



**JOSHUA BASIN WATER DISTRICT**  
**SPECIAL MEETING OF THE BOARD OF DIRECTORS**  
**WEDNESDAY, DECEMBER 14, 2016 6:30 PM**  
**61750 CHOLLITA ROAD, JOSHUA TREE, CALIFORNIA 92252**

**AGENDA**

- |             |  |
|-------------|--|
| Pages 3-4   | <ol style="list-style-type: none"> <li>1. <b>CALL TO ORDER</b></li> <li>2. <b>PLEDGE OF ALLEGIANCE</b></li> <li>3. <b>ADMINISTER OATH OF OFFICE</b></li> <li>4. <b>ELECTION OF OFFICERS</b></li> <li>5. <b>DETERMINATION OF A QUORUM</b></li> <li>6. <b>APPROVAL OF AGENDA</b></li> <li>7. <b>PUBLIC COMMENT</b><br/> Members of the public may address the Board at this time with regard to matters within the Board’s jurisdiction that are not listed on the agenda. State law prohibits the Board of Directors from discussing or taking action on items not included on the agenda. Members of the public will have the opportunity for public comment on any item listed on the agenda when it is addressed on the agenda. Please limit comments to three (3) minutes or less.</li> </ol> |
| Page 5      | <ol style="list-style-type: none"> <li>8. <b>RESOLUTION HONORING JBWD DIRECTOR MIKE REYNOLDS</b></li> </ol>  |
| Pages 6-8   | <ol style="list-style-type: none"> <li>9. <b>CONSENT CALENDAR</b><br/> Items on the Consent Calendar are considered routine in nature and will be adopted in total by one action of the Board of Directors unless any Board Member or any individual or organization interested in one or more consent calendar items wishes to be heard. <ul style="list-style-type: none"> <li>. Approve Draft Minutes of the November 9, 2016 Special Meeting of the Board of Directors.</li> <li>. Approve Draft Minutes of the November 16, 2016 Regular Meeting of the Board of Directors.</li> </ul> </li> </ol>  |
| Pages 9-70  | <ol style="list-style-type: none"> <li>10. <b>15/16 AUDIT PRESENTATION FROM FEDAK &amp; BROWN, LLP</b><br/> Receive presentation, ask questions and accept and file.</li> </ol>  |
| Pages 71-88 | <ol style="list-style-type: none"> <li>11. <b>BOARD OF DIRECTORS TO AUTHORIZE RATE STUDY AT A COST NOT TO EXCEED \$42,200</b> - Recommend that the Board authorizes Bartle Wells &amp; Associates to conduct a rate study at a cost not to exceed \$42,200 including estimated expenses and 10% contingency.</li> </ol>  |
| Page 89     | <ol style="list-style-type: none"> <li>12. <b>WILL SERVE LETTER FOR COUNTY CRISIS RESIDENTIAL TREATMENT FACILITY</b><br/> Recommend that the Board authorize the General Manager to issue a WILL SERVE LETTER, to the County of San Bernardino, for the proposed Treatment Facility.</li> </ol>  |

13. **ADJUSTMENT TO HUMAN RESOURCES AND EXECUTIVE ASSISTANT POSITIONS FROM NON-EXEMPT TO EXEMPT** – Recommend that the Board approve changing the status from non exempt to exempt with salary increases.
14. **STANDING COMMITTEE REPORTS**
  - A. **FINANCE COMMITTEE MEETING:** President Fuller and Director Johnson. December 26, 2016 **CANCELLED**.
  - B. **WATER RESOURCES AND OPERATIONS COMMITTEE:** Vice President Luckman and Director Johnson. Next meeting is scheduled for December 26, 2016 **CANCELLED**
  - C. **LEGISLATIVE AND PUBLIC INFORMATION COMMITTEE:** Vice President Luckman and Director Unger. Kathleen Radnich, Public Outreach Consultant to report. Next meeting is scheduled for January 4, 2016 at 9:30 a.m.
15. **DISTRICT GENERAL COUNSEL REPORT**
16. **GENERAL MANAGER REPORT**
17. **FUTURE DIRECTOR MEETINGS AND TRAINING OPPORTUNITIES**
  - Mojave Water Agency Board of Directors Meeting – January 12, 2017- Director Hund
  - ASBCSD – January 9, 2016 –To Be Determined
18. **DIRECTOR REPORTS ON MEETINGS ATTENDED, COMMENTS/FUTURE AGENDA ITEMS**
19. **ADJOURNMENT**

**INFORMATION**

The public is invited to comment on any item on the agenda during discussion of that item. Any person with a disability who requires accommodation in order to participate in this meeting should telephone Joshua Basin Water District at (760) 366-8438, at least 48 hours prior to the meeting in order to make a request for a disability-related modification or accommodation.

Materials related to an item on this Agenda submitted to the Board of Directors after distribution of the agenda packet are available for public inspection in the District’s office located at 61750 Chollita Road, Joshua Tree, California 92252 during normal business hours.

JOSHUA BASIN WATER DISTRICT  
MEETING AGENDA REPORT

Meeting of the Board of Directors

December 14, 2016

Report to: President and Members of the Board

Prepared by: Curt Sauer

**TOPIC:**

ELECTION OF BOARD OFFICERS PRESIDENT AND VICE PRESIDENT

**RECOMMENDATION:**

Elect President and Vice President for calendar year 2017.

**ANALYSIS:**

Article 2.01 of the JBWD Administration Code requires election of the Officers of the Board at the last regular meeting of each calendar year. Officers are the President and Vice President and they will serve for calendar year 2017.

It is the responsibility of the President of the Board to preside over all meetings. The Vice-President shall act in the President's absence or inability to act.

**STRATEGIC PLAN ITEM:**

N/A

**FISCAL IMPACT:**

N/A

**ARTICLE 2**  
**BOARD OF DIRECTORS**

**2.01 Officers.** The Board of Directors shall elect at the last regular meeting of each calendar year the Officers of the Board. The Officers elected shall take office upon their election.

**2.01.01 President.** The President of the Board shall preside over all meetings.

**2.01.02 Vice President.** The Vice-President shall act in the President's absence or inability to act.

**2.02 Director Compensation**

**(A) Amount of Per Diem Compensation**

Directors receive a daily meeting stipend in the amount set forth in Ordinance No. 08-7 for each day's attendance at meetings, as defined in this ARTICLE 2. Such compensation is in addition to any reimbursement for meals, lodging, travel and expenses consistent with this ARTICLE 2.

**(B) Meetings for Which Specific Prior Approval Not Required (Preapproved Meetings, Conferences, Programs, and Activities)**

A Director is entitled to receive a daily meeting stipend without specific prior Board approval for attending the following:

1. Meetings of the Board;
2. Meetings of a standing committee of the Board, where the Director is an appointed member of that committee;
3. Meetings of an ad hoc committee of the Board, where the Director is an appointed member of that committee;
4. Meetings conferences seminars and committee meetings of the Association of California Water Agencies;
5. Meetings of the Mojave Water Agency Board of Directors where the Director is designated by the President to attend;
6. A meeting of the Technical Advisory Committee of the Mojave Water Agency;
7. A meeting of any multi-jurisdictional governmental body on which the Director serves as the District's designated representative;
8. Meetings, conferences, or seminars of the Special Districts and Local Government Institute;

RESOLUTION NO. 16-967

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE JOSHUA BASIN  
WATER DISTRICT EXPRESSING THEIR APPRECIATION FOR

**MIKE REYNOLDS**

FOR HIS SERVICE TO THE JOSHUA BASIN WATER DISTRICT

**WHEREAS**, Mike Reynolds was elected to serve the past two terms on the Joshua Basin Water District Board of Directors; and

**WHEREAS**, Mike has been instrumental in providing leadership to the Joshua Basin Water District through his work as President, Vice President and his service on the Agenda Committee and the Rules and Regulations Committee; and

**WHEREAS**, Mike has served as the Joshua Basin Water District representative to the Association of San Bernardino County Special Districts, and has been an ambassador from the District by meeting with other water districts, and other organizations in the Morongo Basin to foster communication, cooperation, and good will; and

**WHEREAS**, during Mike's term of office, the Joshua Basin Water District has become known as a progressive, stable and forward-thinking organization; and has significantly modernized its equipment, greatly improved employee training, and instituted a strong preventive maintenance program; and

**WHEREAS**, Mike Reynolds has decided to retire from the Joshua Basin Water District Board of Directors.

**NOW, THEREFORE, BE IT RESOLVED**, the Joshua Basin Water District Board of Directors does hereby express its thanks and gratitude to Mike Reynolds for his time, dedication, and support for the Joshua Basin Water District; and

**FURTHER RESOLVED**, the Joshua Basin Water District Board of Directors does hereby further wish Mike and his lovely bride Paula, the very best.

ADOPTED this 14<sup>th</sup> day of December 2016 in Joshua Tree, California



\_\_\_\_\_  
Victoria Fuller, President

\_\_\_\_\_  
Curt Sauer, General Manager

JOSHUA BASIN WATER DISTRICT  
Minutes of the  
SPECIAL MEETING OF THE BOARD OF DIRECTORS

November 9, 2016

1. **CALL TO ORDER:** 2:00 PM

2. **PLEDGE OF ALLEGIANCE**

3. **DETERMINATION OF QUORUM:**

Victoria Fuller	Present
Bob Johnson	Present
Mickey Luckman	Present
Mike Reynolds	Present at 2:04 p.m.
Rebecca Unger	Present

**STAFF PRESENT:**

Curt Sauer, General Manager  
Susan Greer, Assistant General Manager/Controller  
Sarah Johnson, Human Resources/Contract Administrator

**CONSULTANTS PRESENT:** Steve Berliner, Counsel, Redwine & Sherrill

**GUESTS** 0

4. **APPROVAL OF AGENDA –  
MSC/ Luckman/Unger 4/0 to approve the Agenda.**

Fuller	Aye
Luckman	Aye
Johnson	Aye
Reynolds	Present after the vote
Unger	Aye

5. **PUBLIC COMMENT - None**

**PUBLIC COMMENT CLOSED**

6. **CLOSED SESSION-**  
Immediately following Item 5 of the Agenda, the BoD went into Closed Session at 2:05 p.m. pursuant to Government Code Section 54957.6 to consult with the District's Designated Negotiators, (Curt Sauer, General Manager and Susan Greer, Assistant General Manager) and Labor Counsel, Steve Berliner regarding labor negotiations pertaining to represented employees of the District (AFSCME Local 1903). The Closed Session ended at approximately 3:02 p.m. and the BoD returned to Open Session. No reportable action was taken.

7. **ADJOURNMENT**

**MSC /Luckman/Johnson, 5/0 to adjourn the Special Meeting of the Board of Directors of November 9, 2016 at 3:02 p.m.**

Fuller	Aye
Luckman	Aye
Johnson	Aye
Reynolds	Aye
Unger	Aye

Respectfully submitted:

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Curt Sauer, GM and Board Secretary

JOSHUA BASIN WATER DISTRICT  
Minutes of the  
REGULAR MEETING OF THE BOARD OF DIRECTORS

November 16, 2016

1. **CALL TO ORDER:** 6:30 PM

2. **PLEDGE OF ALLEGIANCE**

3. **DETERMINATION OF QUORUM:**

Victoria Fuller	Present
Bob Johnson	Present
Mickey Luckman	Present
Mike Reynolds	Absent
Rebecca Unger	Present

**STAFF PRESENT:**

Curt Sauer, General Manager  
Susan Greer, Assistant General Manager/Controller  
Keith Faul, GIS Coordinator  
Seth Zielke, Director Water Resources and Operations  
Beverly Waszak, Executive Assistant

**CONSULTANTS PRESENT:** Kathleen Radnich, Public Outreach Consultant

**GUESTS**

7

4. **APPROVAL OF AGENDA – MSC/ Luckman/Unger 4/0 to approve the Agenda with the following change: Move Item #11 to Item #14**

Fuller	Aye
Luckman	Aye
Johnson	Aye
Reynolds	Absent
Unger	Aye

5. **PUBLIC COMMENT –**  
Steve Whitman, Joshua Tree thanked the BoD and the Staff for the great job they are doing. He stated that the current BoD and Staff are the most effective we have ever had.  
Tom Floen, Joshua Tree informed the BoD that Saturday, November 19, 2016 the Waste Dump is open and that they will unload for you also.

**PUBLIC COMMENT CLOSED**

6. **CONSENT CALENDAR:**  
Items on the Consent Calendar are considered routine in nature and will be adopted in total by one action of the Board of Directors unless any Board Member or any individual or organization interested in one or more consent calendar items wishes to be heard.

A. Approve Draft Minutes of the November 2, 2016 Regular Meeting of the Board of Directors.

**MSC/ Luckman/Johnson 4/0 to approve the November 2, 2016 Minutes of the Board of Directors**

Fuller	Aye
Luckman	Aye
Johnson	Aye
Reynolds	Absent
Unger	Aye

7. **WATER RESERVOIR INSPECTION** – Seth Zielke, Director, Water Resources and Operations gave a brief presentation and video on the water reservoir inspection process. A brief Q&A followed.
8. **REVIEW OF INACTIVE METER OPT OUTS-**  
Susan Greer, Assistant General Manager gave a brief presentation and a short Q&A with the BoD followed.
9. **STANDING COMMITTEE REPORTS**
- A. **FINANCE COMMITTEE MEETING:** President Fuller and Director Johnson. Next meeting is scheduled for November 21, 2016 at 9:00 a.m.
  - B. **WATER RESOURCES AND OPERATIONS COMMITTEE:** Vice President Luckman and Director Johnson. Next meeting is scheduled for November 21, 2016 at 10:00 a.m.
  - C. **LEGISLATIVE AND PUBLIC INFORMATION COMMITTEE:** Vice President Luckman and Director Unger. Kathleen Radnich, Public Outreach Consultant to report. Next meeting is scheduled for December 7, 2016 at 9:30 a.m. Kathleen Radnich informed the BoD that the District’s water booth at the Farmer’s Market will be closed for 3 months at the end of November.
10. **DISTRICT GENERAL COUNSEL REPORT - None**
11. **GENERAL MANAGER REPORT** – Curt Sauer, General Manger reported that the District’s office will be closed December 9, 2016 for repaving. GM Sauer informed the BoD that Seth Zielke, Director, Water Resources and Operations will be leaving the District and going to work for the Fontana Water Company. GM Sauer thanked DWRO Zielke for his contributions to the District.
12. **FUTURE DIRECTOR MEETINGS AND TRAINING OPPORTUNITIES**
- Mojave Water Agency Board of Directors Meeting – November 17, 2016- Director Johnson Please Note Time change 3:30 p.m.
  - ACWA 2016 Fall Exhibition November 29, 2016 to December 2, 2016- Anaheim Marriott- All Directors and GM attending
  - ASBCSD – December 12, 2016 –TBD
13. **DIRECTOR REPORTS ON MEETINGS ATTENDED, COMMENTS/FUTURE AGENDA ITEMS**  
Director Unger gave a brief report on the MWA BoD meeting she attended.  
Director Johnson congratulated all the candidates that ran for the District Water Board.  
Vice President Luckman echoed the sentiment by congratulating all the candidates also.  
President Fuller thanked everyone for coming to the BoD meeting and invited everyone to attend the Finance Committee.
14. **ADJOURNMENT**  
**MSC Luckman/Johnson, 4/0 to adjourn the Regular Meeting of the Board of Directors of November 16, 2016 at 7:24 p.m.**

Fuller	Aye
Luckman	Aye
Johnson	Aye
Reynolds	Absent
Unger	Aye

Respectfully submitted:

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Curt Sauer, GM and Board Secretary



JOSHUA BASIN WATER DISTRICT  
MEETING AGENDA REPORT

Meeting of the Board of Directors

December 7, 2016

Report to: President and Members of the Board

Prepared by: Susan Greer

TOPIC:

15/16 AUDIT PRESENTATION FROM FEDAK & BROWN, LLP



RECOMMENDATION:

RECEIVE PRESENTATION, ASK QUESTIONS, ACCEPT AND FILE

ANALYSIS:

Chris Brown, partner with our audit firm, Fedak & Brown, LLP, will attend the meeting and present the draft financial report for the fiscal year ending 6/30/16. Another of the firm's auditors, Jonathan Abadesco, Audit Manager, attended the recent Finance Committee Meeting where the draft report was presented and recommended for adoption by the full Board.

