PO Box 675 • 61750 Chollita Road • Joshua Tree CA 92252
Phone (760) 366-8438 • Fax (760) 366-9528 • www.jbwd.com
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JOSHUA BASIN WATER DISTRICT
REGULAR MEETING OF THE BOARD OF DIRECTORS
WEDNESDAY DECEMBER 16, 2015 7:00 PM
61750 CHOLLITA ROAD, JOSHUA TREE, CALIFORNIA 92252
AGENDA

1. CALL TO ORDER

2. PLEDGE OF ALLEGIANCE

3. DETERMINATION OF A QUORUM

4. APPROVAL OF AGENDA

5. PUBLIC COMMENT
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.

Pgs. 1-5 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 18, 2015 Regular Meeting of the Board of Directors.

Pgs. 6-60 7. 14/15 AUDIT PRESENTATION FROM FEDAK & BROWN, CPA'S
Recommend that the Board receive presentation, ask questions, accept and file.

Pgs. 61-62 8. EMPLOYEE COMPENSATION STUDY
Recommend that the Board accept and file the Compensation Study as presented.

Pg. 63 9. NEXTERA SOLAR PROJECT
Recommend that the Board receive information and direct General Manager on action to be taken.

Pgs. 64-70 10. WELL 14 REHABILITATION
Recommend that the Board receive report for information only.

Pgs. 71-72 11. ELECTION OF BOARD OFFICERS – PRESIDENT AND VICE PRESIDENT
Recommend that the Board elect President and vice President for calendar year 2016.

12. STANDING COMMITTEE REPORTS:
  A. LEGISLATIVE AND PUBLIC INFORMATION COMMITTEE: Vice President Luckman and Director Unger: Kathleen Radnich, Public Outreach Consultant to report. Next meeting is scheduled for <u>January 6, 2015</u>.
  B. FINANCE COMMITTEE: President Fuller and Director Johnson. Next meeting is scheduled for <u>December 28, 2015</u>.
  C. WATER RESOURCES & OPERATIONS COMMITTEE: Vice President Luckman and Director Johnson. Next Meeting is scheduled for <u>December 29, 2015</u>.

13. DISTRICT GENERAL COUNSEL REPORT

14. GENERAL MANAGER REPORT

15. CLOSED SESSION – CONFERENCE WITH DISTRICT'S REAL PROPERTY NEGOTIATOR:

At this time, the Board will go into Closed Session pursuant to Government Code Section 54956.8 to consult with the District's designated Negotiator (Curt Sauer, General Manager) regarding the terms and conditions concerning the potential acquisition of the following real properties:
Assessor Parcel Number 06070410600000 tract 5452 lot 23 el reposa rancho – map 68 page 79 and 80 – (Steven S. Feary, Owner)
Assessor Parcel Number 0603231140000, Assessor's Map Book 0603 Page 23, Tract 2786 (Barbara Moreland Trust), owner).

16. FUTURE DIRECTOR MEETINGS AND TRAINING OPPORTUNITIES
Mojave Water Agency BOD Meeting:

17. INDIVIDUAL DIRECTOR REPORTS ON MEETINGS ATTENDED

18. DIRECTORS COMMENTS/FUTURE AGENDA ITEMS

19. ADJOURNMENT

<u>INFORMATION</u>

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.

<u>This meeting is scheduled to be broadcast on Time Warner Cable Channel 10 on December 23 at 7:00 pm and December 30 at 7:00 pm .</u>

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

November 18, 2015

1. CALL TO ORDER: 7:00 PM

2. PLEDGE OF ALLEGIANCE

3. DETERMINATION OF QUORUM:

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

STAFF PRESENT:
Curt Sauer, General Manager
Susan Greer, Assistant General Manager/Controller
Seth Zielke, Director of Water Resources and Operations
Keith Faul, GIS Coordinator

CONSULTANTS PRESENT:
Kathleen Radnich, Public Outreach Consultant
Gil Granito, District Counsel, Redwine & Sherrill

GUESTS 28

4. APPROVAL OF AGENDA

MSC Luckman/Reynolds, 5/0 to approve the agenda for the November 18, 2015 meeting.

