projected expenses going forward should be about \$244,498. Under this scenario, an increase of \$54,700 will result in revenue of \$271,754 per year, and an operating income of \$27,256 which is a 10.03% operating margin.

The increase of \$54,700 is approximately 25.20% of 2019 revenue, and has been spread evenly across the customer classes. See Table 4 for the impact to the bill for average monthly consumption of 6,957 gallons:

	Current Bill	25.20% Increase	New Bill
Monthly Minimum	\$ 20.00	\$ 5.04	\$ 25.04
Up to 4,000 gallons	11.20	2.82	14.02
4,000-10,000 gallons	11.83	2.98	14.81
Total	\$ 43.03	\$ 10.84	\$ 53.87

Table 4

The average user of 6,957 gallons would see their bill increase by \$10.84, or 25.20% per month from \$43.03 per month to \$53.87 under this scenario.

Summary

Based on the information presented in this report, ICWUA had a total operating margin of 2.29% during 2019. The ICR system had a negative 11.84% operating margin and the TRR system was 10.89%. It does appear that some kind of rate increase is necessary based on those numbers.

Scenario 1, which retains the current customer base with both ICR and TRR systems as well as the golf course, results in the lowest amount of increase. The revenue must increase \$66,500 per year to reach a 10% operating margin. The non-golf customers would increase \$4.68 per month, or 11.59% for average consumption of 6,299 gallons. The golf course will also see an 11.59% increase to its rate by \$0.16 from \$1.40 to \$1.56 per thousand gallons, or a \$1,225 increase per month.

Inscription Canyon Ranch Water Users Association Rate Analysis Report

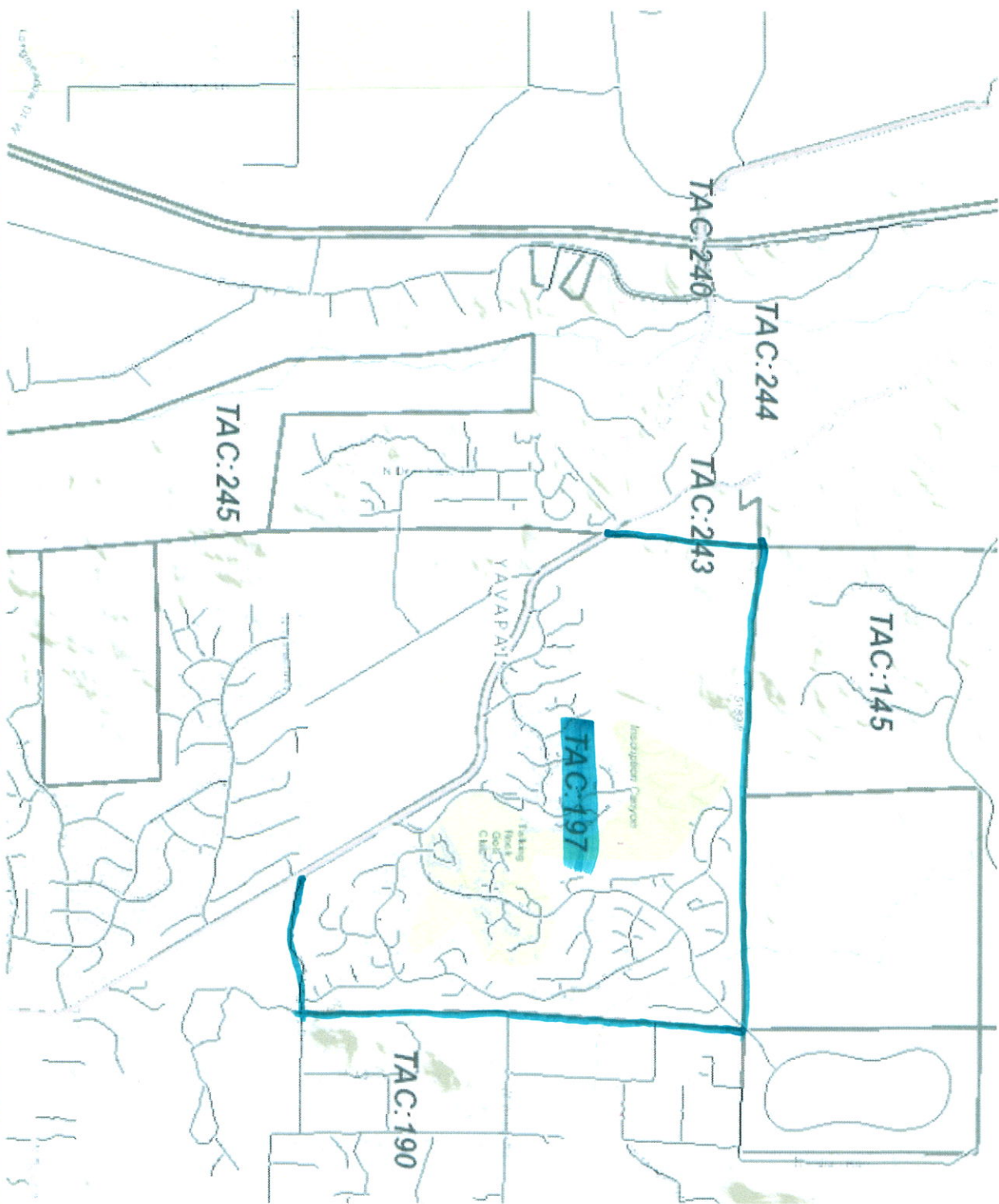
Scenario 2 retains the current customer base with both ICR and TRR systems and excludes the golf course. In this case, the annual revenue must increase by \$16,800 to \$590,450, but with the loss of the golf course lake revenue, the actual increase is \$143,597 to the other customers to make up for that loss of revenue. The customers will see an increase of 32.14%, or \$12.99 per month for the average user of 6,299 gallons.