The easiest read of the financial report is located on pages three through seven, *Management's Discussion and Analysis*.

The annual audit presentation provides me an opportunity to acknowledge the efforts and results of our staff that process thousands of transactions each year which provide the foundational data for this audit report. The District is fortunate to have competent and experienced Finance and Customer Service staff that pays attention to the details, and this audit and few adjusting entries are a reflection of their hard work. Compliments especially to our Accountant, Anne Roman, who takes the lead on the audit work and apparently takes it all in stride, whether it requires learning something entirely new such as the various GASB (Government Accounting Standards Board) requirements that change regularly, or working long hours to get the work done within the time constraints. I couldn't do it without Anne, and she makes us all look good. Kudos to her and all the District's fine staff.

STRATEGIC PLAN ITEM:

N/A

FISCAL IMPACT:

N/A

OTHER IMPACTS:

N/A



**Joshua Basin Water District**

**Annual Financial Report**

**For the Fiscal Years Ended June 30, 2016 and 2015**

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**Joshua Basin Water District  
Board of Directors as of June 30, 2016**

<u>Name</u>	<u>Title</u>	<u>Elected/ Appointed</u>	<u>Current Term</u>
Victoria Fuller	President	Elected	12/14-12/18
Mickey Luckman	Vice President	Elected	12/12-12/16
Robert Johnson	Director	Elected	12/14-12/16
Michael Reynolds	Director	Elected	12/12-12/16
Rebecca Unger	Director	Elected	12/14-12/18

**Joshua Basin Water District  
Curt Sauer, General Manager  
61750 Chollita Road  
Joshua Tree, California 92252-0675  
(760) 366-8438 – [www.jbwd.com](http://www.jbwd.com)**

**Joshua Basin Water District**  
**Annual Financial Report**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

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**Joshua Basin Water District  
Annual Financial Report  
For the Fiscal Years Ended June 30, 2016 and 2015**

**Table of Contents**

	<b><u>Page No.</u></b>
Table of Contents	i
<b>Financial Section</b>	
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-7
Basic Financial Statements:	
Statements of Net Position	8-9
Statements of Revenues, Expenses and Changes in Net Position	10
Statements of Cash Flows	11-12
Notes to the Basic Financial Statements	13-36
<b>Required Supplementary Information</b>	
Schedule of the District's Proportionate Share of the Net Pension Liability	37
Schedule of the Pension Plan Contributions	38
<b>Report on Internal Controls and Compliance</b>	
Independent Auditor's Report on Internal Control Over Financial Reporting And on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	39-40

## **Financial Section**

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## Independent Auditor's Report

Board of Directors  
Joshua Basin Water District  
Joshua Tree, California

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the Joshua Basin Water District (District), which comprises the statement of net position as of June 30, 2016 and 2015, and the related statement of revenues, expenses and changes in net position for the fiscal years then ended, and the related notes to the financial statements, which collectively comprise the District's basic 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the State Controller's Minimum 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.



## Independent Auditor's Report, continued

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Joshua Basin Water District as of June 30, 2016 and 2015, and the respective changes in net position, and, where applicable, cash flows thereof for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of matter***

As described in note 1 to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 72 – *Fair Value Measurement and Application*, GASB Statement No. 79 – *Certain External Investment Pools and Pool Participants*, for the year ended June 30, 2016, GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71 – *Pension Transition for Contributions made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*, for the year ended June 30, 2015. Our opinions are not modified with respect to these matters.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 and the required supplementary information on pages 37 to 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance. This report can be found on pages 39 and 40.

**Fedak & Brown LLP**  
Cypress, California  
November 21, 2016

**Joshua Basin Water District**  
***Management's Discussion and Analysis***  
**For the Fiscal Years Ended June 30, 2016 and 2015**

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Joshua Basin Water District (District) provides an introduction to the financial statements of the District for the fiscal years ended June 30, 2016 and 2015. We encourage readers to consider the information presented here with additional information that we have furnished in the accompanying basic financial statements and related notes, which follow this section.

**Financial Highlights**

- In fiscal year 2016, the District's net position decreased 2.43% or \$909,917 to \$36,547,848. In fiscal year 2015, the District's net position increased 1.3%, or \$479,334 to \$37,457,765.
- In fiscal year 2016, the District's total revenues increased 3.19% or \$166,804 to \$5,388,405. In fiscal year 2015, the District's total revenues increased 4.07% or \$204,148 to \$5,221,601.
- In fiscal year 2016, the District's total expenses increased 19.35% or \$1,026,802 to \$6,333,238. In fiscal year 2015, the District's total expenses increased by 7.92% or \$389,310 to \$5,306,436.

**Using This Financial Report**

This annual report consists of a series of financial statements. The Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position and Statements of Cash Flows provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies.

The Statements of Net Position includes all of the District's investments in resources (assets) and deferred outflows of resources, obligations to creditors (liabilities) and deferred inflows of resources. It also provides the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenue and expenses are accounted for in the Statements of Revenues, Expenses and Changes in Net Position. This statement measures the success of the District's operations over the past year and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges. This statement can also be used to evaluate profitability and credit worthiness. The final required financial statement is the Statements of Cash Flows, which provides information about the District's cash receipts and cash payments during the reporting period. The Statements of Cash Flows reports cash receipts, cash payments and net changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

**Financial Analysis of the District**

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position report information about the District in a way that helps answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the *accrual basis of accounting*, which is similar to the accounting method used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District's *net position* and changes in them. You can think of the District's net position – the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources – as one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position are one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, zoning and new or changed government legislation, such as changes in Federal and State water quality standards.

**Joshua Basin Water District**  
**Management's Discussion and Analysis, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**Notes to the Basic Financial Statements**

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 13 through 36.

**Statements of Net Position**

<b>Condensed Statements of Net Position</b>					
	<u>2016</u>	<u>2015</u>	<u>Change</u>	<u>2014</u>	<u>Change</u>
<b>Assets:</b>					
Current assets	\$ 9,838,989	9,535,632	303,357	9,335,648	199,984
Non-current assets	820,715	895,325	(74,610)	969,935	(74,610)
Capital assets, net	<u>29,983,210</u>	<u>31,214,205</u>	<u>(1,230,995)</u>	<u>31,378,673</u>	<u>(164,468)</u>
<b>Total assets</b>	<u>40,642,914</u>	<u>41,645,162</u>	<u>(1,002,248)</u>	<u>41,684,256</u>	<u>(39,094)</u>
<b>Deferred outflows of resources</b>	<u>280,820</u>	<u>147,279</u>	<u>133,541</u>	-	<u>147,279</u>
<b>Liabilities:</b>					
Current liabilities	737,788	664,184	73,604	1,428,825	(764,641)
Non-current liabilities	<u>3,462,074</u>	<u>3,566,162</u>	<u>(104,088)</u>	-	<u>3,566,162</u>
<b>Total liabilities</b>	<u>4,199,862</u>	<u>4,230,346</u>	<u>(30,484)</u>	<u>1,428,825</u>	<u>2,801,521</u>
<b>Deferred inflows of resources</b>	<u>176,024</u>	<u>104,330</u>	<u>71,694</u>	-	<u>104,330</u>
<b>Net position:</b>					
Net investment in capital assets	26,804,210	27,937,205	(1,132,995)	28,008,673	(71,468)
Unrestricted	<u>9,743,638</u>	<u>9,520,560</u>	<u>223,078</u>	<u>8,969,758</u>	<u>550,802</u>
<b>Total net position</b>	<u>\$ 36,547,848</u>	<u>37,457,765</u>	<u>(909,917)</u>	<u>36,978,431</u>	<u>479,334</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets plus deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources by \$36,547,848 and \$37,457,765 as of June 30, 2016 and 2015, respectively.

Compared to prior year, net position of the District decreased 2.43% or \$909,917. The District's total net position is made up of two components: (1) net investment of capital assets and (2) unrestricted net position.

By far the largest portion of the District's net position (73.34% and 74.58% as of June 30, 2016 and 2015, respectively) reflects the District's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are not available for future spending.

At the end of fiscal years 2016 and 2015, the District showed a positive balance in its unrestricted net position of \$9,743,638 and \$9,520,560, respectively, which may be utilized in future years. See note 15 for further information.

**Joshua Basin Water District**  
**Management's Discussion and Analysis, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

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

**Condensed Statements of Revenues, Expenses and Changes in Net Position**

	<u>2016</u>	<u>2015</u>	<u>Change</u>	<u>2014</u>	<u>Change</u>
<b>Revenue:</b>					
Operating revenue	\$ 4,614,735	4,471,015	143,720	4,234,465	236,550
Non-operating revenue	773,670	750,586	23,084	782,988	(32,402)
<b>Total revenue</b>	<u>5,388,405</u>	<u>5,221,601</u>	<u>166,804</u>	<u>5,017,453</u>	<u>204,148</u>
<b>Expense:</b>					
Operating expense	4,386,562	3,466,368	920,194	3,315,480	150,888
Depreciation	1,372,100	1,255,109	116,991	1,164,944	90,165
Non-operating expense	574,576	584,959	(10,383)	436,702	148,257
<b>Total expense</b>	<u>6,333,238</u>	<u>5,306,436</u>	<u>1,026,802</u>	<u>4,917,126</u>	<u>389,310</u>
<b>Net income (loss) before capital contributions</b>	<u>(944,833)</u>	<u>(84,835)</u>	<u>(859,998)</u>	<u>100,327</u>	<u>(185,162)</u>
<b>Capital contributions</b>	<u>34,916</u>	<u>920,076</u>	<u>(885,160)</u>	<u>3,296,486</u>	<u>(2,376,410)</u>
<b>Change in net position</b>	<u>(909,917)</u>	<u>835,241</u>	<u>(1,745,158)</u>	<u>3,396,813</u>	<u>(2,561,572)</u>
<b>Net position, beginning of period, as previously stated</b>	<u>37,457,765</u>	<u>36,978,431</u>	<u>479,334</u>	<u>33,581,618</u>	<u>3,396,813</u>
<b>Prior period adjustment (note 15)</b>	<u>-</u>	<u>(355,907)</u>	<u>355,907</u>	<u>-</u>	<u>(355,907)</u>
<b>Net position, beginning of period, as restated</b>	<u>37,457,765</u>	<u>36,622,524</u>	<u>835,241</u>	<u>33,581,618</u>	<u>3,040,906</u>
<b>Net position, end of period</b>	<u>\$ 36,547,848</u>	<u>37,457,765</u>	<u>(909,917)</u>	<u>36,978,431</u>	<u>479,334</u>

Net position decreased 2.43% or \$909,917 to \$36,547,848, as a result of ongoing operations. In fiscal year 2015, the District's net position increased 1.3%, or \$479,334 to \$37,457,765, which is comprised of an increase from operations of \$835,241 and a decrease from prior period adjustment in the amount of \$355,907. Please see note 5 to the basic financial statements for further discussion.

Total revenues increased 3.19% or \$166,804 to \$5,388,405, primarily due to increases in water service charges of \$128,877, other charges for services of \$11,322, property tax revenues of \$39,397, investment earnings of \$23,590 and other non-operating revenue of \$44,628, which was offset by an \$84,531 decrease in special assessments for debt service. In fiscal year 2015, the District's total revenues increased 4.07% or \$204,148 to \$5,221,601, primarily due to an increase in water consumption sales of \$49,956, standby service charges of \$32,119 and an increase in reimbursement revenue from the HDMC project of \$138,819. The increase in water consumption sales and reimbursement revenue was offset by a \$24,381 decrease in property taxes and other non-operating expenses of \$25,329.

Total expenses increased by 19.35% or \$1,026,802 to \$6,333,238, primarily due to a \$920,194 increase in water fund expenses and an \$116,991 increase in depreciation. In fiscal year 2015, the District's total expenses increased by 7.92% or \$389,310 to \$5,306,436, primarily due to a \$150,888 increase in water fund expenses, a \$90,165 increase in depreciation and a \$154,228 increase in District expenses related to the HDMC project. Please see note 9 for a detailed discussion.

**Joshua Basin Water District**  
**Management's Discussion and Analysis, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**Capital Asset Administration**

Changes in capital asset amounts for 2016, were as follows:

	<u>Balance 2015</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance 2016</u>
Capital assets:				
Non-depreciable assets	\$ 995,832	322,170	(543,158)	774,844
Depreciable assets	53,928,521	362,093	-	54,290,614
Accumulated depreciation	<u>(23,710,148)</u>	<u>(1,372,100)</u>	<u>-</u>	<u>(25,082,248)</u>
Total capital assets, net	<u>\$ 31,214,205</u>	<u>(687,837)</u>	<u>(543,158)</u>	<u>29,983,210</u>

Changes in capital asset amounts for 2015, were as follows:

	<u>Balance 2014</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance 2015</u>
Capital assets:				
Non-depreciable assets	\$ 4,930,072	121,702	(4,055,942)	995,832
Depreciable assets	48,903,640	5,024,881	-	53,928,521
Accumulated depreciation	<u>(22,455,039)</u>	<u>(1,255,109)</u>	<u>-</u>	<u>(23,710,148)</u>
Total capital assets, net	<u>\$ 31,378,673</u>	<u>3,891,474</u>	<u>(4,055,942)</u>	<u>31,214,205</u>

At the end of fiscal year 2016 and 2015, the District's investment in capital assets amounted to \$29,983,210 and 31,214,205 (net of accumulated depreciation), respectively. This investment in capital assets includes land, transmission and distribution systems, buildings, equipment, vehicles and construction-in-process. See note 6 to the basic financial statements for further detailed information on the District's capital assets.

**Debt Administration**

Changes in long-term debt amounts for 2016, were as follows:

	<u>Balance 2015</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance 2016</u>
Long-term debt:				
Bonds payable	\$ 3,277,000	-	(98,000)	3,179,000
Total long-term debt	<u>\$ 3,277,000</u>	<u>-</u>	<u>(98,000)</u>	<u>3,179,000</u>

Changes in long-term debt amounts for 2015, were as follows:

	<u>Balance 2014</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance 2015</u>
Long-term debt:				
Bonds payable	\$ 3,370,000	-	(93,000)	3,277,000
Total long-term debt	<u>\$ 3,370,000</u>	<u>-</u>	<u>(93,000)</u>	<u>3,277,000</u>

In 2016 and 2015, long-term debt decreased by \$98,000 and \$93,000, respectively, primarily due to principal payments. See further detailed information in Note 12.

**Joshua Basin Water District**  
*Management's Discussion and Analysis, continued*  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**Conditions Affecting Current Financial Position**

Management is unaware of any conditions which could have a significant impact on the District's current financial position, net position or operating results based on past, present and future events.

**Requests for Information**

This financial report is designed to provide the District's present users, including funding sources, customers, stakeholders and other interested parties with a general overview of the District's finances and to demonstrate the District's accountability with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District's Assistant General Manager/Controller, Susan Greer at Joshua Basin Water District, 61750 Chollita Road, Joshua Tree, California, 92252 or (760) 366-8438.