Fuller	Aye
Luckman	Aye
Johnson	Aye
Reynolds	Aye
Unger	Aye

5. PUBLIC COMMENT
Al Marquez, Sunfair area, Joshua Tree: Mr. Marquez stated that his calculations for evaporation from a public comment he made during a previous JBWD board meeting were not correct. Mr. Marquez stated Board members should consider the Joshua Tree Community Plan in addition to the General Plan and Water Management Plan when making decisions.

6. CONSENT CALENDAR

MSC Luckman/Johnson, 5/0 to approve Draft Minutes of the November 4, 2015 Regular Meeting of the Board of Directors.

Fuller	Aye
Luckman	Aye

Johnson	Aye
Reynolds	Aye
Unger	Aye

7. PUBLIC HEARING TO CONSIDER ADOPTION OF A BASIC MONTHLY FEE ON INACTIVE ACCOUNTS

GM Sauer gave the presentation describing the process of adopting a basic monthly fee on inactive accounts and a potential opt out option that is being designed for inactive accountholders who do not wish to maintain a water meter or pay the basic monthly fee.

Public Comment:
Karen Tracy, Citizens Advisory Committee member, and Joshua Tree resident: The Citizens Advisory Committee supports the basic monthly fee for inactive accounts.

Shirley Vickers, Joshua Tree: Ms. Vickers discussed her property taxes, noting how large of a portin of the taxes are water related. Ms. Vickers opposes the inactive meter fee.

Richard Locicero, Copper Mountain home owner, out of town resident: Mr. Locicero disputed the figures listed on the notice of potential money coming into the District as a result of inactive meter fees. Mr. Locicero opposes the inactive meter fee.

Kathryn Davis, Copper Mountain College area: Ms. Davis stated that she opposes the inactive meter fee. Ms. Davis stated she paid a one-time fee in 2005, and there are no service connections.

Bob Crawford Aberdeen area, Joshua Tree: Mr. Crawford opposes inactive meter fees.

Cookie Bells Burrow, Joshua Tree home owner, out of town resident: Ms. Bells Burrow opposes the full basic monthly fee for inactive accounts, and suggests the Board consider a smaller fee for inactive accounts.

Deborah Rucker, Monument area, Joshua Tree: Ms. Rucker has 3 parcels and is opposed to inactive meter fees.

Al Marquez, Joshua Tree resident: Mr. Marquez opposes inactive account fees. Mr. Marquez also stated that he does not believe the Citizens Advisory Committee represents ratepayers.

Kenny Pitcher, Joshua Tree resident: Mr. Pitcher opposes the inactive meter fee.

Jeffrey Wells, out of town resident: Mr. Wells stated he purchased property as an investment, that there is no meter in the box on his property, and suggests a smaller fee for inactive meters.

Zubir Edmond (Zak), Joshua Tree property owner, out of town resident: Mr. Edmond states he purchased property as an investment, and does not believe the basic monthly fee for inactive accounts to be affordable. Mr. Edmond opposes the inactive account fee.

David Holly Sunfair area, Joshua Tree: Mr. Holly states the basic monthly fee for inactive accounts is not affordable; Mr. Holly opposes the inactive account fee.

Luke Sabala, Citizens Advisory Committee member, and Joshua Tree resident: Mr. Sabala states the fees are needed by the District because of increased costs for things such as the aquifer, the need to buy water, and to pay into an aging infrastructure. Mr. Sabala states we should consider the future.

Shari Long, Citizens Advisory Committee member, and Joshua Tree resident: Ms. Long states there should be consideration for the costs of recharge water, the Chromium 6 issue, that costs are going up, and all people who have the benefit of meters need to chip in.

Bob Crawford, Joshua Tree: Mr. Crawford commented that he believes there should be an increase in fees for users of water, not for those who are not using water.