Scenario 3 includes only the ICR system. Under this scenario, the annual revenue must increase by \$54,700 to \$271,754. The customers would likely see an increase of 25.20%, or \$10.84 per month for the average user of 6,957 gallons.

The increase in rates for Scenario 1 is about 20.5% less than Scenario 2 and about 13.6% less than Scenario 3, both of which do not include the golf course. Due to the golf course having its own distribution system, it is a very low-cost customer as water can just be delivered to the lake. The only real expense related to the golf course appears to be purchased power,⁴ which is estimated to be approximately \$43,941. When netted against the \$126,797 in revenue provided by the golf course, the net gain to the system is \$82,856.

Without the golf course, both systems either together or apart, will require fairly substantial increases in rates to make up for the loss in net revenue.

⁴ In addition to property taxes, which are based on revenue and vary slightly with changes to it. The amount of property taxes attributed to the golf course for 2019 is estimated to be \$5,780.



Disclaimer: Map and parcel information is believed to be accurate but accuracy is not guaranteed. No portion of the information should be considered to be, or used as, a legal document. The information is provided subject to the express condition that the user knowingly waives any and all claims for damages against Yavapai County that may arise from the use of this data.

Map printed on: 4/13/2020



- ☐ County Boundary
- ☐ Counties
- ☐ Tax Area Codes
- ☐ Major Roads
- ☐ Interstate
- ☐ State Highways
- ☐ Major Roads
- ☐ Road Centerlines
- ☐ County Boundary
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- ☐ State Highways
- ☐ Major Roads
- ☐ Road Centerlines

