

## PRELIMINARY FINANCIAL ANALYSIS

### Funds Available Under Current Rates for Debt Service

The following table shows the expenses paid by Liberty Utilities (Apple Valley Ranchos Water) Corporation that will not be paid by the Town following acquisition:

Expense Category	Amount	Reference (2015 Annual Report)
Taxes	\$3,990,445	Pg. 15, Line 10
Less Tax Revenues of Town	(\$ 350,000)	San. Bern. ATC/Assessor
Profit	\$4,284,474	Pg. 15, Line 39
Intercompany Serv. Agreements	\$2,000,000	Pg. 33, Schedule A-29
Corporate Office Expenses	\$2,000,000	Est. Executive Salary Costs
<b>TOTAL:</b>	<b>\$11,924,919</b>	

Please note that the table above is based upon Liberty's 2015 Annual Report to the CPUC filed in April, 2016 (due March 31, 2016). It does not account for rate increases in 2016 and 2017.

### Bond Sizing Analysis

The following chart shows the average annual debt service for a variety of bond sizes and interest rates. Each scenario is based upon a 30 year debt service schedule for tax exempt revenue bonds assuming approximately equal debt service payments, no capitalized interest, an "A" bond rating, a bond reserve equaling the highest annual debt service payment, no bond insurance and includes costs of issuance.

Bond Size (9/01/17 Issue Date)	Avg. Annual Debt Service at Various Interest Rate Scenarios		
	2% (SRF Loan)	(Est. Current Market Rate)	4.75% (Conservative Rate)
\$50 million	\$2,294,213	3,242,304	\$3,463,407
\$60 million	\$2,736,448	3,891,068	\$4,131,643
\$70 million	\$3,192,613	4,539,040	\$4,820,127
\$80 million	\$3,648,595	5,187,593	\$5,508,292
\$90 million	\$4,104,811	5,836,229	\$6,196,793
\$100 million	\$4,560,786	6,484,543	\$6,885,451
\$110 million	\$5,016,931	7,133,432	\$7,573,967
\$120 million	\$5,472,943	7,781,263	\$8,262,435
\$130 million	\$5,928,837	8,429,880	\$8,950,696
\$140 million	\$6,385,154	9,078,274	\$9,639,506
\$150 million	\$6,841,018	9,726,835	\$10,328,318

#####	Acct. No	Account	2009	2010	2011	2012	2013	2014	2015
1		I. UTILITY OPERATING INCOME							
2	501	Operating revenues	20,370,311	20,213,167	19,705,781	22,145,793	21,749,969	21,881,817	23,200,353
3									
4		Operating revenue deductions							
5	502	Operating expenses	12,120,426	11,827,387	11,319,593	11,418,458	11,719,948	10,505,760	11,773,536
6	503	Depreciation	2,284,316	2,363,337	2,444,421	2,650,768	2,800,190	3,057,100	3,190,495
7	504	Amortization of limited-term utility investments	56,139	56,139	64,245	64,242	65,017	(138,424)	8,488
8	505	Amortization of utility plant acquisition adjustments	810	810	810	810	810	810	810
9	506	Property losses chargeable to operations	0	0	0	0	0	0	0
10	507	Taxes	2,584,935	2,716,677	2,676,910	3,358,011	3,510,481	3,800,909	3,990,445
11		Total operating revenue deductions	17,046,626	16,964,350	16,505,979	17,492,289	18,096,446	17,226,155	18,963,774
12		Net operating revenues	3,323,685	3,248,817	3,199,802	4,653,504	3,653,523	4,655,662	4,236,579
13	508	Income from utility plant leased to others							
14	510	Rent for lease of utility plant							
15		Total utility operating income	3,323,685	3,248,817	3,199,802	4,653,504	3,653,523	4,655,662	4,236,579
16									
17		II. OTHER INCOME							
18	521	Income from non-utility operations (Net)							
19	522	Revenues from lease of other physical prop.							
20	523	Dividend revenues							
21	524	Interest revenues							
22	525	Revenues from sinking and other funds							
23	526	Miscellaneous non-operating revenue	10,998	10,998	13,736	12,107	13,823	43,918	96,848
24	527	Non-operating revenue deductions (Dr.)							
25		Total other income	10,998	10,998	13,736	12,107	13,823	43,918	96,848
26		Gross income	3,334,683	3,259,815	3,213,538	4,665,611	3,667,345	4,699,580	4,333,427
27									
28		III. INCOME DEDUCTIONS							
29	530	Interest on long-term debt							
30	531	Amortization of debt discount and expense							
31	532	Amortization of premium on debt-Cr.							
32	533	Taxes assumed on interest							
33	534	Interest on debt to associated companies	108,695	61,791	28,327	3,687	(15,873)	(39,056)	(8,815)
34	535	Other interest charges	7,919	8,721	8,295	8,224	10,914	12,430	7,914
35	536	Interest charged to construction - Cr.							
36	537	Miscellaneous amortization							
37	538	Miscellaneous Income deductions	24,597	23,526	42,584	49,684	48,687	34,566	49,854
38		Total income deductions	141,211	94,038	79,206	61,595	43,729	7,940	49,953
39		Net income	3,193,472	3,165,777	3,134,332	4,604,015	3,623,617	4,691,639	4,284,474
40									
41		IV. DISPOSITION OF NET INCOME							
42	540	Miscellaneous reservations of net income							
43									
44		Balance transferred to Earned Surplus or Proprietary Accts	3,193,472	3,165,777	3,134,332	4,604,015	3,623,617	4,691,639	4,284,474