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## **Basic Financial Statements**

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**Joshua Basin Water District**  
**Statements of Net Position**  
**June 30, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
<b>Current assets:</b>		
Cash and cash equivalents (note 2)	\$ 8,203,685	6,264,166
Accrued interest receivable	14,599	6,557
Accounts receivable – water sales and services, net (note 3)	1,080,001	1,011,198
Property taxes receivable	27,145	28,241
Special assessments receivable	95,023	90,518
Grants receivable	150,000	1,922,013
Accounts receivable – other	91,798	43,203
Materials and supplies inventory	104,860	99,180
Prepaid expenses and other deposits	71,878	70,556
<b>Total current assets</b>	<b>9,838,989</b>	<b>9,535,632</b>
<b>Non-current assets:</b>		
Note receivable – Hi-Desert Medical Center (note 4)	820,715	895,325
Capital assets – not being depreciated (note 6)	774,844	995,832
Capital assets, net – being depreciated (note 6)	29,208,366	30,218,373
<b>Total non-current assets</b>	<b>30,803,925</b>	<b>32,109,530</b>
<b>Total assets</b>	<b>40,642,914</b>	<b>41,645,162</b>
<b>Deferred outflows of resources:</b>		
Deferred pension outflows (note 5 and 13)	280,820	147,279
<b>Total deferred outflows of resources</b>	<b>\$ 280,820</b>	<b>147,279</b>

*Continued on next page*

See accompanying notes to the basic financial statements



**Joshua Basin Water District**  
**Statements of Net Position, continued**  
**June 30, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 215,631	174,485
Accrued wages and related payables	65,548	83,864
Customer deposits and unearned revenue	268,792	225,760
Accrued interest payable	47,685	49,155
Long-term liabilities – due within one year:		
Compensated absences (note 7)	38,132	32,920
Bonds payable (note 12)	102,000	98,000
<b>Total current liabilities</b>	<b>737,788</b>	<b>664,184</b>
<b>Non-current liabilities:</b>		
Long-term liabilities – due in more than one year:		
Compensated absences (note 7)	114,395	98,759
Bonds payable (note 12)	3,077,000	3,179,000
Net pension liability (note 13)	270,679	288,403
<b>Total non-current liabilities</b>	<b>3,462,074</b>	<b>3,566,162</b>
<b>Total liabilities</b>	<b>4,199,862</b>	<b>4,230,346</b>
<b>Deferred inflows of resources:</b>		
Deferred pension inflows (note 13 and 14)	176,024	104,330
<b>Total deferred inflows of resources</b>	<b>176,024</b>	<b>104,330</b>
<b>Net position: (note 16)</b>		
Net investment in capital assets	26,804,210	27,937,205
Unrestricted	9,743,638	9,520,560
<b>Total net position</b>	<b>\$ 36,547,848</b>	<b>37,457,765</b>

See accompanying notes to the basic financial statements

**Joshua Basin Water District**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

	2016	2015
<b>Operating revenues:</b>		
Water consumption sales	\$ 1,543,206	1,544,760
Water service charges	1,516,020	1,387,143
Standby service charges	1,214,103	1,210,582
HDMC operations revenue	200,352	204,301
Other charges for services	141,054	124,229
<b>Total operating revenues</b>	<b>4,614,735</b>	<b>4,471,015</b>
<b>Operating expenses:</b>		
Pumping, production and treatment	1,774,688	936,333
Transmission and distribution	842,546	763,025
Customer service	337,784	321,773
General and administrative	1,431,544	1,445,237
<b>Total operating expenses</b>	<b>4,386,562</b>	<b>3,466,368</b>
Operating income before depreciation expense	228,173	1,004,647
Depreciation expense	(1,372,100)	(1,255,109)
<b>Operating loss</b>	<b>(1,143,927)</b>	<b>(250,462)</b>
<b>Non-operating revenue (expense):</b>		
Property taxes	403,834	364,437
Special assessments for debt service	288,941	373,472
Investment earnings	39,282	15,692
Morongo Basin pipeline (note 10)	(219,426)	(219,578)
Interest expense	(143,765)	(146,802)
Debt administration charges	(10,442)	(11,172)
Property tax administration charge	(927)	(622)
HDMC project – District expense (note 9)	(200,016)	(206,785)
Other non-operating expenses, net	41,613	(3,015)
Total non-operating revenue, net	199,094	165,627
<b>Net loss before capital contributions</b>	<b>(944,833)</b>	<b>(84,835)</b>
<b>Capital contributions:</b>		
Water capacity charges	19,446	18,957
State capital grant	-	891,969
Local capital grant – MWA	15,470	9,150
Total capital contributions	34,916	920,076
<b>Change in net position</b>	<b>(909,917)</b>	<b>835,241</b>
<b>Net position, beginning of period, as restated (note 15)</b>	<b>37,457,765</b>	<b>36,622,524</b>
<b>Net position, end of period</b>	<b>\$ 36,547,848</b>	<b>37,457,765</b>

See accompanying notes to the basic financial statements

**Joshua Basin Water District**  
**Statements of Cash Flows**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
<b>Cash flows from operating activities:</b>		
Cash receipts from customers for water sales and services	\$ 4,540,369	4,546,278
Cash paid to employees for salaries and wages	(1,508,583)	(1,538,498)
Cash paid to vendors and suppliers for materials and services	(3,110,056)	(2,993,307)
Net cash (used in) provided by operating activities	(78,270)	14,473
<b>Cash flows from non-capital financing activities:</b>		
Property taxes	404,930	387,575
Net cash provided by non-capital financing activities	404,930	387,575
<b>Cash flows from capital and related financing activities:</b>		
Acquisition and construction of capital assets	(141,105)	(1,090,641)
HDMC project expense	(200,016)	(206,785)
Capital contributions	34,916	920,076
Payments received for note receivable	74,610	74,610
Grants	1,772,013	1,358,962
Special assessments for debt service	284,436	391,002
Principal paid on debt	(98,000)	(93,000)
Interest paid on debt	(145,235)	(149,532)
Net cash provided by capital and related financing activities	1,581,619	1,204,692
<b>Cash flows from investing activities:</b>		
Investment earnings	31,240	14,311
Net cash provided by investing activities	31,240	14,311
<b>Net increase in cash and cash equivalents</b>	1,939,519	1,621,051
<b>Cash and cash equivalents, beginning of year</b>	6,264,166	4,643,115
<b>Cash and cash equivalents, end of year</b>	\$ 8,203,685	6,264,166

*Continued on next page*

See accompanying notes to the basic financial statements

**Joshua Basin Water District**  
**Statement of Cash Flows, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>		
<b>Operating loss</b>	\$ <u>(1,143,927)</u>	<u>(250,462)</u>
<b>Adjustments to reconcile operating loss to net cash provided by operating activities:</b>		
Depreciation	1,372,100	1,255,109
Morongo Basin pipeline	(219,426)	(219,578)
Debt administration charges	(10,442)	(11,172)
Property tax administration charge	(927)	(622)
Other non-operating expenses, net	41,613	(3,015)
<b>Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:</b>		
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable – water sales and services, net	(68,803)	21,658
Accounts receivable – other	(48,595)	9,217
Materials and supplies inventory	(5,680)	(4,905)
Prepaid expenses and other deposits	(1,322)	(3,152)
Deferred outflows of resources	(133,541)	(147,279)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	41,146	(729,732)
Accrued wages and related payables	(18,316)	8,732
Customer deposits and unearned revenue	43,032	44,388
Compensated absences	20,848	8,460
Net pension liability	(17,724)	(105,659)
Deferred inflows of resources	<u>71,694</u>	<u>142,485</u>
<b>Total adjustments</b>	<u>1,065,657</u>	<u>264,935</u>
<b>Net cash (used in) provided by operating activities</b>	\$ <u><u>(78,270)</u></u>	<u><u>14,473</u></u>

See accompanying notes to the basic financial statements

**Joshua Basin Water District**  
**Notes to the Financial Statements**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**(1) Reporting Entity and Summary of Significant Accounting Policies**

**A. Organization and Operations of the Reporting Entity**

The Joshua Basin Water District (District) was organized in January 1963, under provisions of Division 12 of the Water Code of the State of California. The purpose of the District is to finance, construct, operate and maintain a water system and wastewater system to serve properties within the District's boundaries. The District services approximately 96 square miles in the unincorporated area of Joshua Tree, located in the Morongo Basin of San Bernardino County. The District is governed by a Board of Directors made up of five members elected by the qualified voters in the District.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Statements No. 61, *The Financial Reporting Entity*. The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable if it appoints a voting majority of the organization's governing body and: 1) It is able to impose its will on that organization, or 2) There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

The District normally conducts two monthly general meetings of the Board of Directors which are held on the first and third Wednesdays of the month in the District's office.

The Joshua Basin Water District Copper Mountain Mesa Assessment District (Assessment District) was formed in 1996 to finance the improvements and construction of the potable water system facilities, including pipelines, booster pumping station, water storage reservoir and the necessary appurtenances. The bonds were sold to the United States Department of Agriculture, who is the sole bondholder. The District's directors serve as directors of the Assessment District; the District's General Manager serves as its executive officer. The assets and liabilities of the Assessment District are blended with those of the District in the financial statements.

**B. Basis of Accounting and Measurement Focus**

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the cost of providing water to its service area on a continuing basis be financed or recovered primarily through user charges (water sales), capital grants and similar funding. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

Operating revenues and expenses, such as water sales and water purchases, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal value. Management, administration and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses. Non-operating revenues and expenses, such as grant funding, investment income and interest expense, result from non-exchange transactions, in which the District gives (receives) value without directly (giving) value in exchange.

**C. Financial Reporting**

The District's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to enterprise funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**Joshua Basin Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**C. Financial Reporting, continued**

The District solely operates as a special-purpose government which means it is only engaged in business-type activities; accordingly, activities are reported in the District's proprietary fund.

The District has adopted the following GASB pronouncements in the current year:

*Government Accounting Standards Board Statement No. 72*

In February 2015, the GASB issued Statement No. 72 – *Fair Value Measurement and Application*, effective for financial statements for periods beginning after June 15, 2015.

The objective of this Statement is to enhance comparability of financial statements among governments by measurement of certain assets and liabilities at their fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement establishes a hierarchy of inputs to valuation techniques used to measure fair value.

*Government Accounting Standards Board Statement No. 73*

In June 2015, the GASB issued Statement No. 73 – *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement 67 and 68*, effective for fiscal years beginning after June 15, 2015.

The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement establishes requirements for defined benefit pensions that are not within the Scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions.

*Government Accounting Standards Board Statement No. 76*

In June 2015, the GASB issued Statement No. 76 – *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, effective for financial statements for periods beginning after June 15, 2015.

This Statement replaces the requirements of Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of local governmental entities in conformity with GAAP and the framework for selecting those principles.

This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment is not specified within the source of authoritative GAAP.

*Government Accounting Standards Board Statement No. 79*

In December 2015, the GASB issued Statement No. 79 – *Certain External Investment Pools and Pool Participants*, effective for financial statements for periods beginning after June 15, 2015.

This Statement enhances comparability of financial statements among governments by establishing specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement.

**Joshua Basin Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**C. Financial Reporting, continued**

*Government Accounting Standards Board Statement No. 79, continued*

Those criteria will provide qualifying external investment pools and participants in those pools with consistent application of an amortized cost-based measurement for financial reporting purposes. That measurement approximates fair value and mirrors the operations of external investment pools that transact with participants at a stable net asset value per share.

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position**

**1. Use of Estimates**

The preparation of the basic 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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in net position during the reporting period. Actual results could differ from those estimates.

**2. Cash and Cash Equivalents**

Substantially all of the District's cash is invested in interest bearing accounts. The District considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

**3. Investments and Investment Policy**

The District has adopted an investment policy as written in Article 8 of the District's administration code. Any surplus funds or funds held for any length of time for special projects shall only be invested with reputable institutions.

The District's investment policy authorizes investments in Certificates-of-deposit and the California Local Agency Investment Fund (LAIF). The District's investment policy does contain specific provisions intended to limit its exposure to interest rate risk, credit risk, custodial risk, and concentration of credit risk.

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

**4. Fair Value Measurements**

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

The hierarchy is based on valuation inputs used to measure the fair value of the asset, as follows:

- **Level 1** – Valuation is based on quoted prices in active markets for identical assets.
- **Level 2** – Valuation is based on directly observable and indirectly observable inputs. These inputs are derived principally from or corroborated by observable market data through correlation or market-corroborated inputs. The concept of market-corroborated inputs incorporates observable market data such as interest rates and yield curves that are observable at commonly quoted intervals.
- **Level 3** – Valuation is based on unobservable inputs where assumptions are made based on factors such as prepayment rates, probability of defaults, loss severity and other assumptions that are internally generated and cannot be observed in the market.

**Joshua Basin Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position, continued**

**5. Accounts Receivable and Allowance for Uncollectible Accounts**

The District extends credit to customers in the normal course of operations. When management deems customer accounts uncollectible, the District uses the allowance method for the reservation and write-off of those accounts.

**6. Property Taxes and Assessments**

The San Bernardino County Assessor's Office assesses all real and personal property within the County each year. The San Bernardino County Tax Collector's Offices bills and collects the District's share of property taxes and assessments. The San Bernardino County Treasurer's Office remits current and delinquent property tax collections to the District throughout the year. Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countywide assessed valuations.

Property taxes receivable at year-end are related to property taxes collected by the San Bernardino County which have not been credited to the District's cash balance as of June 30. The property tax calendar is as follows:

Lien date	March 1
Levy date	July 1
Due dates	November 1 and March 1
Collection dates	December 10 and April 10

**7. Materials and Supplies Inventory**

Materials and supplies inventory consists primarily of water meters, pipe and pipefittings for construction and repair to the District's water transmission and distribution system. Inventory is valued at cost using the FIFO method. Inventory items are charged to expense at the time that individual items are withdrawn from inventory or consumed.

**8. Prepaid Expenses**

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in the basic financial statements.

**9. Capital Assets**

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at \$5,000. Donated assets are recorded at estimated fair market value at the date of donation. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

- Transmission and distribution system – 3 to 50 years
- Structures and improvements – 10 to 30 years
- Vehicles and large equipment – 5 to 10 years
- Office furniture and equipment – 5 to 10 years
- Water rights – 25 years
- Wastewater system in development – 15 years
- Surveys and plans – 2 to 5 years

**10. Deferred Outflows of Resources**

Deferred outflows of resources represent the consumption of resources that is applicable to future periods.



**Joshua Basin Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position, continued**

**11. Deferred Inflows of Resources**

Deferred inflows of resources represent the acquisition of resources that is applicable to future periods.

**12. Compensated Absences**

The District's policy is to permit employees to accumulate earned vacation up to a total of 400 hours, with amounts exceeding the limit being paid out as part of the employee's regular compensation. Upon termination of employment, employees are paid all unused vacation and forfeit any unused sick time.

**13. Pensions**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans (Plans) and addition to/deduction from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

- Valuation Date: June 30, 2014
- Measurement Date: June 30, 2015
- Measurement Period: July 1, 2014 to June 30, 2015

**14. Net Position**

The financial statements utilize a net position presentation. Net position is categorized as follows:

- **Investment in Capital Assets** – Investment in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and amortization, and reduced by outstanding balances of any debt, or other long-term borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- **Restricted** – Restricted consists of assets that have restrictions placed upon their use by external constraints imposed either by creditors (debt covenants), grantors, contributors, or laws and regulations of other governments or constraints imposed by law through enabling legislation.
- **Unrestricted** – Unrestricted consists of the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the net investment in capital assets or restricted component of net position.

**15. Water Sales and Services**

Water sales are billed on a monthly cyclical basis and recognize the respective revenues when they are earned.

**16. Capital Contributions**

Capital contributions represent cash and capital asset additions contributed to the District by property owners, granting agencies or real estate developers desiring services that require capital expenditures or capacity commitment.

**Joshua Basin Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position, continued**

**17. Budgetary Policies**

The District adopts a bi-annual non-appropriated budget for planning, control, and evaluation purposes. Budgetary control and evaluation are affected by comparisons of actual revenues and expenses with planned revenues and expenses for the period. Encumbrance accounting is not used to account for commitments related to unperformed contracts for construction and services.

**(2) Cash and Cash Equivalents**

Cash and cash equivalents as of June 30, consist of the following:

	<b>2016</b>	<b>2015</b>
Cash on hand	\$ 2,100	2,100
Deposits held with financial institutions	270,931	235,338
Deposits held with California Local Agency Investment Fund	7,930,654	6,026,728
Total cash and investments	\$ 8,203,685	6,264,166

***Investments Authorized by the California Government Code and the District's Investment Policy***

The table below identifies the investment types that are authorized by the District in accordance with the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

<b>Authorized Investment Type</b>	<b>Maximum Maturity</b>	<b>Maximum Percentage Of Portfolio</b>	<b>Maximum Investment in One Issuer</b>
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State Obligations - CA and Others	5 years	None	None
CA Local Agency Obligations	5 years	None	None
U.S. Agency Obligations	5 years	None	None
Negotiable Certificates of Deposit	5 years	30%	None
Collateralize Bank Deposits	5 years	None	None
Corporate debt - Short and Long Term	5 years	None	None
Commercial Paper	5 years	None	None
Repurchase agreements	1 year	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

***Investment in State Investment Pool***

The District is a voluntary participant in the Local District Investment Fund (LAIF) that is regulated by the California Government Code Section 16429 and is under the management of the Treasurer of the State of California with oversight provided by the Local Agency Investment Advisory Board. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Bank balances are secured by the pledging of a pool of eligible securities to collateralize the District's deposits with the bank in accordance with the Code.