Map printed on: 4.13.2020



YAVAPAI COUNTY		2019 PROPERTY TAX STATEMENT				ARIZONA		
PARCEL NUMBER	AREA CODE	PRIMARY TAX RATE PER \$100 ASSESSED VALUE	SECONDARY TAX RATE PER \$100 ASSESSED VALUE	SPECIAL DISTRICT \$ PER ACRE	2019 TAX SUMMARY			
901-10-24402	0244	6.4465	3.2779					
					PRIMARY PROPERTY TAX	3,484.98		
					LESS STATE AID TO EDUCATION	0.00		
					NET PRIMARY PROPERTY TAX	3,484.98		
					SECONDARY PROPERTY TAX	1,665.84		
					SPECIAL DISTRICT TAX	0.00		
					TOTAL TAX DUE FOR 2019	5,150.82		
ASSESSMENT	VALUE IN DOLLARS	RATIO	EXEMPTIONS	NET ASSESSED	TAX			
LIMITED PRIMARY TOTALS	300,333	0.1800	0.00	54,060	3,484.98			
LIMITED SECONDARY TOTALS	300,333	0.1800	0.00	54,060	1,665.84			
LEGAL DESCRIPTION	TAX AUTHORITY		LEVY	PURPOSE	TAX RATE	2018 TAX	2019 TAX	INCREASE / DECREASE
	2000	YAVAPAI COUNTY	PRM		2.0152	1,325.56	1,089.42	-236.14
	2001	SCHOOL EQUALIZATION	PRM		0.4566	353.30	246.84	-106.46
REDUCTION RATE	5002	WILLIAMSON VALLEY ELEM.S.D.#2	PRM		1.5991	83.02	864.46	781.44
1.0767	7992	MIN SCH TAX DIST #2	PRM		0.6873	31.68	371.56	339.88
Chip Davis	8150	YAVAPAI COMMUNITY COLLEGE	PRM		1.6883	1,310.36	912.70	-397.66
	11223	WILLIAMSON VALLEY FIRE DISTRICT	SEC		2.6500	1,846.18	1,432.58	-413.60
Yavapai County Treasurer 1015 Fair Street Prescott, AZ 86305	11900	FIRE DIST. ASSIST. FUND	SEC		0.1000	74.52	54.06	-20.46
	14900	YAVAPAI CTY. LIBRARY DISTRICT	SEC		0.1651	128.16	89.26	-38.90
	15001	YAVAPAI FLOOD CONTROL DISTRICT	SEC		0.2103	10.62	7.50	-3.12
	58150	SECONDARY YAVAPAI COMMUNITY CO	SEC		0.1525	140.98	82.44	-58.54
	TOTALS					5,304.38	5,150.82	-153.56
901-10-24402 THIS IS A CALENDAR YEAR TAX NOTICE		MAKE CHECKS PAYABLE TO: Yavapai County Treasurer 1015 Fair Street Prescott, AZ 86305		PAYMENT INFORMATION				
ICR WATER USERS ASSOCIATION CHERYL IBBOTSON 302 W. WILLIS ST., STE 203 302 W WILLIS ST STE 105 PRESCOTT AZ 86301				Nov. 01, 2019 First half 2019 taxes due, delinquent after 5:00 PM.				
				Dec. 31, 2019 Final day to pay 2019 current full year taxes without interest.				
THERE WILL BE A \$20.00 CHARGE FOR EACH RETURNED CHECK AND YOUR TAXES WILL REVERT TO AN UNPAID STATUS.		PLEASE INCLUDE YOUR PARCEL NUMBER ON YOUR CHECK.		May. 01, 2020 Second half 2019 taxes due, delinquent after 5:00 PM.				

YAVAPAI COUNTY

2019 PROPERTY TAX STATEMENT

ARIZONA

PARCEL NUMBER	AREA CODE	PRIMARY TAX RATE PER \$100 ASSESSED VALUE	SECONDARY TAX RATE PER \$100 ASSESSED VALUE	SPECIAL DISTRICT \$ PER ACRE	2019 TAX SUMMARY	
901-10-19709	0197	6.6289	4.8664		PRIMARY PROPERTY TAX	7,167.18
					LESS STATE AID TO EDUCATION	0.00
					NET PRIMARY PROPERTY TAX	7,167.18
					SECONDARY PROPERTY TAX	3,870.04
					SPECIAL DISTRICT TAX	0.00
					TOTAL TAX DUE FOR 2019	11,037.22
ASSESSMENT	VALUE IN DOLLARS	RATIO	EXEMPTIONS	NET ASSESSED	TAX	
LIMITED PRIMARY TOTALS	600,667	0.1800	0.00	108,120	7,167.18	
LIMITED SECONDARY TOTALS	600,667	0.1800	0.00	108,120	3,870.04	