Cookie Bells Burrow, Joshua Tree homeowner, out of town resident: Ms. Burrow suggested building water towers to store water.

Richard Fountain, past JBWD Board Director, and Joshua Tree resident: Mr. Fountain suggested a fee of 50% of the basic monthly fee, as was done in previous years. Mr. Fountain suggested that if a person is paying the full rate for a meter that they put it in the ground.

Kenny Pitcher, Joshua Tree resident: Mr. Pitcher questioned the difference between a prepaid meter and no meter, since both are paying standby fees.

General Manager, Curt Sauer stated that he read all protest letters received by 4:45 this afternoon. GM Sauer clarified that every property owner pays a standby fee – and the amount of standby fees for active or inactive meters is lower than the standby fees for properties without a meter. GM Sauer invited anyone with questions to contact him to discuss further after the meeting.

Director Unger pointed out the transparency of the JBWD with meetings, described the District tours as an opportunity to learn about the District and what is required for water service. Director Unger pointed out that a property is of a higher value with a meter than without a meter.

Director Johnson stated the funds from inactive meter fees are a means necessary to fund the numerous expenditures the JBWD is facing.

Director Fuller stated that regarding equity and fairness – everyone should share in the responsibility of maintaining our infrastructure.

Director Reynolds stated he believes charging for inactive accounts to be an unethical attempt to increase revenue. Director Reynolds would support charging future inactive accounts, but not current inactive accounts.

Director Luckman stated policies of the District need to be followed as they are in place. Luckman described some of the costs to running the District, including the rising costs of electricity. Director Luckman said she supports fees for inactive accounts and has from the beginning. Director Luckman pointed out that according to the current District rules and regulations that a meter cannot be purchased and not installed, thus, there are not future inactive accounts.

MSC Luckman/Fuller, 4/1 to adopt Resolution 15-952

Fuller	Aye
Luckman	Aye
Johnson	Aye
Reynolds	No
Unger	Aye

8. HOLIDAY OFFICE SCHEDULE
Susan Greer, Assistant General Manager/Controller gave the report.

Public Comment:
None.

MSC Unger/Luckman, 5/0 to authorize the District office to close on Christmas Eve, Thursday December 24, and on New Year's Eve, Thursday, December 31, and offer employees one half day off with pay (4 hours) either on Christmas Eve or New Year's Eve as has been the tradition for many years.

Fuller	Aye
Luckman	Aye
Johnson	Aye
Reynolds	Aye
Unger	Aye

9. STANDING COMMITTEE REPORTS

A. LEGISLATIVE AND PUBLIC INFORMATION COMMITTEE: Vice President Luckman and Director Unger: Kathleen Radnich, Public Outreach Consultant, gave the report. JBWD will be at the Farmers Market on Saturdays in November and off from the Farmers Market in December, January, and February. The Fall Native Plant Sale on November 14th at the Mojave Desert Land Trust was a success. JBWD will have a booth at the holiday market on November 27 – 29. Next meeting is scheduled for January 6, 2016.
B. FINANCE COMMITTEE: President Fuller and Director Johnson: Discussion of finance planning with regards to financing Chromium VI, and possible inactive meter revenue. Next meeting is scheduled for November 30th.
C. WATER RESOURCES & OPERATIONS COMMITTEE: Vice President Luckman and Director Johnson: Seth Zielke gave the same presentation at the committee meeting as in Item 8 today. Next meeting is scheduled for November 24th.

10. DISTRICT COUNSEL REPORT
Counselor Granito reported on SB 555 effective January 1, 2016, which requires each urban water supplier to submit a water loss audit annually beginning October 1, 2017 to the Department of Water Resources.

11. GENERAL MANAGER REPORT
General Manager Curt Sauer shared an update about Nextera. GM Sauer met with Nextera representatives on November 12, as they are considering ways to obtain water for their solar project. Nextera is considering buying water outside the JBWD and trucking it in, and/or buying soil stabilizer that will reduce their water requirements by 66%, as well as pursuing a state exemption from the emergency conservation regulations from SWRCB office of enforcement.