**Joshua Basin Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**(2) Cash and Cash Equivalents, continued**

***Investment in State Investment Pool***

District's deposit and withdrawal restrictions and limitations are as follows:

- Same day transaction processing occurs for orders received before 10:00 a.m.
- Next day transactions processing occurs for orders received after 10:00 a.m.
- Maximum limit of 15 transactions (combination of deposits and withdrawals) per month.
- Minimum transaction amount requirement of \$5,000, in increments of \$1,000 dollars.
- Withdrawals of \$10,000,000 or more require 24 hours advance.
- Prior to funds transfer, an authorized person must call LAIF for verbal authorization.

***Interest Rate Risk***

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio matures, or comes close to maturity evenly over time, as necessary to provide requirements for cash flow and liquidity needed for operations.

***Custodial Credit Risk***

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits, or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Of the bank balances, up to \$250,000 is federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

***Credit Risk***

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

**Joshua Basin Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**(2) Cash and Cash Equivalents, continued**

***Concentration of Credit Risk***

The District's investment policy contains various limitations on the amounts that can be invested in any one governmental agency or non-governmental issuer as stipulated by the California Government Code. The District's deposit portfolio with governmental agencies, LAIF, is 97% and 96% as of June 30, 2016 and 2015, respectively of the District's total depository and investment portfolio. There were no investments in any one non-governmental issuer that represent 5% or more of the District's total investments.

**(3) Accounts Receivable – Water Sales and Services, net**

Accounts receivable, net consisted of the following as of June 30:

	<b>2016</b>	<b>2015</b>
Accounts receivable – water sales	\$ 366,908	294,666
Unbilled water sales receivables	351,981	278,726
Standby charges receivables	463,211	553,669
Allowance for doubtful accounts	(102,099)	(115,863)
Total accounts receivable, net	\$ 1,080,001	1,011,198

**(4) Note Receivable – Hi-Desert Medical Center**

On July 1, 2012, the District executed a note receivable with the Hi-Desert Medical Center for \$1,119,156 for capacity charges due for sanitary sewer service to the Hi-Desert Medical Center Wastewater Treatment Plant. The note is to be repaid over a 15-year period (\$74,610 principal per year) with interest charged at the quarterly LAIF interest earnings rate. As of June 30, 2016 and 2015, the note principal balance remaining was \$820,715 and \$895,325, respectively. At June 30, 2016 and 2015, accrued interest receivable on the note was \$3,506 and \$2,315, respectively and is included as part of the accrued interest receivable balance in the statements of net position.

**(5) Deferred Outflows of Resources**

Changes in deferred outflows of resources for 2016, were as follows:

	<b>Balance 2015</b>	<b>Additions</b>	<b>Amortization</b>	<b>Balance 2016</b>
Deferred outflows of resources:				
Deferred pension outflows	\$ 147,279	343,324	(209,783)	280,820
Total deferred outflows of resources	\$ 147,279	343,324	(209,783)	280,820

Changes in deferred outflows of resources for 2015, were as follows:

	<b>Balance 2014</b>	<b>Additions</b>	<b>Amortization</b>	<b>Balance 2015</b>
Deferred outflows of resources:				
Deferred pension outflows	\$ -	147,624	(345)	147,279
Total deferred outflows of resources	\$ -	147,624	(345)	147,279

**Joshua Basin Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**(6) Capital Assets**

Changes in capital assets for the year ended June 30, 2016 were as follows:

	<b>Balance 2015</b>	<b>Additions/</b>	<b>Deletions/ Transfers</b>	<b>Balance 2016</b>
<b>Non-depreciable assets:</b>				
Land and land rights	\$ 508,177	7,842	-	516,019
Construction-in-process	487,655	314,328	(543,158)	258,825
Total non-depreciable assets	<u>995,832</u>	<u>322,170</u>	<u>(543,158)</u>	<u>774,844</u>
<b>Depreciable assets:</b>				
Transmission and distribution system	40,497,217	43,063	-	40,540,280
Recharge facilities	9,099,916	-	-	9,099,916
Structures and improvements	897,206	2,060	-	899,266
Vehicles and large equipment	1,459,586	115,895	-	1,575,481
Office furniture and equipment	1,066,262	70,238	-	1,136,500
Water rights	263,759	-	-	263,759
Wastewater system in development	22,419	-	-	22,419
Surveys and plans	622,156	130,837	-	752,993
Total depreciable assets	<u>53,928,521</u>	<u>362,093</u>	<u>-</u>	<u>54,290,614</u>
<b>Accumulated depreciation:</b>				
Transmission and distribution mains	(20,380,816)	(904,985)	-	(21,285,801)
Recharge facilities	(107,145)	(181,998)	-	(289,143)
Structures and improvements	(414,300)	(29,076)	-	(443,376)
Vehicles and large equipment	(908,628)	(95,548)	-	(1,004,176)
Office furniture and equipment	(1,042,004)	(19,440)	-	(1,061,444)
Water rights	(212,680)	(10,216)	-	(222,896)
Wastewater system in development	(22,419)	-	-	(22,419)
Surveys and plans	(622,156)	(130,837)	-	(752,993)
Total accumulated depreciation	<u>(23,710,148)</u>	<u>(1,372,100)</u>	<u>-</u>	<u>(25,082,248)</u>
Total depreciable assets, net	<u>30,218,373</u>	<u>(1,010,007)</u>	<u>-</u>	<u>29,208,366</u>
<b>Total capital assets, net</b>	<b>\$ <u>31,214,205</u></b>	<b><u>(687,837)</u></b>	<b><u>(543,158)</u></b>	<b><u>29,983,210</u></b>

Major depreciable capital assets additions during the fiscal year ended 2016 include purchases of vehicles and large equipment, capital improvement plans related to surveys and plans, upgrades and extensions of the District's water transmission and distribution systems and purchases of office furniture and equipment. During the year, the District wrote-off discontinued projects amounting to \$330,466 related to transmission and distribution systems and structures and improvements.

**Joshua Basin Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**(6) Capital Assets, continued**

	<u>Balance 2014</u>	<u>Additions/</u>	<u>Deletions/ Transfers</u>	<u>Balance 2015</u>
Non-depreciable assets:				
Land and land rights	\$ 508,177	-	-	508,177
Construction-in-process	4,421,895	121,702	(4,055,942)	487,655
Total non-depreciable assets	<u>4,930,072</u>	<u>121,702</u>	<u>(4,055,942)</u>	<u>995,832</u>
Depreciable assets:				
Transmission and distribution system	40,152,771	344,446	-	40,497,217
Recharge facilities	4,598,927	4,500,989	-	9,099,916
Structures and improvements	850,283	46,923	-	897,206
Vehicles and large equipment	1,353,316	106,270	-	1,459,586
Office furniture and equipment	1,066,262	-	-	1,066,262
Water rights	263,759	-	-	263,759
Wastewater system in development	22,419	-	-	22,419
Surveys and plans	595,903	26,253	-	622,156
Total depreciable assets	<u>48,903,640</u>	<u>5,024,881</u>	<u>-</u>	<u>53,928,521</u>
Accumulated depreciation:				
Transmission and distribution mains	(19,441,923)	(938,893)	-	(20,380,816)
Recharge facilities	(7,665)	(99,480)	-	(107,145)
Structures and improvements	(385,878)	(28,422)	-	(414,300)
Vehicles and large equipment	(834,495)	(74,133)	-	(908,628)
Office furniture and equipment	(968,403)	(73,601)	-	(1,042,004)
Water rights	(202,464)	(10,216)	-	(212,680)
Wastewater system in development	(18,308)	(4,111)	-	(22,419)
Surveys and plans	(595,903)	(26,253)	-	(622,156)
Total accumulated depreciation	<u>(22,455,039)</u>	<u>(1,255,109)</u>	<u>-</u>	<u>(23,710,148)</u>
Total depreciable assets, net	<u>26,448,601</u>	<u>3,769,772</u>	<u>-</u>	<u>30,218,373</u>
<b>Total capital assets, net</b>	<b>\$ <u>31,378,673</u></b>	<b><u>3,891,474</u></b>	<b><u>(4,055,942)</u></b>	<b><u>31,214,205</u></b>

Major depreciable capital assets additions during the fiscal year ended 2015 include upgrades and extensions of the District's water transmission and distribution systems, recharge facilities and equipment purchases.

***Construction-In-Process***

The District is involved in construction projects throughout the year. Once completed, projects are capitalized and depreciated over the life of the asset.

**Joshua Basin Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**(6) Capital Assets, continued**

***Construction-In-Process***

At June 30, 2016 and 2015, the balance of construction-in-process was \$258,825 and \$487,655, respectively, as follows:

Construction-in-process consisted of the following projects:

<b>Project Description</b>	<b>2016</b>	<b>2015</b>
Chromium study	\$ 126,141	-
Grading for new tank	-	238,199
Various other minor projects < \$100,000	<u>132,684</u>	<u>249,456</u>
Total construction-in-process	<u>\$ 258,825</u>	<u>487,655</u>

**(7) Compensated Absences**

Changes to compensated absences for 2016, were as follows:

<b>Balance 2015</b>	<b>Earned</b>	<b>Taken</b>	<b>Balance 2016</b>	<b>Due within One Year</b>	<b>Due in more than one year</b>
\$ <u>131,679</u>	<u>212,206</u>	<u>(191,358)</u>	<u>152,527</u>	<u>38,132</u>	<u>114,395</u>

Changes to compensated absences for 2015, were as follows:

<b>Balance 2014</b>	<b>Earned</b>	<b>Taken</b>	<b>Balance 2015</b>	<b>Due within One Year</b>	<b>Due in more than one year</b>
\$ <u>123,219</u>	<u>242,695</u>	<u>(234,235)</u>	<u>131,679</u>	<u>32,920</u>	<u>98,759</u>

**(8) Deferred Compensation Savings Plan**

For the benefit of its employees, the District participates in a 457 Deferred Compensation Program (Program). The purpose of this Program is to provide deferred compensation for public employees that elect to participate in the Program. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes.

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District's general creditors. At June 30, 2016 and 2015, the market value of all plan assets held in trust by ICMA-RC was \$440,908 and \$432,989, respectively.

The District has implemented GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Since the District has little administrative involvement and does not perform the investing function for this plan, the assets and related liabilities are not shown on the statement of net position.

**Joshua Basin Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**(9) Hi-Desert Medical Center Project**

In fiscal year 2013, the District was engaged by the Hi-Desert Medical Center (HDMC) to construct, own and operate the HDMC's Wastewater Treatment Plant (Plant). Please see note 4 for more details of the District's agreement with HDMC. During the construction phase, HDMC was making capital contributions to the District for the construction of the Wastewater Treatment Plant in the amount of \$2,901,551. Upon completion, it was agreed that HDMC will continue to own the Plant, while the District shall operate and maintain the Plant. For the fiscal year ended June 30, 2016 and 2015, the District incurred \$200,016 and \$206,785, respectively, in reimbursable costs towards the project.

**(10) Morongo Basin Pipeline Project**

During the year ended June 30, 1991, the District executed an Agreement for construction, operation and financing of the Morongo Basin Pipeline project with the Mojave Water Agency (Agency). Pursuant to this Agreement, the Agency has constructed a pipeline to supply, on a wholesale basis, certain areas of San Bernardino County, including the Joshua Basin Water District, with water from the State Water Project. Voters within the area to be served by the pipeline project approved the issuance of \$66,500,000 principal amount of general obligation bonds to finance the pipeline project. This resulted in the formation of Improvement District M of the Mojave Water Agency. In the Agreement, the District has agreed to make certain payments to the Agency to cover the District's share of fixed project costs, including debt service.

The District makes annual payments under the Agreement for Improvement District M's general obligation bond sales of \$12,000,000 principal amount in May 1991 (Series A) and \$40,735,000 principal amount in 1993 (Series B). The District is obligated to pay 27% of the debt service on Improvement District M's general obligation bonds. Improvement District M bonds are general obligations of the Mojave Water Agency and are secured by and payable from the taxes levied upon the taxable property in Improvement District M. As part of the agreement, approximately 70% of the debt service will be derived from the levy of taxes on properties within Improvement District M, and 30% of the debt service on the bonds will be derived from payments to be made by the Mojave Water Agency participants.

In April 1996, \$50,485,000 of the Improvement District Bonds was refinanced with \$51,780,000 Improvement District M of the Mojave Water Agency General Obligation Bonds (Morongo Basin Pipeline Project) election of 1990, refunding Series of 1996. Interest rates range from 3.75% to 5.80%.

Payments of fixed project costs to the Agency have been classified as non-operating expenses in the amount of \$219,426 and \$219,578 for the fiscal year ended June 30, 2016 and 2015.

**(11) Joint-Venture: Joshua Basin – Hi-Desert Financing Authority**

In February 1991, the District and Hi-Desert Water District created the Joshua Basin – Hi-Desert Financing Authority (Authority) pursuant to the laws of the State of California. The Authority is a joint exercise of powers agreement by and between Joshua Basin Water District and Hi-Desert Water District. The purpose of the Authority is to cause the acquisition and construction of water facilities and to finance such projects through the issuance of bonds. The Authority has a five-member Board of Directors comprised of: (a) three members of the Board of Directors of Joshua Basin Water District and (b) two members of the Board of Directors of Hi-Desert Water District. Participation in the joint venture gives the District the ability to finance the cost of the installation and construction of any building, facility, structure, or other improvement which may be used to provide water to the lands and inhabitants of the District. As provided in the law, the Authority shall be a public entity separate from Joshua Basin Water District and Hi-Desert Water District. The debts, liabilities and obligations of the Authority shall not constitute debts, liabilities or obligations of Joshua Basin Water District or Hi-Desert Water District. The debts, liabilities and obligations of either Joshua Basin Water District or Hi-Desert Water District shall not constitute debts, liabilities or obligations of the other agency.



**Joshua Basin Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**(12) Long-Term Debt**

Changes in long-term debt amounts for the year were as follows:

	<u>Balance 2015</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 2016</u>	<u>Current Portion</u>
Long-term debt:					
Bonds payable:					
1996 Bonds	\$ 3,277,000	-	(98,000)	3,179,000	102,000
Total bonds payable	<u>\$ 3,277,000</u>	<u>-</u>	<u>(98,000)</u>	<u>3,179,000</u>	<u>102,000</u>

Changes in long-term debt amounts for the year were as follows:

	<u>Balance 2014</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 2015</u>	<u>Current Portion</u>
Long-term debt:					
Bonds payable:					
1996 Bonds	\$ 3,370,000	-	(93,000)	3,277,000	98,000
Total bonds payable	<u>\$ 3,370,000</u>	<u>-</u>	<u>(93,000)</u>	<u>3,277,000</u>	<u>98,000</u>

**1996 Limited Obligation Improvement Bonds**

In March 1996, the District authorized the issuance of \$4,551,389 in Copper Mountain Mesa limited obligation improvement bonds pursuant to the provisions of the Municipal Improvement Act of 1913. The bonds are payable solely from and secured solely by special assessments on property parcels and the amounts held by the District. The District is not obligated to, but may in its sole discretion, advance available surplus funds from the District treasury. The bonds bear interest at 4.5% per annum.

Principal and interest are payable on March 2<sup>nd</sup> and September 2<sup>nd</sup> of each year as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 102,000	140,760	242,760
2018	107,000	136,057	243,057
2019	111,000	131,153	242,153
2020	116,000	126,045	242,045
2021	121,000	120,713	241,713
2022-2026	692,000	514,755	1,206,755
2027-2031	861,000	340,896	1,201,896
2032-2036	1,069,000	124,493	1,193,493
Total	3,179,000	<u>1,634,872</u>	<u>4,813,872</u>
Current	<u>(102,000)</u>		
Long-term	<u>\$ 3,077,000</u>		

**Joshua Basin Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**(13) Defined Benefit Pension Plan**

***Plan Description***

All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous Employee Pension Plan, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and the District's resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

***Benefits provided***

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013. The new legislation closed the District's CalPERS 2.0% at 55 Risk Pool Retirement Plan to new employee entrants effective December 31, 2013. All employees hired after January 1, 2013 are eligible for the District's CalPERS 2.0% at 62 Retirement Plan under PEPRA.