LEGAL DESCRIPTION	TAX AUTHORITY		LEVY	PURPOSE	TAX RATE	2018 TAX	2019 TAX	INCREASE / DECREASE
	2000	YAVAPAI COUNTY	PRM		2.0152	1,328.76	2,178.82	850.06
	2001	SCHOOL EQUALIZATION	PRM		0.4566	354.14	493.68	139.54
REDUCTION RATE	7001	PRESCOTT UNIFIED S.D.#1	PRM		2.4688	1,967.38	2,669.28	701.90
1.1650	8150	YAVAPAI COMMUNITY COLLEGE	PRM		1.6883	1,313.52	1,825.40	511.88
Chip Davis	11203	CENTRAL YAVAPAI F.D.	SEC		2.8014	2,093.78	3,028.86	935.08
	11900	FIRE DIST. ASSIST. FUND	SEC		0.1000	74.70	108.12	33.42
	14900	YAVAPAI CTY. LIBRARY DISTRICT	SEC		0.1651	128.48	178.50	50.02
	15001	YAVAPAI FLOOD CONTROL DISTRICT	SEC		0.2103	11.02	15.00	3.98
	21271	ICR SANITARY DIST	SEC		1.1676	82.68	83.30	0.62
	30001	MOUNTAIN INSTITUTE JTED	SEC		0.0500	37.36	54.06	16.70
	57001	SECONDARY UD#1	SEC		0.2195	179.88	237.32	57.44
	58150	SECONDARY YAVAPAI COMMUNITY CO	SEC		0.1525	141.34	164.88	23.54
		TOTALS				7,713.04	11,037.22	3,324.18

901-10-19709 THIS IS A CALENDAR YEAR TAX NOTICE

ICR WATER USERS ASSOCIATION
 CHERYL IBBOTSON
 302 W. WILLIS ST., STE 203
 302 W WILLIS ST STE 105
 PRESCOTT AZ 86301

THERE WILL BE A \$20.00 CHARGE FOR EACH RETURNED CHECK
 AND YOUR TAXES WILL REVERT TO AN UNPAID STATUS.

MAKE CHECKS PAYABLE TO:
 Yavapai County Treasurer
 1015 Fair Street
 Prescott, AZ 86305

PLEASE INCLUDE YOUR
PARCEL NUMBER ON YOUR CHECK.

PAYMENT INFORMATION

Nov. 01, 2019 First half 2019 taxes due,
delinquent after 5:00 PM.

Dec. 31, 2019 Final day to pay 2019 current full
year taxes without interest.

May. 01, 2020 Second half 2019 taxes due,
delinquent after 5:00 PM.

**Inscription Canyon Ranch Water Users Association
Property Tax Calculations Per ADOR Methodology Including "Deal"**

	Scenario 1	TAC 0244	TAC 0197	Scenario 2	TAC 0244	TAC 0197	Scenario 3
	Consolidated	ICR	TRR	No Golf Course	ICR	TRR	ICR only
Revenues Year Ended 12/31/18	\$ 551,297	\$ 183,765	\$ 367,532	\$ 551,297	\$ 183,765	\$ 367,532	\$ 183,765
Revenues Year Ended 12/31/19	573,649	191,216	382,433	573,649	191,216	382,433	191,216
Revenues With Projected Increase	640,149	213,383	426,766	590,450	196,816	393,633	271,754
Average of Three Years of Revenue	588,365	196,122	392,244	571,799	190,599	381,199	215,579
Average of Three Years of Revenue, times 2	\$ 1,176,730	\$ 392,243	\$ 784,487	\$ 1,143,597	\$ 381,199	\$ 762,399	\$ 431,157
Add:							
Construction Work in Progress at 10%	\$ 1,291	\$ 430	\$ 861	\$ 1,291	\$ 430	\$ 861	\$ 341
Deduct:							
Net Book Value of Transportation Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Full Cash Value	\$ 1,178,021	\$ 392,673	\$ 785,348	\$ 1,144,888	\$ 381,629	\$ 763,259	\$ 431,498
Assessment Ratio	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%
Assessed Value	\$ 212,044	\$ 70,681	\$ 141,363	\$ 206,080	\$ 68,693	\$ 137,387	\$ 77,670
Property Tax Rate	12.0705%	10.8894%	12.6603%	12.0700%	10.8894%	12.6603%	10.8894%
Proposed Property Taxes	\$ 25,595	\$ 7,697	\$ 17,897	\$ 24,874	\$ 7,480	\$ 17,394	\$ 8,458