Nextera has contacted private well owners in an attempt to purchase water, and has also looked into digging a new well through the County.

Seth Zielke, Director of Water Resources and Operations, reported on the groundwater recharge project – 684 acre feet of water from the State Water project has been received.

12. FUTURE DIRECTOR MEETINGS AND TRAINING OPPORTUNITIES
Mojave Water Agency BOD Meeting: December 10th : Mickey Luckman
Mojave Water Agency BOD Meeting: November 19th: Victoria Fuller
Colorado Regional Board Meeting November 19th: Mickey Luckman
ACWA 2015 Fall Conference: December 1-4

13. INDIVIDUAL DIRECTOR REPORTS ON MEETINGS ATTENDED
Victoria Fuller and Mickey Luckman reported on a webinar regarding 218 and the ACWA bill to make tiered rates legal and Lifeline water rates.
Mike Reynolds and Mickey Luckman reported on the ASBCSD meeting hosted by MWA.
Mickey Luckman attended a Groundwater Management Act teleconference with Department of Water Resources discussing what it takes to form a groundwater management agency, and about the Groundwater Management Act.

14. DIRECTORS COMMENTS/FUTURE AGENDA ITEMS
All directors expressed appreciation to the public for their participation.

15. ADJOURNMENT

MSC Fuller/Reynolds, 5/0 to adjourn the Regular Meeting of the Board of Directors of November 18, 2015 at 9:15 PM.

Fuller	Aye
Luckman	Aye
Johnson	Aye
Reynolds	Aye
Unger	Aye

Respectfully submitted:

____
Curt Sauer, General Manager and Board Secretary

JOSHUA BASIN WATER DISTRICT
MEETING AGENDA REPORT

Meeting of the Board of Directors December 16, 2015

Report to: President and Members of the Board

Prepared by: Susan Greer

TOPIC:
14/15 AUDIT PRESENTATION FROM FEDAK & BROWN, CPA'S

RECOMMENDATION:
RECEIVE PRESENTATION, ASK QUESTIONS, ACCEPT AND FILE

ANALYSIS:
Our Auditor Chris Brown will attend the meeting and present the draft financial report for the fiscal year ending 6/30/15. He also attended the recent Finance Committee Meeting where the draft report was presented.

The Audit provides me an opportunity to acknowledge the efforts and results of our staff that process tens of thousands of transactions each year. Except for the brand new GASB 68 implementation, no other adjusting entries were required, meaning that no mistakes were found in all of those transactions. The District is fortunate to have competent and experienced Finance and Customer Service staff that pays attention to the details, and this audit is a reflection of their hard work. Compliments especially to Anne Roman who takes the lead on the audit work and rolls with the punches, whether it requires learning something entirely new such as the GASB 68 implementation, or working long hours to get the work done within the time constraints.

STRATEGIC PLAN ITEM:
N/A

FISCAL IMPACT:
N/A

OTHER IMPACTS:
N/A

Joshua Basin Water District

Annual Financial Report

For the Fiscal Year Ended June 30, 2015

Joshua Basin Water District

Board of Directors as of June 30, 2015

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

Joshua Basin Water District

Annual Financial Report

For the Fiscal Year Ended June 30, 2015

Joshua Basin Water District
Annual Financial Report
For the Fiscal Year Ended June 30, 2015

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Financial Section

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, 2015, and the related statement of revenues, expenses and changes in net position for the year 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 opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the 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 opinion.

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, 2015, and the respective changes in net position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of matter

As described in Note 1.C to the basic financial statements, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, and 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 opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the District's June 30, 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 31, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 6 and the required supplementary information on pages 32 to 33 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 30, 2015, 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 34 and 35.