The Plans' provision and benefits in effect at June 30, 2015 are summarized as follows:

The Plans' provisions and benefits in effect at June 30, 2016, are summarized as follows:

	<b>Miscellaneous Plan</b>	
	<b>Classic</b>	<b>PEPRA</b>
	Prior to <u>January 1, 2013</u>	On or after <u>January 1, 2013</u>
Hire date		
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates	7.00%	6.50%
Required employer contribution rates	9.353%	6.73%

***Contributions***

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1, following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30, by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

**Joshua Basin Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**(13) Defined Benefit Pension Plan, continued**

***Contributions, continued***

For the fiscal years ended June 30, 2016 and 2015, the contributions recognized as part of pension expense for the Plan was as follows:

	<b>Miscellaneous Plan</b>	
	<b>2016</b>	<b>2015</b>
Contributions – employer	\$ 121,564	146,314

***Net Pension Liability***

As of the fiscal year ended June 30, 2016 and 2015, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	<b>Proportionate Share of Net Pension Liability</b>	
	<b>2016</b>	<b>2015</b>
Miscellaneous Plan	\$ 270,679	288,403

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2015 and 2014 (the measurement dates), and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 and 2013 (the valuation dates), rolled forward to June 30, 2015 and 2014, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the pension liability for the Plan as of the measurement date June 30, 2015, was as follows:

	<b>Miscellaneous Plan</b>
Proportion – June 30, 2014	0.00463%
Proportion – June 30, 2015	0.00394%
Change – Decrease	-0.00069%

The District's proportionate share of the pension liability for the Plan as of the measurement date June 30, 2015, was as follows:

	<b>Miscellaneous Plan</b>
Proportion – June 30, 2013	0.00489%
Proportion – June 30, 2014	0.00463%
Change – Decrease	-0.00026%

**Joshua Basin Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**(13) Defined Benefit Pension Plan, continued**

***Deferred Pension Outflows (Inflows) of Resources***

For the fiscal years ended June 30, 2016 and 2015, the District recognized pension expense of \$41,993 and \$35,861, respectively.

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to the measurement date	\$ 121,564	-
Differences between actual and expected experience	9,363	-
Changes in assumptions	-	(88,581)
Net differences between projected and actual earnings on plan investments	-	(44,407)
Differences between actual contribution and proportionate share of contribution	-	(43,036)
Net adjustment due to differences in proportions of net pension liability	<u>149,893</u>	<u>-</u>
Total	<u>\$ 280,820</u>	<u>(176,024)</u>

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to the measurement date	\$ 146,314	-
Net differences between projected and actual earnings on plan investments	-	(96,916)
Net adjustment due to differences in proportions of net pension liability	<u>965</u>	<u>(7,414)</u>
Total	<u>\$ 147,279</u>	<u>(104,330)</u>

As of June 30, 2016 and 2015, employer pension contributions reported as deferred outflows of resources related to contributions subsequent to the measurement date of \$121,564 and \$146,314 will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2017 and 2016, respectively.

**Joshua Basin Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**(13) Defined Benefit Pension Plan, continued**

***Deferred Pension Outflows (Inflows) of Resources, continued***

At June 30, 2016, other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<b>Fiscal Year</b>	<b>Deferred Net</b>
<b>Ending</b>	<b>Outflows/(Inflows)</b>
<b>June 30,</b>	<b>of Resources</b>
2017	\$ (8,110)
2018	(7,650)
2019	(8,078)
2020	7,070
2021	-
Remaining	-

***Actuarial Assumptions***

The total pension liability in the June 30, 2015 and 2014 actuarial valuation report was determined using the following actuarial assumptions:

The following is a summary of the actuarial assumptions and methods:

Valuation Date	June 30, 2014 and 2013
Measurement Date	June 30, 2015 and 2014
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Discount rate	7.50% Net of Administrative Expenses for 2015 and 2014
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Investment Rate of Return	7.50 % Net of Pension Plan Investment and Administrative Expenses; includes inflation
Mortality Rate Table*	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

\* The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 Experience Study report. Further details of the Experience Study can be found on the CalPERS website.

**Joshua Basin Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**(13) Defined Benefit Pension Plan, continued**

***Discount Rate***

For the June 30, 2015 and 2014 valuation reports, the discount rate used to measure the total pension liability was 7.50% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50% discount rate used is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50% will be applied to all plans in the Public Employees' Retirement Fund (PERF). The stress test results are presented in a detailed report which can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS confirmed the materiality threshold for the difference in the calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the Discount rate will require CalPERS Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the fiscal year ended 2017-2018. CalPERS will continue to check the materiality of the difference in the calculation until such time as it has changed its methodology.

The long-term expected rate of return on pension plan investments was determine using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculates over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

**Joshua Basin Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**(13) Defined Benefit Pension Plan, continued**

***Discount Rate, continued***

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1-10*</u>	<u>Real Return Year 11+**</u>
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	12.0	6.83	6.95
Real Estate	11.0	4.50	5.13
Infrastructure and Forestland	3.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)
Total	<u>100.0%</u>		

\* An expected inflation of 2.5% used for this period

\*\* An expected inflation of 3.0% used for this period

***Sensitivity of the Proportionate Share of Net Pension Liability to Changes in the Discount Rate***

The following tables presents the District's proportionate share of the net position liability for the Plan, calculated using the discount rate, as well as what the District's proportional share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

At June 30, 2016, the discount rate comparison was the following:

	<u>Discount Rate - 1%</u>	<u>Current Discount Rate</u>	<u>Discount Rate + 1%</u>
	<u>6.65%</u>	<u>7.65%</u>	<u>8.65%</u>
District's Net Pension Liability	\$ <u>417,033</u>	<u>270,679</u>	<u>109,663</u>

At June 30, 2015, the discount rate comparison was the following:

	<u>Discount Rate - 1%</u>	<u>Current Discount Rate</u>	<u>Discount Rate + 1%</u>
	<u>6.50%</u>	<u>7.50%</u>	<u>8.50%</u>
District's Net Pension Liability	\$ <u>513,844</u>	<u>288,403</u>	<u>101,307</u>

**Joshua Basin Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**(13) Defined Benefit Pension Plan, continued**

***Pension Plan Fiduciary Net Position***

Detailed information about the pension plan's fiduciary net position is available in separately issued CalPERS financial reports. See pages 37 through 38 for the Required Supplementary Schedules.

***Payable to the Pension Plan***

At June 30, 2016 and 2015, the District reported no payables for the outstanding amount of contribution to the pension plan.

**(14) Deferred Inflows of Resources**

Changes in deferred inflows of resources for 2016, were as follows:

	<b>Balance 2015</b>	<b>Additions</b>	<b>Amortization</b>	<b>Balance 2016</b>
Deferred inflows of resources:				
Deferred pension inflows	\$ 104,330	143,273	(71,579)	176,024
Total deferred inflows of resources	\$ 104,330	143,273	(71,579)	176,024

Changes in deferred inflows of resources for 2015, were as follows:

	<b>Balance 2014</b>	<b>Additions</b>	<b>Amortization</b>	<b>Balance 2015</b>
Deferred inflows of resources:				
Deferred pension inflows	\$ -	104,330	-	104,330
Total deferred inflows of resources	\$ -	104,330	-	104,330

**(15) Prior Year Restatement of Net Position**

***Net Pension Liability – GASB 68 and 71 Implementation***

In fiscal year 2015, the District implemented GASB pronouncements 68 and 71 to recognize its proportionate share of the net pension liability. As a result of the implementation, the District recognized the pension liability and recorded a net prior period adjustment, a decrease in net position of \$394,062 at July 1, 2014. The District recorded a prior period adjustment, an increase in net position, to reclassify from expense to deferred outflows of resources, the prior year's proportionate share of employer pension contribution totaling \$38,155 at July 1, 2014.

The adjustment to net position is as follows:

Net position at July 1, 2014, as previously stated	\$ 36,978,431
Effect of adjustment to record net pension liability	(394,062)
Effect of adjustment to record deferred pension outflows	38,155
Total adjustments	(355,907)
Net position at July 1, 2014, as restated	\$ 36,622,524



**Joshua Basin Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**(16) Net Position**

	<b>2016</b>	<b>2015</b>
Investment in capital assets, net of related debt:		
Capital assets, not being depreciated	\$ 774,844	995,832
Depreciable capital assets, net	29,208,366	30,218,373
Current:		
Bonds payable	(102,000)	(98,000)
Non-current:		
Bonds payable	(3,077,000)	(3,179,000)
Total net investment in capital assets	26,804,210	27,937,205
Non-spendable net position:		
Materials and supplies inventory	104,860	99,180
Prepaid expenses and other deposits	71,878	70,556
Total non-spendable net position	176,738	169,736
Spendable net assets are designated as follows:		
Capital replacement reserve	6,377,933	6,233,883
Rate stabilization reserve	3,188,967	3,116,941
Total spendable net position	9,566,900	9,350,824
Total unrestricted net position	9,743,638	9,520,560
Total net position	36,547,848	37,457,765

**(17) Risk Management**

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California water agencies. The purpose of the ACWA/JPIA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage.

At June 30, 2016, the District participated in the liability, property and worker' compensation programs of the ACWA/JPIA as follows:

- General and auto liability, public officials and employees' errors and omissions: Total risk financing self-insurance limits of \$2,000,000, combined single limit at \$2,000,000 per occurrence. The JPIA purchases additional excess coverage layers up to \$60 million per occurrence total for general, auto and public officials liability, which increases the limits on the insurance coverage noted above.

In addition to the above, the District also has the following insurance coverage:

- Employee dishonesty coverage up to \$250,000 per loss includes public employee dishonesty, forgery or alteration and computer fraud subject to a \$1,000 deductible per loss.

**Joshua Basin Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**(17) Risk Management, continued**

- Property loss, including boiler and machinery coverage is paid at the replacement cost for buildings, fixed equipment and personal property on file of \$18,258,662 subject to a \$2,500 deductible per occurrence. Repairs or replacement must be completed within two years; otherwise loss is valued on an actual cash value basis. Mobile equipment and vehicles are valued based on actual cash value at time of loss, subject to a \$1,000 deductible per occurrence. ACWA JPIA has purchased excess coverage up to \$150 million.
- Workers' compensation insurance up to California statutory limits for all work related injuries/illnesses covered by California law. The ACWA/JPIA is self-insured up to \$2,000,000 and excess insurance coverage has been purchased.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the fiscal years ended June 30, 2016, 2015 and 2014. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There was no IBNR claims payable as of June 30, 2016, 2015 and 2014.

**(18) Governmental Accounting Standards Board Statements Issued, Not Yet Effective**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2016, that has effective dates that may impact future financial presentations.

***Governmental Accounting Standards Board Statement No. 74***

In June 2015, the GASB issued Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness or information about postemployment benefits other than pensions (other postemployment benefits of OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No.50, *Pension Disclosures*. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2016. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

***Governmental Accounting Standards Board Statement No. 75***

In June 2015, the GASB issued Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2017. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

**Joshua Basin Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**(18) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued**

***Governmental Accounting Standards Board Statement No. 80***

In January 2016, the GASB issued Statement No. 80 – *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. This Statement is effective for financial statements for periods beginning after June 15, 2016. It is believed that the implementation of this Statement will not have a material effect to the District's financial statements.

***Governmental Accounting Standards Board Statement No. 81***

In March 2016, the GASB issued Statement No. 81 – *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. This Statement is effective for financial statements for periods beginning after December 15, 2016. It is believed that the implementation of this Statement will not have a material effect to the District's financial statements.

***Governmental Accounting Standards Board Statement No. 82***

In March 2016, the GASB issued Statement No. 82 – *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No.73*. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement is effective for financial statements for periods beginning after June 15, 2016. It is believed that the implementation of this Statement will not have a material effect to the District's financial statements.

**(19) Commitments and Contingencies**

***Grant Awards***

Grant funds received by the District are subject to audit by the grantor agencies. Such audit could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. Management of the District believes that such disallowances, if any, would not be significant.

***Construction Contracts***

The District has a variety of agreements with private parties relating to the installation, improvement or modification of water and wastewater facilities and distribution systems within its service area. The financing of such construction contracts is being provided primarily from the District's replacement reserves and capital contributions.

**Joshua Basin Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**(19) Commitments and Contingencies, continued**

***Litigation***

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

**(20) Subsequent Events**

Events occurring after June 30, 2016, have been evaluated for possible adjustment to the financial statements or disclosure as of November 21, 2016, which is the date the financial statements were available to be issued. The District is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

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## **Required Supplementary Information**

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**Joshua Basin Water District**  
**Schedule of the District's Proportionate Share of the Net Pension Liability**  
**As of June 30, 2016**  
**Last Ten Years\***

	<b>Measurement Date <u>6/30/2015</u></b>	<b>Measurement Date <u>6/30/2014</u></b>
District's Proportion of the Net Pension Liability	<u>0.00394%</u>	<u>0.00463%</u>
District's Proportionate Share of the Net Pension Liability	<u>\$ 270,679</u>	<u>288,403</u>
District's Covered-Employee Payroll	<u>\$ 1,384,707</u>	<u>1,385,362</u>
District's proportionate share of the net pension liability as a as a Percentage of its Covered-Employee Payroll	<u>19.55%</u>	<u>20.82%</u>
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	<u>87.09%</u>	<u>83.03%</u>
Plan's Proportionate Share of Aggregate Employer Contributions	<u>63,158</u>	<u>38,155</u>

**Notes:**

\* Fiscal Year 2015 was the first year of implementation, therefore only two years are shown.

**Joshua Basin Water District  
Schedule of Pension Plan Contributions  
As of June 30, 2016  
Last Ten Years\***

<u>Schedule of Pension Plan Contributions (a):</u>	<u>Measurement Date 2014-2015</u>	<u>Measurement Date 2013-2014</u>
Actuarially Determined Contribution	\$ 63,158	138,973
Contributions in Relation to the Actuarially Determined Contribution	<u>(121,564)</u>	<u>(138,973)</u>
Contribution Deficiency (Excess)	\$ <u>(58,406)</u>	<u>-</u>
Covered Payroll	\$ <u>1,384,707</u>	<u>1,385,362</u>
Contribution's as a percentage of Covered-employee Payroll	<u>4.56%</u>	<u>10.03%</u>

**Notes:**

- \* Fiscal Year 2015 was the first year of implementation, therefore only two years are shown.

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# **Report on Internal Controls and Compliance**

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**Independent Auditor's Report on Internal Controls Over Financial Reporting  
And on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

Board of Directors  
Joshua Basin Water District  
Joshua Tree, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Joshua Basin Water District (District) as of and for the fiscal years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated November 21, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Independent Auditor's Report on Internal Controls Over Financial Reporting  
And on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*, (continued)**

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**Fedak & Brown LLP**  
Cypress, California  
November 21, 2016

DRAFT

**Joshua Basin Water District**

**Management Report**

**June 30, 2016**

DRAFT

**Joshua Basin Water District**

**Management Report**

**Table of Contents**

<u>Item</u>	<u>Page No.</u>
General Introduction	1
Summary of Current Year Comments and Recommendations	1
Status of Comments and Recommendations Made in the Previous Year	2
<b>Appendix:</b>	
Audit/Finance Committee Letter	1-3
Schedule of GASB 68 Adjustments	4
Schedule of Audit Adjusting Journal Entries	5

DRAFT

**CONFIDENTIAL**

Board of Directors  
Joshua Basin Water District  
Joshua Tree, California

**Dear Members of the Board:**

In planning and performing our audit of the financial statements of Joshua Basin Water District (District) as of and for the year ended June 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited period described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weakness. Given these limitations during our audit we did not identify any deficiencies in internal control to be material weaknesses. However, material weaknesses may exist that have not been identified.

Our comments, all of which have been discussed with the appropriate members of management, are summarized as follows:

**Summary of Current Year Comments and Recommendations**

***Disclosure of Audit Adjustments and Reclassifications***

As your external auditor, we assume that the books and records of the District are properly adjusted before the start of the audit. In many cases, however, audit adjustments and reclassifications are made in the normal course of the audit process to present the District's financial statements in conformity with accounting principles generally accepted in the United States of America or for comparison purposes with the prior year. For the Board of Directors to gain a full and complete understanding and appreciation of the scope and extent of the audit process we have presented these audit adjustments and reclassifications as an attachment to this letter. There can be very reasonable explanations for situations of having numerous adjustments as well as having no adjustments at all. However, the issue is simply disclosure of the adjustments and reclassifications that were made and to provide the Board of Directors with a better understanding of the scope of the audit.