Inscription Canyon Ranch Water Users Association
Scenario 1 Profit and Loss

Exhibit 6

	ICR	TRR	TOTAL	ADJUST	FINAL
Income					
46110-I · 461.1 Resident Water Sales ICR	\$155,048	\$ -	\$155,048	\$ 17,974	\$173,022
46110-T · 461.1 Resident Water Sales TR	-	160,205	160,205	18,572	178,777
46111-I · 461.1 Resident Water Sales PR	7,547	-	7,547	875	8,422
46112-I · 461.1 Resident Water Sales WC	41,402	-	41,402	4,799	46,201
46120-I · 461.2 Comm'l Water Sales ICR	3,110	-	3,110	360	3,470
46120-T · 461.2 Comm'l Water Sales TRR	-	66,362	66,362	7,693	74,055
46121-I · 461.2 Comm'l Water Sales PR	1,595	-	1,595	185	1,780
46122-I · 461.2 Comm'l Water Sales WC	7,031	-	7,031	815	7,846
46510-T · 465.1 Lake Water Sales TRR	-	126,797	126,797	14,699	141,495
47100-I · 471 Other Water Revenue ICR	623	-	623	72	696
47100-T · 471 Other Water Revenue TRR	50	3,231	3,281	380	3,661
47101-I · 471 Other Water Revenue PR	2	-	2	0	3
47102-I · 471 Other Water Revenue WC	646	-	646	75	721
Total Income	\$217,054	\$356,595	\$573,649	\$ 66,500	\$640,149
Expense					
Clearing/Refunds	\$ (102)	\$ 102	\$ -	\$ -	\$ -
40300-I · 403 Depreciation Expense ICR	35,749	-	35,749		35,749
40300-T · 403 Depreciation Expense TRR	-	177,807	177,807		177,807
40301-I · 403 Depreciation Expense PR	8,831	-	8,831		8,831
40302-I · 403 Depreciation Expense WC	39,327	-	39,327		39,327
40400-I · 404 Amort of Contrib ICR	(29,614)	-	(29,614)		(29,614)
40400-T · 404 Amort of Contrib TR	-	(83,191)	(83,191)		(83,191)
40401-I · 404 Amort of Contrib PR	(8,458)	-	(8,458)		(8,458)
40811-I · 408.11 Property Taxes ICR	5,041		5,041	2,656	7,697
40811-T · 408.11 Property Taxes TRR		8,281	8,281	9,617	17,898
42700 · 427 Interest Expense	-	5	5		5
42740-I · 427.4 Interest on Cust Dep IC	84	-	84		84
42740-T · 427.4 Interest on Cust Dep TR	-	288	288		288
42741-I · 427.4 Interest on Cust Dep PR	11	-	11		11
42742-I · 427.4 Interest on Cust Dep WC	62	-	62		62
61000-I · 610 Purchased Water ICR	8,256	-	8,256	3,182	11,438
61500-I · 615 Purchased Pumping Pwr ICR	24,238		24,238	(1,510)	22,728
61500-T · 615 Purchased Pumping Pwr TRR		84,815	84,815	1,510	86,325
61800-I · 618 Chemicals ICR	977	-	977		977
61800-T · 618 Chemicals TRR	-	2,760	2,760		2,760
62000-I · 620 Rep/Maint Matl/Supply ICR	11,675		11,675		11,675
62000-T · 620 Rep/Maint Matl/Supply TRR		8,611	8,611		8,611
62100-I · 621 Office Expense ICR	2,290	-	2,290		2,290
62100-T · 621 Office Expense TRR	-	1,792	1,792		1,792
62200-I · Postage ICR	2,009	-	2,009		2,009
62200-T · Postage- TRR	-	1,876	1,876		1,876
63200-I · 632 Acct Exp ICR	16,489	-	16,489		16,489
63200-T · 632 Acct Exp TRR	-	16,489	16,489		16,489
63210-I · 632-1 Non-Routine Acctg- ICR	7,001	-	7,001		7,001
63210-T · 632-1 Non-routine Acctg-TRR	-	6,231	6,231		6,231

Inscription Canyon Ranch Water Users Association
Scenario 1 Profit and Loss

Exhibit 6

	ICR	TRR	TOTAL	ADJUST	FINAL
63420-I · Consultant - ICR	1,600	-	1,600		1,600
63420-T · Consultant - TRR	-	1,600	1,600		1,600
63500-I · 635 Water Testing ICR	2,026	-	2,026		2,026
63500-T · 635 Water Testing TRR	-	1,580	1,580		1,580
63600-I · 636 A-Quality Contract ICR	47,475	-	47,475		47,475
63600-T · 636 A-Quality Contract TRR	-	47,475	47,475		47,475
63611-I · 6361 A-Quality - Extras IC	46,836		46,836		46,836
63611-T · 6361 A-Quality - Extras TR	-	17,124	17,124		17,124
63650-I · 636 Other Vend Outside Svc ICR	250	-	250		250
63650-T · 636 Other Vend Outside Svc TR	-	3,447	3,447		3,447
65700-I · 657 Insurance-Gen Liabil ICR	7,608	-	7,608		7,608
65700-T · 657 Insurance-Gen Liabil TRR	-	7,608	7,608		7,608
67500-I · 675 Misc Operating Exp ICR	443	-	443		443
67500-T · 675 Misc Operating Exp TRR	-	443	443		443
68500-A · Legal & Professional - ARC	3,089	3,089	6,178		6,178
68500-I · 68500 Legal & Prof Exp ICR	8,277	-	8,277		8,277
68500-T · 68500 Legal & Prof Exp TR	-	8,277	8,277		8,277
76000-I · 760 Telephone Expense ICR	506	-	506		506
76000-T · 760 Telephone Expense TRR	-	506	506		506
77400 · Bank service charges	570	554	1,125		1,125
65000-I · 650 Transportation Expense-ICR	77	-	77		77
65001-T · 650 Transportation Expense- TRR	-	77	77		77
69100-I · 902 Website Expenses-ICR	124	-	124		124
69101-T · 903 Website Expenses - TRR	-	124	124		124
Total Expense	\$242,744	\$317,770	\$560,514	\$ 15,455	\$575,969
Operating Income	\$ (25,689)	\$ 38,825	\$ 13,136	\$ 51,045	\$ 64,181
41000 · 421 Accounting Credit Income	\$ 192	\$ 192	\$ 384		\$ 384
41900 · 419 Interest & Dividend Income	2	2	5		5
Net Income	\$ (25,495)	\$ 39,020	\$ 13,525	\$ 51,045	\$ 64,570
Operating Margin	-11.84%	10.89%	2.29%		10.03%