**Management's Response**

The District has reviewed and approved all of the audit adjustment and reclassification entries provided by the auditor and have entered those entries into the District's accounting system to close-out the District's year-end trial balance.

**Summary of Comments and Recommendations Made in the Previous Year**

***Disclosure of Audit Adjustments and Reclassifications***

As your external auditor, we assume that the books and records of the District are properly adjusted before the start of the audit. In many cases, however, audit adjustments and reclassifications are made in the normal course of the audit process to present the District's financial statements in conformity with accounting principles generally accepted in the United States of America or for comparison purposes with the prior year. For the Board of Directors to gain a full and complete understanding and appreciation of the scope and extent of the audit process we have presented these audit adjustments and reclassifications as an attachment to this letter. There can be very reasonable explanations for situations of having numerous adjustments as well as having no adjustments at all. However, the issue is simply disclosure of the adjustments and reclassifications that were made and to provide the Board of Directors with a better understanding of the scope of the audit.

**Management's Response**

The District has reviewed and approved all of the audit adjustment and reclassification entries provided by the auditor and have entered those entries into the District's accounting system to close-out the District's year-end trial balance.

\*\*\*\*\*

This communication is intended solely for the information and use of management and the Board of Directors of the District. This restriction is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate the courtesy and cooperation extended to us during our examination. We would be pleased to discuss the contents of this letter with you at your convenience. Please do not hesitate to contact us.

**Fedak & Brown LLP**  
Cypress, California  
November 21, 2016



**APPENDIX**

**Joshua Basin Water District**

**Audit/Finance Committee Letter**

**June 30, 2016**

DRAFT

Board of Directors  
Joshua Basin Water District  
Joshua Tree, California

We have audited the basic financial statements of the Joshua Basin Water District (District) for the year ended June 30, 2016 and have issued our report thereon dated November 21, 2016. Generally accepted auditing standards require that we provide the Governing Board and management with the following information related to our audit of the District's basic financial statements.

**Auditor's Responsibility under United States Generally Accepted Auditing Standards**

As stated in our Audit Engagement Letter dated March 2, 2016, our responsibility, as described by professional standards, is to express an opinion about whether the basic financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with United States generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of its responsibilities.

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Governmental Auditing Standards*.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

**Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing requirements as previously communicated to management. Professional standards also require that we communicate to you the following information related to our audit.

**Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the basic financial statements.

As described in Note 2 to the financial statements, the District adopted Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application, and No. 79, Certain External Investment Pools and Pool Participants, as of June 30, 2016.

We noted no transactions entered into by the District during fiscal year 2016 for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

### **Management's Judgments, Accounting Estimates and Financial Disclosures**

Accounting estimates are an integral part of the basic financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the position in the basic financial statements was (were):

Management's estimate of the fair value of cash and cash equivalents is based on information provided by financial institutions. We evaluated the key factors and assumptions used to develop the fair value of cash and investments in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the allowance for delinquent/doubtful accounts is based on historical write-offs of past due delinquent/doubtful customer accounts, customer creditworthiness, and calculated assumptions of expected future write-offs. We evaluated the key factors and assumptions used to develop the allowance for delinquent/doubtful accounts in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of capital assets depreciation is based on historical estimates of each capitalized item's useful life expectancy or cost recovery period. We evaluated the key factors and assumptions used to develop the capital asset depreciation calculations in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimate of the defined benefit pension plan's deferred outflows of resources, net pension liability, and deferred inflows of resources are based on an actuarial evaluation of these amounts which was conducted by a third-party actuary. We evaluated the basis, actuarial methods and assumptions used by the actuary to calculate these amounts for the District to determine that it is reasonable in relation to the financial statements taken as a whole.

Certain basic financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure(s) affecting the basic financial statements is (are):

The disclosure of fair value of cash and cash equivalents in Note 2 to the basic financial statements represents amounts susceptible to market fluctuations.

The disclosure of the District's allowance for delinquent/doubtful accounts in Note 3 to the basic financial statements represents amounts susceptible to external factors the District has no control over, such as, the state of the economy in the District's service area.

The disclosure of capital assets, net in Note 6 to the basic financial statements is based on historical information which could differ from actual useful lives of each capitalized item.

The disclosure of the District's defined benefit pension plan in Note 5, 13 and 14 to the basic financial statements is based on actuarial assumptions which could differ from actual costs.

The disclosures in the basic financial statements are neutral, consistent and clear.

### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### **Corrected and Uncorrected Misstatements**

Professional Standards require us to accumulate all known and likely misstatements identified during the audit, except those that are considered trivial, and communicate them to the appropriate level of management. (See Pages 4 through 5)

**Disagreements with Management**

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction that could be significant to the basic financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit of the District.

**Management Representations**

We have requested certain representations from management that are included in the Management Representational Letter to the Auditor dated November 21, 2016.

**Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves the application of an accounting principle to the District's basic financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditor. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Restriction on Use**

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than the specified, parties. This restriction is not intended to limit the distribution of this letter, which is a matter of public record.

**Conclusion**

We appreciate the cooperation extended us by Susan Greer, Assistant General Manager/Controller, and Anne Roman, Accountant, in the performance of our audit testwork.

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to the District.

**Fedak & Brown LLP**  
Cypress, California  
November 21, 2016

**Joshua Basin Water District  
 Schedule of GASB 68 Adjustments  
 June 30, 2016**

The District has recorded the following adjustments with regards to Governmental Accounting Standards Board No 68 and 71.

**GASB 68 Entry No. 1**

To adjust deferred outflows and inflows to agree with balances per 2015 audited financial statements.

100-13600	DEFERRED OUTFLOWS OF RESOURCES	\$ 7,414.00	
200-23050	DEFERRED INFLOWS OF RESOURCES		7,414.00

**GASB 68 Entry No. 2**

To reclassify 2015 contributions to NPL at June 30, 2016.

200-22360	NET PENSION LIABILITY	146,314.00	
100-13600	DEFERRED OUTFLOWS OF RESOURCES		146,314.00

**GASB 68 Entry No. 3**

To reclassify 2016 contributions to Deferred Outflows of Resources at June 30, 2016.

100-13600	DEFERRED OUTFLOWS OF RESOURCES	121,564.00	
551-01230	RETIREMENT: PERS Classic 2%@55		121,564.00

**GASB 68 Entry No. 4**

To record changes in pension liability during FY14/15 at June 30, 2016.

100-13600	DEFERRED OUTFLOWS OF RESOURCES	12,707.00	
100-13600	DEFERRED OUTFLOWS OF RESOURCES	209,053.00	
200-23050	DEFERRED INFLOWS OF RESOURCES	7,414.00	
200-23050	DEFERRED INFLOWS OF RESOURCES	35,350.00	
551-01230	RETIREMENT: PERS Classic 2%@55	50,103.00	
100-13600	DEFERRED OUTFLOWS OF RESOURCES		7,414.00
200-22360	NET PENSION LIABILITY		128,590.00
200-23050	DEFERRED INFLOWS OF RESOURCES		58,406.00
200-23050	DEFERRED INFLOWS OF RESOURCES		120,217.00

**GASB 68 Entry No. 5**

To record changes in the deferred outflows and deferred inflows (amortization) during FY15/16 at June 30, 2016.

100-13600	DEFERRED OUTFLOWS OF RESOURCES	2,303.00	
200-23050	DEFERRED INFLOWS OF RESOURCES	24,229.00	
200-23050	DEFERRED INFLOWS OF RESOURCES	39,936.00	
100-13600	DEFERRED OUTFLOWS OF RESOURCES		58,358.00
551-01230	RETIREMENT: PERS Classic 2%@55		8,110.00

Joshua Basin Water District  
 Schedule of Audit Adjusting Journal Entries  
 June 30, 2016

**Adjusting Journal Entries JE # 1**

To reverse overhead that was capitalized on vehicle and land purchases as of June 30, 2016.

100-15501	AUTOMOTIVE - ACCUM DEPREC	\$	115.90	
660-60002	OVERHEAD - GENERAL & ADMIN (5380)		7,424.22	
100-15100	LAND & EASEMENTS			470.53
100-15500	AUTOMOTIVE			6,953.69
660-65000	CAPITAL REPLACEMENT EXPENSE			115.90

**Adjusting Journal Entries JE # 2**

To allocate unallocated employee benefits.

551-98000	ALLOCATED EXPENSES - BENEFITS		79,572.00	
501-98001	EE BENEFITS ALLOCATED			16,781.73
502-98001	EE BENEFITS ALLOCATED			24,476.35
503-98001	EE BENEFITS ALLOCATED			7,296.75
504-98001	EE BENEFITS ALLOCATED			12,325.70
505-98001	EE BENEFITS ALLOCATED			5,188.09
506-98001	EE BENEFITS ALLOCATED			12,214.30
507-98001	EE BENEFITS ALLOCATED			1,289.08

**Adjusting Journal Entries JE # 3**

To take out accrued wages that cleared the bank as of June 30, 2016

200-22100	ACCRUED WAGES PAYABLE		44,105.99	
100-11210	PAYROLL FUND - U S BANK			44,105.99

DRAFT

JOSHUA BASIN WATER DISTRICT  
AGENDA REPORT

Meeting of the Board of Directors

December 7, 2016

Report to: President and Members of the Board  
From: Susan Greer, Assistant General Manager/Controller

TOPIC:  
BOARD OF DIRECTORS TO AUTHORIZE RATE STUDY AT A COST NOT TO EXCEED \$42,200

RECOMMENDATION:

Authorize Bartle Wells Associates to conduct a rate study at a cost not to exceed \$42,200 including estimated expenses and 10% contingency.

ANALYSIS:

A new proposal from Bartle Wells Associates (BWA) for a rate and fee study has been received and is attached. The last rate study, resulting in a multi-year rate structure, was conducted in 2013, and many significant changes have occurred since that time requiring reconsideration of water rates sooner than anticipated.

- The District's Chromium VI Compliance Plan, approved by the State Water Resources Control Board, requires a rate study because they know that costs to implement Chromium VI treatment will be burdensome.
- The District has developed a Capital Improvement Plan, and we need to provide funding to implement the Plan costs of approximately \$2.5M per year.
- The District wants to increase purchase of imported water for recharge.
- Ongoing mandated production reduction and conservation of water has resulted in a loss of annual revenues from sales of approximately \$230K.

In addition to these changes, normal operating costs increase over time for the District just as they do for any individual or company. Besides changes that have occurred at the District that impact water rates, the entire landscape of water rate implementation has changed since 2013. Several legal cases have resulted in more evaluation and effort required for rate studies because a more thorough and defensible report is required to be legally sufficient.

BWA has performed the District's last two rate studies, in 2007 and 2013, and their approach and communication style has been very well received by the Board, Staff and Public. Staff has not solicited multiple bids for this rate study and propose BWA as a sole-source provider without the need for competitive procurement procedures. The District's Bidding Procedures allow us to waive the competitive procurement procedures because it is in the best interest of the District to utilize a source previously selected through a competitive process for earlier work on the same project. The 2007 rate study bidding process resulted in three proposals with costs ranging \$38,000 to \$49,500, not including contingency. BWA was the lowest qualified bidder, had excellent references, and was awarded the \$38,000 contract. BWA has proven to be very competent and worked well with Staff, the Board and the Citizens Advisory Committee on the previous rate studies. In addition, our legal counsel, Gil Granito, thinks highly of our particular consultant, and has even used him as an expert

witness in a rate study trial. Note that the current proposal is less than the 2007 proposal because BWA already has significant history and experience with the District. The same consultant at BWA will be working with the same staff here at the District, building upon knowledge that has been learned over the years, and that is a cost-saver for them. To bring a new rate study consultant up to speed will increase costs, staff requirements and timeline.

The proposed rate study will address all water rates, the cost of selling water to another agency (such as for an emergency outage), and our capacity charges, both water and wastewater. Before any rates can be established, a rate study requires data collection, a comprehensive evaluation of financial data, and development of financial projections. Through the process, we determine reasonable spending levels and prudent reserves. Rates at neighboring agencies are also evaluated. Impacts of any proposed rates will be evaluated on District customers, and proposed/draft rates will be recommended along with a multi-year implementation plan. The consultant will attend up to six meetings and presentations, and will assist with the public relations communication plan. Most importantly, BWA will develop recommendations and a rate study report that are compliant with Proposition 218, which establishes requirements for adopting or increasing water rates. More detailed information about the many complex issues associated with a rate study are included within Section 2 of the attached proposal, Scope of Services. Rate-setting is a complex process that involves many moving parts. A reasonable timeframe for completion of this work is six to nine months after award of contract, although it can easily be more and it took a little over one year for completion of the 2013 rate study, from award to public hearing.

BWA has provided a cost of \$36,000 plus \$2,400 for expenses to complete the rate study; including our standard 10% contingency, that's a total of \$42,200. The 2013 rate study proposal was \$29,300 including contingency, and we used every penny of it. While the new study is a significantly higher cost than the last rate study, since the rate setting landscape has changed, a more comprehensive evaluation and report is required to stand up to the potential legal challenge. The District has budgeted \$60,000 for the rate and fee study. The \$60,000 budget includes review and update of the miscellaneous fees, such as returned check charges, turn on charges, broken locking device fee, etc. These fees are calculated by staff because they are based substantially on labor and materials costs for our staff, with review by the rate consultant, and are not subject to the Prop 218 process. Staff will work with the consultant during the water rate study process to determine the strategy for the miscellaneous fees, and that will require a separate proposal from the consultant.

**FISCAL IMPACT:**

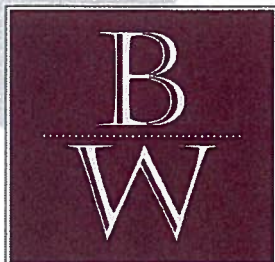
\$42,200, already funded in 16/17 Budget





# PROPOSAL FOR A WATER RATE AND FEE STUDY

November 16, 2016



**BARTLE WELLS ASSOCIATES**  
INDEPENDENT PUBLIC FINANCE ADVISORS



**BARTLE WELLS ASSOCIATES**  
INDEPENDENT PUBLIC FINANCE ADVISORS

1889 Alcatraz Avenue  
Berkeley, CA 94703  
T: 510-653-3399  
[www.bartlewells.com](http://www.bartlewells.com)

November 21, 2016

Joshua Basin Water District  
61750 Chollita Road  
Joshua Tree, California 92252

Attention: Susan Greer, Assistant General Manager

Subject: Proposal for a Water Rate Study

Bartle Wells Associates is pleased to submit this proposal to assist the Joshua Basin Water District with development of a comprehensive water rate study and update of the District's water and wastewater capacity charges levied on new development. Bartle Wells Associates specializes in providing independent financial advisory and utility rate consulting services to California water and wastewater agencies. We have extensive expertise developing long-term financial plans, water rates, and capacity charges for a wide range of California agencies. We have a well-earned reputation for providing our clients with straightforward, practical advice. And we have a strong track record of building consensus and public acceptance for final recommendations.

Bartle Wells Associates was established in 1964 and is a leading utility rate and public finance consulting firm in California. We have served over 500 public agencies throughout the Western United States, predominantly in California, and have developed over 2,000 financial plans and rate studies for water, wastewater, and recycled water enterprises. Our clients have ranged from small cities and districts to large cities, special districts, joint power authorities, and counties.

We previously assisted the District in developing long-term financial plans and water rate studies in 2007 and in 2013. On both of these prior assignments, final recommendations were developed with substantial input from the District's project team and Board of Directors as well as the District's Citizens Advisory Committee (CAC). The prior rate studies included recommendations for steady gradual rate increases, modifications to the District's rate structure to gradually increase conservation incentive, and derivation of rates based on a cost-of-service methodology that equitably recovers costs from District customers. We also previously updated the District's Basic Facilities Charges based on the cost of infrastructure needed to serve growth and assisted the District with evaluation of approaches for handling customers who previously connected but subsequently became inactive.

Our overall goal of this assignment will be to work closely with the District to identify objectives, update financial projections, recommend and approach for funding the District's capital improvement needs, evaluate key alternatives and their impacts, and build consensus for final rate

recommendations. Our general approach will be to work collaboratively with the District throughout the rate and fee study process to ensure final recommendations reflect District and CAC objectives.