Inscription Canyon Ranch Water Users Association
Scenario 2 Profit and Loss

Exhibit 7

	ICR	TRR	TOTAL	ADJUST	FINAL
Income					
46110-I · 461.1 Resident Water Sales ICR	\$155,048	\$ -	\$155,048	\$ 49,825	\$204,873
46110-T · 461.1 Resident Water Sales TR	-	160,205	160,205	51,482	211,688
46111-I · 461.1 Resident Water Sales PR	7,547	-	7,547	2,425	9,972
46112-I · 461.1 Resident Water Sales WC	41,402	-	41,402	13,305	54,706
46120-I · 461.2 Comm'l Water Sales ICR	3,110	-	3,110	999	4,109
46120-T · 461.2 Comm'l Water Sales TRR	-	66,362	66,362	21,326	87,688
46121-I · 461.2 Comm'l Water Sales PR	1,595	-	1,595	513	2,108
46122-I · 461.2 Comm'l Water Sales WC	7,031	-	7,031	2,259	9,290
46510-T · 465.1 Lake Water Sales TRR	-	126,797	126,797	(126,797)	-
47100-I · 471 Other Water Revenue ICR	623	-	623	200	824
47100-T · 471 Other Water Revenue TRR	50	3,231	3,281	1,054	4,335
47101-I · 471 Other Water Revenue PR	2	-	2	1	3
47102-I · 471 Other Water Revenue WC	646	-	646	208	853
Total Income	\$217,054	\$356,595	\$573,649	\$ 16,800	\$590,450
Expense					
Clearing/Refunds	\$ (102)	\$ 102	\$ -	\$ -	\$ -
40300-I · 403 Depreciation Expense ICR	35,749	-	35,749		35,749
40300-T · 403 Depreciation Expense TRR	-	177,807	177,807		177,807
40301-I · 403 Depreciation Expense PR	8,831	-	8,831		8,831
40302-I · 403 Depreciation Expense WC	39,327	-	39,327		39,327
40400-I · 404 Amort of Contrib ICR	(29,614)	-	(29,614)		(29,614)
40400-T · 404 Amort of Contrib TR	-	(83,191)	(83,191)		(83,191)
40401-I · 404 Amort of Contrib PR	(8,458)	-	(8,458)		(8,458)
40811-I · 408.11 Property Taxes ICR	5,041	-	5,041	2,439	7,480
40811-T · 408.11 Property Taxes TRR	-	8,281	8,281	9,113	17,394
42700 · 427 Interest Expense	-	5	5		5
42740-I · 427.4 Interest on Cust Dep IC	84	-	84		84
42740-T · 427.4 Interest on Cust Dep TR	-	288	288		288
42741-I · 427.4 Interest on Cust Dep PR	11	-	11		11
42742-I · 427.4 Interest on Cust Dep WC	62	-	62		62
61000-I · 610 Purchased Water ICR	8,256	-	8,256	3,182	11,438
61500-I · 615 Purchased Pumping Pwr ICR	24,238	-	24,238	(1,510)	22,728
61500-T · 615 Purchased Pumping Pwr TRR	-	84,815	84,815	(42,431)	42,385
61800-I · 618 Chemicals ICR	977	-	977		977
61800-T · 618 Chemicals TRR	-	2,760	2,760		2,760
62000-I · 620 Rep/Maint Matl/Supply ICR	11,675		11,675		11,675
62000-T · 620 Rep/Maint Matl/Supply TRR		8,611	8,611		8,611
62100-I · 621 Office Expense ICR	2,290	-	2,290		2,290
62100-T · 621 Office Expense TRR	-	1,792	1,792		1,792
62200-I · Postage ICR	2,009	-	2,009		2,009
62200-T · Postage- TRR	-	1,876	1,876		1,876
63200-I · 632 Acct Exp ICR	16,489	-	16,489		16,489
63200-T · 632 Acct Exp TRR	-	16,489	16,489		16,489
63210-I · 632-1 Non-Routine Acctg- ICR	7,001	-	7,001		7,001
63210-T · 632-1 Non-routine Acctg-TRR	-	6,231	6,231		6,231

Inscription Canyon Ranch Water Users Association
Scenario 2 Profit and Loss

Exhibit 7

	ICR	TRR	TOTAL	ADJUST	FINAL
63420-I · Consultant - ICR	1,600	-	1,600		1,600
63420-T · Consultant - TRR	-	1,600	1,600		1,600
63500-I · 635 Water Testing ICR	2,026	-	2,026		2,026
63500-T · 635 Water Testing TRR	-	1,580	1,580		1,580
63600-I · 636 A-Quality Contract ICR	47,475	-	47,475		47,475
63600-T · 636 A-Quality Contract TRR	-	47,475	47,475		47,475
63611-I · 6361 A-Quality - Extras IC	46,837		46,837		46,837
63611-T · 6361 A-Quality - Extras TR	-	17,124	17,124		17,124
63650-I · 636 Other Vend Outside Svc ICR	250	-	250		250
63650-T · 636 Other Vend Outside Svc TR	-	3,447	3,447		3,447
65700-I · 657 Insurance-Gen Liabil ICR	7,608	-	7,608		7,608
65700-T · 657 Insurance-Gen Liabil TRR	-	7,608	7,608		7,608
67500-I · 675 Misc Operating Exp ICR	443	-	443		443
67500-T · 675 Misc Operating Exp TRR	-	443	443		443
68500-A · Legal & Professional - ARC	3,089	3,089	6,178		6,178
68500-I · 68500 Legal & Prof Exp ICR	8,277	-	8,277		8,277
68500-T · 68500 Legal & Prof Exp TR	-	8,277	8,277		8,277
76000-I · 760 Telephone Expense ICR	506	-	506		506
76000-T · 760 Telephone Expense TRR	-	506	506		506
77400 · Bank service charges	570	554	1,125		1,125
65000-I · 650 Transportation Expense-ICR	77	-	77		77
65001-T · 650 Transportation Expense- TRR	-	77	77		77
69100-I · 902 Website Expenses-ICR	124	-	124		124
69101-T · 903 Website Expenses - TRR	-	124	124		124
Total Expense	\$242,744	\$317,770	\$560,514	\$ (29,207)	\$531,308
Operating Income	\$ (25,690)	\$ 38,825	\$ 13,135	\$ 46,007	\$ 59,142
41000 · 421 Accounting Credit Income	\$ 192	\$ 192	\$ 384		\$ 384
41900 · 419 Interest & Dividend Income	2	2	5		5
Net Income	\$ (25,495)	\$ 39,020	\$ 13,524	\$ 46,007	\$ 59,531
Operating Margin	-11.84%	10.89%	2.29%		10.02%