I have enjoyed working with the District on our prior assignment and hope this proposal provides a suitable basis for our selection. Please contact me if you have any questions or would like any additional information.

Sincerely,

BARTLE WELLS ASSOCIATES

A handwritten signature in black ink that reads "Alex Handlers". The signature is written in a cursive, flowing style.

Alex Handlers, CIPMA  
Principal/Vice President

# Table of Contents

**SECTION 1: FIRM & STAFF QUALIFICATIONS.....1**

**SECTION 2: SCOPE OF SERVICES .....5**

**SECTION 3: AVAILABILITY & FEES .....10**



# Section 1: Firm & Staff Qualifications



## BARTLE WELLS ASSOCIATES – FIRM OVERVIEW

Bartle Wells Associates (BWA) is an independent financial advisor to public agencies with expertise in water and wastewater rates and finance. Our firm was established in 1964 and is owned and managed by its principal consultants. We have over 45 years of experience advising local governments on the complexities and challenges in public finance. We have advised over 500 public agency clients in the western United States and completed over 2,500 assignments. We have a diversity of abilities and experience to evaluate all types of financial issues faced by local governments and to recommend the best and most-practical solutions.

Bartle Wells Associates has a stable, well-qualified professional team. Our education and backgrounds include finance, civil engineering, business, public administration, public policy, and economics. The firm is owned and managed by its principal consultants who have been with the firm for many years.

BWA specializes in three professional services: utility rate and fee studies, financial plans, and project financing. We are the only independent financial advisor providing *all three* of these interrelated services to public agencies.

### BWA Key Services

- *Financial Plans*
- *Rate & Fee Studies*
- *Project Financing*

**RATE AND FEE STUDIES** Our *rate studies* employ a cost-of-service approach designed to maintain the long-term financial health of a utility enterprise while being fair to all customers. We develop practical recommendations that are easy to implement and often phase in rate adjustments over time to minimize the impact on ratepayers. We also have extensive experience developing impact fees that equitably recover the costs of infrastructure required to serve new development. BWA has completed hundreds of water and wastewater rate and fee studies. We have helped communities implement a wide range of water and sewer rate structures and are knowledgeable about the legal requirements governing rates and impact fees including Proposition 218 and Government Code 66000. We develop clear, effective presentations and have represented public agencies at hundreds of public hearings to build consensus for our recommendations.

**FINANCIAL PLANS** Our *financial plans* provide agencies with a flexible roadmap for funding long-term operating and capital needs. We evaluate the wide range of financing options available, develop a plan that recommends the best financing approach, and clearly identify the sources of revenue for funding projects and repaying any debt. We also help agencies develop prudent financial policies, such as fund reserve targets, to support sound financial management. BWA has developed over 2,000 water and wastewater enterprise financial plans to help public agencies fund their operating and capital programs, meet debt service requirements, and maintain long-term financial health.



Our offices are located in Berkeley, in a circa 1900 Victorian Building

**PROJECT FINANCING** Our *project financing* experience includes over 300 bond sales and numerous bank loans, lines of credit, and various state and federal grant and loan programs. We generally recommend issuing debt via a competitive sale process to achieve the lowest cost financing possible. To date, we have helped California agencies obtain over \$5 billion of bond financing, \$350 million in low-rate SRF loans and grants, and hundreds of millions in bank loans and lines of credit. We work only for public agencies; we are independent financial advisors and do not buy, trade, or resell bonds. Our work is concentrated on providing independent advice that enables our clients to finance their projects on the most favorable terms—lowest interest rates, smallest issue size, and greatest flexibility.

Bartle Wells Associates is a charter member of the *National Association of Municipal Advisors* (NAMA), which establishes strict criteria for independent advisory firms. All of our lead consultants are *Certified Independent Professional Municipal Advisors*.



Bartle Wells Associates is committed to providing value and the best advice to our clients. Our strength is *quality*—the quality of advice, service, and work we do for all our clients.

### **Business Contact Information**

Bartle Wells Associates  
1889 Alcatraz Avenue  
Berkeley, CA 94703  
Tel: 510.653.3399  
Fax: 510.653.3769  
www.bartlewells.com

### **BWA Project Manager**

Alex Handlers, MPA, CIPMA  
Tel: 510.653.3399 (x109)  
E-mail: alex@bartlewells.com

A resume for Alex follows. Other BWA consultants are available to assist as needed.

**Bartle Wells Associates was established in 1964 and is a California Corporation and certified State of California Small Business. The Federal ID number is 94-166440.**

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## ALEX T. HANDLERS, MPA, CIPMA

### Experience

Alex T. Handlers is a principal and vice president of Bartle Wells Associates with expertise in the areas of water and wastewater rates and finance. He develops long-term financial plans, utility rates, and capacity charges for water and wastewater enterprises. He has consulted for over 100 California cities, counties, and special districts.

Mr. Handlers has helped agencies implement a wide variety of water and sewer rate and fee structures and is knowledgeable about the legal requirements of Prop. 218, AB1600, and Prop. 26. He also specializes in evaluating financing alternatives for capital improvement programs and securing project financing. He is a Certified Independent Professional Municipal Advisor and a Board Member of the National Association of Municipal Advisors. He has helped California agencies obtain over \$2 billion in financing via bonds, COPs, bank loans, lines of credit, and various state and federal grant and loan programs.

### Education

M.P.A. - University of Washington

B.A. - Lehigh University

### Certifications

CIPMA – Certified Independent Professional Municipal Advisor

Board Member – National Association of Municipal Advisors

### Sample Projects

- **Joshua Basin Water District:** Developed long-term financial plans and water rate studies recommending a gradual increase in water rates coupled with rate structure modifications to provide additional conservation incentive. Final recommendations incorporated input from the District's Board of Directors and a Citizens Advisory Committee.
- **Redwood City:** Developed water and sewer financial plans and rate studies. Sewer rate study recommendations included modifications designed to improve rate equity between customer classes. Developed long-term water and recycled water enterprise financing plan supporting a \$73 million recycled water project with a series of gradual rate adjustments. Recommended a new Water Supply Capacity Fee to recover recycled water facility costs to indirectly provide potable supply for growth.
- **Santa Ynez River Water Conservation District, Improvement District #1:** Developed a comprehensive water rate study. Financial and rate recommendations are designed to eliminate budget deficits, restore funding for high-priority capital improvements, and secure funding for new Chromium 6 treatment facilities and operations.
- **City of Hesperia:** Developed water and wastewater financing plans, rates, and connection fees to support engineering master plan recommendations. Recommended a phase in of water & sewer rate adjustments including rate structure modifications designed to gradually increase conservation incentive. Worked with the City Council Advisory Committee to hone recommendations.
- **Mid-Peninsula Water District:** Developed a comprehensive water rate study and capacity charge update. Developed emergency water shortage rates and water supply fee for new development. Drafted Proposition 218 Notice to include authorization for automatic adjustments for wholesale rate increases.
- **Ramona Municipal Water District:** Developed 10-year financial plans and sewer rate studies supporting wastewater treatment plant improvements and ongoing funding for collection system repairs and replacements to two sewer service areas. Updated the District's wastewater capacity charges.

## ALEX T. HANDLERS continued

- **Cambria Community Services District:** Water and sewer financial plans and rate studies. Assisted District in developing and implementing a new charge to recover costs for an emergency water supply project. Developed updated water and sewer capacity fees designed to recover the full costs of infrastructure and assets benefiting new development. Updated the District's miscellaneous fees and charges.
- **South San Luis Obispo County Sanitation District:** Developed long-term financial plan and wastewater rate recommendations supporting the funding of a major capital upgrade to a regional wastewater treatment plant serving the Cities of Arroyo Grande, Pismo Beach, and the Oceano Community Services District.
- **City of San Carlos:** Developed a 10-year sewer enterprise financial plan and rate study. Evaluated a number of rate alternatives and recommended rate increases needed to fund high-priority Master Plan improvements and debt service requirements for the regional wastewater treatment plant.
- **City of Mountain View:** Water and sewer financial plans, rate studies, and capacity charge updates. Recommended rate structure modifications to equitably recover costs of service.
- **City of Fresno:** Developed new water capacity charges. Recommended transition from a number of overlapping regional connection fees to a uniform City-wide charge.
- **Silicon Valley Clean Water:** Developed 10-year financial plan supporting \$400 million of capital improvements to a regional JPA that provides wastewater treatment services to Redwood City, Belmont, San Carlos, and the West Bay Sanitary District (Menlo Park). Served as financial advisor on issuance of over \$120 million via a combination of bonds, State Revolving Fund (SRF) loans, and a line of credit.
- **City of Morro Bay:** Developed long-term water and wastewater financial plans, rate studies, and development impact fee updates. Developed final recommendations with input from a citizen-based Public Works Advisory Committee and City Council.
- **City of San Bruno:** Water and wastewater financial plans and rate studies. Recommended modifications to both water and sewer rate structures to improve rate equity.
- **City of Palm Springs:** Developed a long-term wastewater enterprise financial plan and sewer rate study supporting an \$80 million capital improvement program.
- **Soquel Creek Water District:** Developed long-term financial plan and water rate recommendations supporting funding of a potential regional seawater desalination plant to be jointly operated with the City of Santa Cruz. Recommended rate modifications designed to increase conservation incentive and developed emergency rates for various levels of required water cutbacks. Served as independent financial advisor on over \$40 million of water revenue bonds, COPs and a bank loan.
- **City of Poway:** Evaluated conservation-oriented water rate structures and assisted City in transitioning from a uniform block rate to a tiered, inclining block rate structure to help meet conservation targets. Developed financial projections accounting for the impacts of conservation.
- **Alameda County Water District:** Comprehensive development fee study; recommended a series of modifications to existing charges to improve revenue recovery, equity and fee administration.
- **San Francisco Public Utilities Commission:** Developed water and sewer enterprise financial projections supporting over \$1 billion of bonds issued to help fund a 10-year, \$4.3 billion upgrade to the Hetch-Hetchy
- **City of Port Hueneme:** Developed water and sewer enterprise financial plans and rate studies designed to fully recover the City's costs of service and provide adequate funding for ongoing repairs and replacements. Developed a water rate study that gradually phases in new volumetric water rates. The City previously charged flat monthly rates for water service. Worked with a citizen-based advisory committee to build consensus for final recommendations.



## Section 2: Scope of Services

This section presents a draft scope of services that we believe forms a sound basis for completing this assignment. Bartle Wells Associates will work with the District to finalize a scope of services and schedule that meets the District's objectives and scheduling needs. Our general project approach will be to work closely with the District's project team and Citizens Advisory Committee to identify objectives, set milestones, have frequent communication, and remain flexible to resolve unanticipated issues.

### 1. Project Team Orientation/Kickoff Meeting

To initiate our work, hold a kickoff meeting with the District, Citizens Advisory Committee, and others as appropriate, to accomplish the following:

- Identify members of District staff, Board of Directors, Citizens Advisory Committee, engineering consultants, and others who will participate in the project.
- Determine the roles and responsibilities of all project participants.
- Identify other parties that may have a significant interest in the project, such as community groups, business organizations, and large customers.
- Establish project schedule and key milestone dates.
- Confirm the key goals and expectations of the project team.

*Note: BWA recommends postponing our initial "kickoff" meeting until after we have had time to review information and begin developing the financial plan and rate study. That way, in addition to discussing the project and District objectives, we can also discuss preliminary findings and initial ideas, and start getting more substantive input from the District and Citizens Advisory Committee.*

### 2. Investigation and Data Collection

Assemble the information necessary to understand and describe the District's water system, finances, customers and usage, rate and fee structures, and agreements with other agencies. Assistance and cooperation of the District staff will be needed to assemble the background information. Investigation will include, but is not limited to, the following areas:

- Current budget.
- Historical financial information.
- Fund balances.
- Current water rates and charges.
- Updated water use and billing data from past 3 years.
- Capital improvement plans and long-term infrastructure replacement funding needs.
- Chrome 6 capital and operating cost estimates.
- Meter replacement program costs and timing.
- Long-term infrastructure replacement needs, if available.
- Projected growth and new development.
- Financial, management, and rate policies and guidelines.
- Other relevant information.

The objectives of investigation and data collection are to develop a complete understanding of water enterprise, and to reach an agreement on basic assumptions to be used in the study.

### **3. Develop Forecasts and Projections**

Based on evaluation of the data assembled and input provided by staff and other members of the project team, prepare forecasts and projections to be used in the cash flow projections. Develop projections for the following areas (and others as appropriate):

**Cost Escalation Factors:** Review historical cost trends and work with project team to develop reasonable cost escalation factors for both operating and capital expenditures. Work with staff to estimate potential new operating costs, such as new O&M costs related to planned capital improvements, or costs for complying with future permit requirements.

**Water Sales Projections:** With District input, forecast water sales accounting for future conservation as appropriate. As needed, evaluate future finances under different levels of water sales projections.

**Water Supply Projections:** With District input, develop projections for future water supply by source and associated costs.

**Capital Improvement Funding:** Develop 10-year projection of capital funding needs with District input. Work with District to identify priorities and key capital program alternatives for evaluation. Consider phasing in funding for repairs and replacements over a number of years if warranted.

Review projections with District staff for agreements on assumptions, interpretation of data, and completeness of approach.

### **4. Evaluate Water Customer Classes and Usage Patterns**

Analyze water consumption records for residential, commercial, and industrial/institutional customers. Investigate the appropriateness of current customer classes and analyze available data on water usage.

### **5. Evaluate Financing Alternatives & Develop Financing Plan for Capital Needs**

Evaluate financing alternatives for the District's capital improvement needs, including long-term repairs and replacements. Develop a preliminary financing plan for funding the proposed projects and/or key alternatives. Assess funding needs replacements of major facilities and infrastructure. Evaluate potential financing alternatives and implications for each alternative. We typically try to balance pay-as-you-go financing with the prudent use of debt, if warranted.

### **6. Establish Prudent Minimum Fund Reserve Target**

Evaluate the adequacy of the District's current fund reserves. Establish prudent minimum fund reserve targets based on the District's operating and capital funding projections. The reserve targets will help the District avoid the need for future rate spikes due to short-term revenue or expense fluctuations. Prudent reserve levels can also help the District gradually phase in future rate adjustments if ever needed. Develop a phased implementation plan for achieving the recommended reserve fund levels to minimize the immediate impact on rates.

### **7. Develop 10-Year Cash Flow Projections & Evaluate Financing Alternatives**

Develop cash flow projections showing the financial position of the District over the next 10 years. The projections will incorporate the financing plan for the District's capital program and the forecasts and

projections developed in consultation with District staff. The projections will be used to determine annual revenue requirements and estimate service charge increases needed to recover operating and capital funding requirements and maintain an adequate level of fund reserves. The cash flows will also incorporate any debt projections and will calculate annual debt service coverage for outstanding debt to ensure compliance with legal bond covenants.

During this phase, BWA will work closely with the project team to develop cash flow projections and evaluate key financing alternatives and their impacts on rates. This is often an iterative process where the information derived from the cash flows is used to develop new or modified financing options. Additionally, there are often multiple rate adjustment scenarios that can meet the District's financing targets. BWA typically recommends that rate increases be phased in over time, when possible, to minimize the annual impact on ratepayers.

#### **8. Determine Long-Term Revenue Requirements**

Determine long-term District revenue requirements for the next 10 years. Revenue requirements include ongoing and future operation and maintenance costs, capital projects and infrastructure replacement costs, debt repayment and legal bond covenants, and the maintenance of minimum fund reserves.

#### **9. Conduct Rate & Fee Survey of Regional Water Agencies**

Review and summarize water rates and connection fees/capacity charges of other regional and comparable agencies. Compare water bills for different customer classes and/or customers with different consumption levels. Summarize results in easily understandable tables and/or charts.

#### **10. Evaluate Rate Structure Modifications**

Discuss rate structure modifications or options that may help the District achieve new objectives. The water rate alternatives may include evaluation of alternative rate tiers and/or other modifications. We will also evaluate the allocation of costs between fixed and variable charges and the capacity ratios used to determine the fixed meter charges for various meter sizes. Discuss the pros and cons of potential adjustments or modifications to the current rate structure. If any modifications are desired, develop a phased implementation plan for implementing the changes.

#### **11. Review Water Rate Charged to Other Regional Agencies**

Review the District's current interagency rates. Evaluate the cost of obtaining and providing water to other agencies. Discuss rate options that may be appropriate for the District's interagency rates and calculate new rates that fully recover the cost of service.

#### **12. Develop Water Rates Based on a Cost-of-Service Methodology**

Derive proposed future water rates based on a cost-of-service methodology that equitably apportions costs to the various components of the District's water rate structure. Clearly document how costs are distributed and how new rates are calculated to provide adequate administrative record demonstrating that rates reflect the cost of providing service. In doing so, BWA will incorporate input from the District and the District's legal counsel to ensure rate recommendations meet the substantive requirements of Proposition 218.

### **13. Calculate Rate Impacts on District Customers**

Calculate the rate impacts of various financing and rate structure alternatives to provide the project team with a sound understanding of the implications of their decisions on the District's customer base. Work with the project team to identify customer and usage profiles to use for calculating the rate impacts. Discuss additional rate adjustments that may reduce the impact on certain customers if warranted.

### **14. Review & Update the District's Water & Wastewater Capacity Charges**

Review the District's current water and wastewater capacity charges (Basic Facilities Fees). Evaluate alternative fee methodologies and recommend an approach for updating the District's water and wastewater capacity charges. Calculate new capacity charges designed to equitably recover the cost of water and wastewater system infrastructure required to serve growth.

Due to uncertainty regarding the District's future wastewater infrastructure needs and associated costs, the updated wastewater capacity charge will not negate a customer's future obligation to fund costs for additional facilities whose costs are not recovered by the proposed new wastewater capacity charge.

### **15. Develop Draft Rate & Fee Recommendations & Implementation Plan**

Based on the analysis of the District's cash flow projections and long-term revenue requirements, and analysis of potential rate structure modifications, develop draft recommendations for future water rates and fees. Our analysis may develop a few rate adjustment alternatives based on input from the project team. We generally prefer to phase in rate adjustments when feasible to minimize the annual impact on ratepayers to the extent possible. Considering input from staff, develop a plan for implementing any rate structure modifications and/or rate adjustments.

### **16. Meetings & Presentations**

Meet with the District and the District's Citizens Advisory Committee throughout the project to discuss findings, alternatives, and preliminary recommendations, and to gain ongoing input and feedback. Develop a PowerPoint presentation summarizing key findings and recommendations. Present recommendations and key alternatives to the Board of Directors and Citizens Advisory Committee for input. Revise recommendations as needed.

Our proposal assumes 6 meetings at the District which can include any combination of meetings and/or presentations with District staff, the Citizens Advisory Committee, Finance Committee, and the full Board of Directors. A schedule of meetings and presentations can be developed with District input, but potentially might include the following.

- 1) Kickoff Meeting (which could also serve as the first progress meeting). We could meet with staff in the afternoon and subsequently meet with the full Board of Directors and Citizens Advisory Committee to discuss initial findings and preliminary ideas, answer questions and obtain preliminary input.
- 2) Progress meeting with District staff to discuss findings and draft alternatives, and receive input to develop and hone recommendations. Potentially also meet with the District's Finance Committee to review findings and draft alternatives and receive input.

- 3) Progress meeting with District staff to review revised alternatives and draft recommendations, and receive input. Potentially also meet with the District's Finance Committee.
- 4) Presentation of draft recommendations and key alternatives to a joint meeting of the Citizens Advisory Committee and Board of Directors. Discuss pros and cons of alternatives and associated impacts, and obtain input and direction.
- 5) Presentation of revised recommendations to a joint meeting of the Citizens Advisory Committee and Board of Directors with the goal gaining additional input and ultimately obtaining approval of proposed rates to include in the Proposition 218 Notice.
- 6) Proposition 218 Public Hearing – Give a summary presentation of findings and recommendations and remain available to answer questions at Board Direction.

### **17. Public Education and Consensus-Building**

Rate and fee adjustments are often controversial. BWA has extensive experience developing clear presentations that facilitate public understanding of the need for rate increases. We understand the importance of building consensus and public acceptance for our recommendations and can assist the District an outreach strategy and informational materials. BWA will take the lead in presenting the rate recommendations at public meetings unless directed otherwise by the District.

### **18. Compliance with Proposition 218**

Prop. 218 establishes requirements for adopting or increasing property-related fees and charges. In July 2006, the California Supreme Court ruled that water rates are subject to Prop. 218 (Articles XIII C and XIII D of the state constitution). Prop. 218 requires that the District: 1) mail notification of proposed rate increases and the date, time, and place of public hearing to all affected property owners (and potentially ratepayers who are tenants that pay water bills), 2) hold a public hearing not less than 45 days after the notices are mailed, and 3) subject the rate increases to majority protest; if more than 50% of property owners submit written protests, the proposed rate increases cannot be adopted. Water and sewer rates are exempt from the voting requirements of Prop. 218 provided rates do not exceed the cost of providing service and meet the substantive rate requirements of Proposition 218.

BWA will assist the District with drafting the next Prop. 218 rate notice. BWA recommends the notice go beyond the minimum legal requirements and provide clear and concise explanation of the reasons for any rate adjustments. We have found that ratepayers are generally much more accepting of rate increases when they understand why they are being implemented.

Attend the Proposition 218 Public Hearing and give a summary presentation highlighting the rationale for final recommendations if appropriate. Be available to discuss findings and recommendations and answer questions as directed by the District Board. BWA recommends that the District establish a clear process for the public hearing so everything goes smoothly.

## Section 3: Availability & Fees

1. Bartle Wells Associates is prepared to begin work upon the District's authorization to proceed.
2. During the project development period, we will be available at all reasonable times and on reasonable notice for meetings and for consultation with District staff, attorneys, consulting engineers, and others as necessary.
3. Bartle Wells Associates will perform all work related to the assignment. Alex Handlers, a firm principal and vice president will be assigned as project leader on this assignment. He will serve as the lead contact person for BWA and will be involved with the project a day-to-day basis.
4. The fees for services outlined in this proposal will not exceed \$36,000 plus direct expenses estimated at \$2,400. *Project fees can be finalized based on consultation with the Joshua Basin Water District.*

The fee is based on the following assumptions:

- a. The project will be completed by a mutually agreeable date preferred by the District. BWA will work to meet all District scheduling requirements and deadlines.
  - b. All necessary information will be provided by the District and/or its other consultants in a timely manner.
  - c. Development of draft, final draft, and final versions of tables, presentations, and reports. Time and expenses involved in making additional revisions may constitute additional services if not achievable within the budget.
  - d. The fee is based on a total of up to 6 trips to the District for meetings and presentations.
5. Progress payments and direct expenses are payable monthly on a time and materials basis as the work proceeds as provided in our Billing Rate Schedule 2016, which will remain in effect for this project.
  6. In addition to the services provided under this proposal, the District may authorize Bartle Wells Associates to perform additional services for which the City will compensate us based on consultants' hourly rates at the time the work is performed, plus direct expenses. Additional services may include, but are not limited to:
    - Meetings or presentations in excess of six (6) scheduled meetings/presentations
    - Changes in project scope
    - Delays in project schedule
    - Any other services not specified
  7. Bartle Wells Associates will maintain in force, during the full term of the assignment, insurance as provided in the Certificate of Insurance attached.
  8. If the project is terminated for any reason, Bartle Wells Associates is to be reimbursed for professional services and direct expenses incurred up to the time notification of such termination is received.
  9. This proposal may be withdrawn or amended if not accepted within 120 days of its date.

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**BARTLE WELLS ASSOCIATES**  
**BILLING RATE SCHEDULE 2016**

Rates Effective 1/1/2016

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**Professional Services**

Financial Analyst I.....	\$105 per hour
Financial Analyst II .....	\$125 per hour
Financial Analyst III.....	\$145 per hour
Senior Financial Analyst.....	\$175 per hour
Senior Consultant .....	\$205 per hour
Principal Consultant.....	\$245 per hour

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The professional time rates include all overhead and indirect costs. Bartle Wells Associates does not charge for administrative support services and internal computer time. Expert witness, legal testimony, or other special limited assignment will be billed at one and one-half times the consultant's hourly rate.

The above rates will be in effect through December 31, 2016 at which time they will be subject to change.

**Direct Expenses**

Subconsultants will be billed at cost plus ten percent. Word processing and computer-assisted services related to official statement production are charged as direct expenses at \$60 per hour. Other reimbursable direct expenses incurred on behalf of the agency will be billed at cost plus ten percent. These reimbursable costs include, but are not limited to:

- Travel, meals, lodging
- Long distance telephone and fax
- Printing and report binding
- Special statistical analysis
- Outside computer services
- Bond ratings
- Automobile mileage
- Messenger services and mailing costs
- Photocopying
- Graphic design and photography
- Special legal services
- Legal advertisements

**Insurance**

Bartle Wells Associates maintains insurance in the amounts and coverage as provided in the attached schedule of insurance. Additional or special insurance, licensing, or permit requirements beyond what is shown on the schedule of insurance are billed in addition to the contract amount.

**Payment**

Fees will be billed monthly for the preceding month, and will be payable within 30 days of the date of the invoice. A late charge of 1.0 percent per month may be applied to balances unpaid after 60 days.

## SCHEDULE OF INSURANCE

Insured: **BARTLE WELLS ASSOCIATES**

*Bartle Wells Associates will maintain in force, during the full term of the assignment, insurance in the amounts and coverage as provided in this schedule. If additional insurance is required, and the insurer increases the premium as a result, then the amount of the increase will be added to the contract price.*

TYPE OF INSURANCE	COMPANY POLICY NUMBER	COVERAGES AND LIMITS	EXP. DATE
Commercial General Liability	Hartford Insurance Company Policy #35-SBA PA6857	<ul style="list-style-type: none"> <li>▪ \$2,000,000 General Aggregate</li> <li>▪ \$2,000,000 Products Comp/Op Aggregate</li> <li>▪ \$2,000,000 Personal &amp; Advertising Injury</li> <li>▪ \$1,000,000 Each Occurrence</li> </ul>	6/1/17
Excess/Umbrella Liability	Hartford Insurance Company Policy #35-SBA PA6857	<ul style="list-style-type: none"> <li>▪ \$1,000,000 Aggregate</li> <li>▪ \$1,000,000 Each Occurrence</li> </ul>	6/1/17
Automobile Liability	Hartford Insurance Company Policy #35-UEC VU2842	<ul style="list-style-type: none"> <li>▪ \$1,000,000 Combined Single Limit</li> </ul>	6/1/17
Workers Compensation & Employers' Liability	Hartford Underwriters Insurance Company Policy #35-WEC FG7858	<p>Workers' Compensation: Statutory Limits for the State of California. Employers' Liability:</p> <ul style="list-style-type: none"> <li>▪ Bodily Injury by Accident - \$1,000,000 each accident</li> <li>▪ Bodily Injury by Disease - \$1,000,000 each employee</li> <li>▪ Bodily Injury by Disease - \$1,000,000 policy limit</li> </ul>	6/1/17
Professional Liability	Chubb & Son, Inc. BINDO94045	<p>Solely in the performance of services as municipal financing consultants for others for a fee.</p> <p>Limit: \$2,000,000 Per Occurrence &amp; Aggregate (including defense costs, charges, and expenses)</p>	6/1/17



# JOSHUA BASIN WATER DISTRICT STAFF REPORT

Meeting: Board of Directors

December 14, 2016

Report to: President and Members of the Board

Prepared by: Curt Sauer

TOPIC: Will Serve Letter for County Crisis Residential Treatment Facility

RECOMMENDATION: That the Board authorize the General Manager to issue a Will Serve Letter to the County of San Bernardino, for the proposed Treatment Facility

## ANALYSIS:

The County has requested a Will Serve letter for this project, which they need for County approval of the facility. The project will construct a 10,940 square foot Crisis Residential Treatment Facility on approximately 2 acres in the unincorporated portion of San Bernardino County, presently planned to be located south of Highway 62 between Torres Avenue and Sunny Vista Road.

Article 3.3, District Determination of Feasibility, states:

“Water and or waste water service to any housing development of ten (10) units or more must be pre-approved by the District Board of Directors before a water of waste water service letter will be issued. The Board will provide final review and acceptance of all feasibility studies.”

In my opinion, this is not a housing development of 10 or more “units”. But I want to advise you of this articles presence.

The estimated amount of water use annually is approximately 2 acre-feet of water.

Mike Metts and I met with the County on November 1, 2016 and requested they submit plans to Dudek for engineering review. Those plans were finally received on November 16 and 21. The request from the County was received on Thursday December 1<sup>st</sup>.

The Urban Water Management Plan clearly indicates there is sufficient water in the aquifer to support this project. It is the General Managers recommendation that a will serve letter be issued.

However, to ensure that the Board and community is informed I also want to advise that there are at least two other aspects of this project that may be required. Dudek has not finished review of the plans, so there may be other requirements.

The first is the possibility that this facility may require a waste water treatment facility. Dudek is performing the analysis of equivalent dwelling units, which we hope to have completed by December 14 board meeting. Initial review indicates this facility may be right on the border of requiring a treatment plant.

The second item is that the mainline, which runs from Sunny Vista to Torres Avenue is a 4-inch line. There is also an abandoned 4-inch line in the “alley” just south of the parcels It appears likely the County will be required to upgrade this line to a 12-inch line.

These and other items which may arise would need to be covered in the Will Serve letter, just as we have with other development projects of this scale.

FISCAL IMPACT: None, the County will pay all costs associated with the project. They have already submitted a \$10,000 deposit for plan review and staff expenses.

# JOSHUA BASIN WATER DISTRICT STAFF REPORT

Meeting: Board of Directors

December 14, 2016

Report to: President and Members of the Board

Prepared by: Curt Sauer

TOPIC: Adjustments to Human Resources/Contract Administrator and Executive Assistant Job Descriptions and salary ranges.

RECOMMENDATION: That the Board authorize changes to the job descriptions and salary ranges for these two positions

This is a draft staff report. I am still completing an analysis of past salary ranges and will update this proposal as needed prior to the Board meeting.

ANALYSIS: On January 20, 2016 the Board authorized the job descriptions and salary ranges for these two position. At that time, I had recommended that the positions be non-exempt. After reviewing the positions with AGM Greer and H R Johnson, it is now clear to me that the reasons I used for this rating were incorrect. Please see attached memo. I recommend that the positions be changed to Exempt.

Because these positions are being placed in the exempt category, the positions lose the right to overtime compensation. And I can assign work on an as needed basis with no additional compensation.

Additionally, since these positions are being required to perform at a higher level of complexity and the degree of unsupervised actions and independent decision making has increased, I believe an adjustment to the salaries is also required. When I initially requested approval I informed the Board that we had adjusted the salaries downward for both positons. The HR salary range (old \$63,693 – \$82,809) position was cut by \$17,000 or 21 percent. The Executive Assistant salary range (old \$68,373 - \$97,691) positon was cut \$33,000 or 34 percent. I believe these reductions in salary were too severe.

Based on a review of the Koff Compensation study, and looking at comparisons for 29 Palms, Hi Desert and Mission Springs (used in the Koff study), and in an effort to keep our salaries comparable, I recommend the following adjustments:

- 1) Return the HR/Contracting position to the original range (\$63,693 to \$82,809).
- 2) Adjust the Executive Assistant salary range from (\$48,886 - \$64,143) to (\$61,052 - \$80,106).

This is still an annual reduction in salary expense, at top of range, of \$17,000 for the two positions.

FISCAL IMPACT:

Executive Assistant				
District	Position		Annual Range From	Annual Range To
JBWD	Executive Assistant	Former Range	\$68,373	\$97,691
		Current Range	\$48,886	\$64,143
HI Desert	Board Secretary/Public Information Associate		\$57,470	\$75,421
29 Palms	District Secretary		\$51,521	\$61,568
Mission Springs	Executive Assistant		\$67,371	\$85,968
Coachella Valley	Executive Assistant to the GM		\$69,597	\$95,944

HR				
District	Position		Annual Range From	Annual Range To
JBWD	Human Resources/Contract Administrator	Former Range	\$63,693	\$82,809
		Current Range	\$50,108	\$65,747
HI Desert	HR Manager		\$70,098	\$91,975
29 Palms	NO COMPARABLES		N/A	N/A
Mission Springs	HR Coordinator		\$54,388	\$69,432
Mission Springs	HR Officer		\$76,462	\$97,586
Coachella Valley	HR Senior Specialist		\$68,092	\$93,768