Inscription Canyon Ranch Water Users Association
Scenario 3 Profit and Loss

Exhibit 8

	ICR	ADJUST	FINAL
Income			
46110-I · 461.1 Resident Water Sales ICR	\$ 155,048	\$ 39,074	\$ 194,121
46111-I · 461.1 Resident Water Sales PR	7,547	1,902	9,449
46112-I · 461.1 Resident Water Sales WC	41,402	10,434	51,836
46120-I · 461.2 Comm'l Water Sales ICR	3,110	784	3,893
46121-I · 461.2 Comm'l Water Sales PR	1,595	402	1,998
46122-I · 461.2 Comm'l Water Sales WC	7,031	1,772	8,803
47100-I · 471 Other Water Revenue ICR	623	157	780
47100-T · 471 Other Water Revenue TRR	50	13	63
47101-I · 471 Other Water Revenue PR	2	1	3
47102-I · 471 Other Water Revenue WC	646	163	809
Total Income	\$ 217,054	\$ 54,700	\$ 271,754
Expense			
Clearing/Refunds	\$ (102)		\$ (102)
40300-I · 403 Depreciation Expense ICR	35,749		35,749
40301-I · 403 Depreciation Expense PR	8,831		8,831
40302-I · 403 Depreciation Expense WC	39,327		39,327
40400-I · 404 Amort of Contrib ICR	(29,614)		(29,614)
40401-I · 404 Amort of Contrib PR	(8,458)		(8,458)
40811-I · 408.11 Property Taxes ICR	13,322	(4,864)	8,458
42740-I · 427.4 Interest on Cust Dep IC	84		84
42741-I · 427.4 Interest on Cust Dep PR	11		11
42742-I · 427.4 Interest on Cust Dep WC	62		62
61000-I · 610 Purchased Water ICR	8,256	3,182	11,438
61500-I · 615 Purchased Pumping Pwr ICR	24,238	(1,510)	22,728
61800-I · 618 Chemicals ICR	977		977
62000-I · 620 Rep/Maint Matl/Supply ICR	11,581		11,581
62000-T · 620 Rep/Maint Matl/Supply TRR	94		94
62100-I · 621 Office Expense ICR	2,290		2,290
62200-I · Postage ICR	2,009		2,009
63200-I · 632 Acct Exp ICR	16,489		16,489
63210-I · 632-1 Non-Routine Acctg- ICR	7,001		7,001
63420-I · Consultant - ICR	1,600		1,600
63500-I · 635 Water Testing ICR	2,026		2,026
63600-I · 636 A-Quality Contract ICR	47,475		47,475
63611-I · 6361 A-Quality - Extras IC	46,590		46,590
63650-I · 636 Other Vend Outside Svc ICR	250		250
65700-I · 657 Insurance-Gen Liabil ICR	7,608		7,608
67500-I · 675 Misc Operating Exp ICR	443		443
68500-I · 68500 Legal & Prof Exp ICR	8,277		8,277
76000-I · 760 Telephone Expense ICR	506		506

**Inscription Canyon Ranch Water Users Association
Scenario 3 Profit and Loss**

Exhibit 8

	ICR	ADJUST	FINAL
77400 · Bank service charges	570		570
65000-I · 650 Transportation Expense-ICR	77		77
69100-I · 902 Website Expenses-ICR	124		124
Total Expense	\$ 247,689	\$ (3,192)	\$ 244,498
Operating Income	\$ (30,635)	\$ 57,892	\$ 27,256
41000 · 421 Accounting Credit Income	\$ 192		\$ 192
41900 · 419 Interest & Dividend Income	2		2
Net Income	\$ (30,440)	\$ 57,892	\$ 27,451
Operating Margin	-14.11%		10.03%