Fedak & Brown LLP
Cypress, California
November 30, 2015

Joshua Basin Water District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
With Comparative Amounts as of June 30, 2014

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 year ended June 30, 2015 (with comparative information for fiscal year ended June 30, 2014). 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 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.
- In 2015, the District's total revenues increased 4.13%, or $207,163 to $5,224,616, primarily due to an increase in water consumption sales of $97,731 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 $29,387 decrease in other revenues consisting of property taxes, special assessment and investment earnings.
- In 2015, the District's total expenses increased by 6.35% or 316,992 to $5,309,451, primarily due to a $98,331 increase in water fund expenses, a $90,165 increase in depreciation and a $128,496 increase in District expenses related to the HDMC project. Please see note 10 for a detailed discussion.

Using This Financial Report

This annual report consists of a series of financial statements. The Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position and Statement 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 Statement 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 Statement 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 Statement of Cash Flows, which provides information about the District's cash receipts and cash payments during the reporting period. The Statement 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 Statement of Net Position and the Statement 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.

Financial Analysis of the District, continued

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.

Notes to the Basic Financial Statements

The notes 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 12 through 31.

Statement of Net Position

Condensed Statements of Net Position

		2015	2014	Change
Assets:				
Current assets	$	9,535,632	9,335,648	199,984
Non-current assets		895,325	969,935	(74,610)
Capital assets, net		31,214,205	31,378,673	(164,468)
Total assets		41,645,162	41,684,256	(39,094)
Deferred outflows of resources		147,279	-	147,279
Liabilities:				
Current liabilities		664,184	1,336,411	(672,227)
Non-current liabilities		3,566,162	3,369,414	196,748
Total liabilities		4,230,346	4,705,825	(475,479)
Deferred inflows of resources		104,330	-	104,330
Net position:				
Net investment in capital assets		27,937,205	28,008,673	(71,468)
Unrestricted		9,520,560	8,969,758	550,802
Total net position	$	37,457,765	36,978,431	479,334

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 $37,457,765 as of June 30, 2015. Compared to prior year, net position of the District increased 1.3% or $479,334. 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 (75.74% as of June 30, 2015) 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 2015, the District showed a positive balance in its unrestricted net position of $9,520,560, which may be utilized in future years. See note 14 for further information.

Statement of Revenues, Expenses and Changes in Net Position

Condensed Statements of Revenues, Expenses and Changes in Net Position

		2015	2014	Change
Revenue:				
Operating revenue	$	4,471,015	4,234,465	236,550
Non-operating revenue		753,601	782,988	(29,387)
Total revenue		5,224,616	5,017,453	207,163
Expense:				
Operating expense		3,466,368	3,368,037	98,331
Depreciation		1,255,109	1,164,944	90,165
Non-operating expense		587,974	459,478	128,496
Total expense		5,309,451	4,992,459	316,992
Net income (loss) before capital contributions		(84,835)	24,994	(109,829)
Capital contributions		920,076	3,371,819	(2,451,743)
Change in net position		835,241	3,396,813	(2,561,572)
Net position, beginning of period, as previously stated		36,978,431	33,581,618	3,396,813
Prior period adjustment (note 5)		(355,907)	-	(355,907)
Net position, beginning of period, as restated		36,622,524	33,581,618	3,040,906
Net position, end of period	$	37,457,765	36,978,431	479,334

Net position increased by 1.3% or $479,334 to $37,457,765, which 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 4.13%, or $207,163 to $5,224,616, primarily due to an increase in water consumption sales of $97,731 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 $29,387 decrease in other revenues consisting of property taxes, special assessment and investment earnings.

Total expenses increased by 6.35% or 316,992 to $5,309,451, primarily due to a $98,331 increase in water fund expenses, a $90,165 increase in depreciation and a $128,496 increase in District expenses related to the HDMC project. Please see note 10 for a detailed discussion.

Capital Asset Administration

Changes in capital asset amounts for 2015 were as follows:

	Balance 2014	Additions	Transfers/ Deletions	Balance 2015
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	(22,455,039)	(1,255,109)	-	(23,710,148)
Total capital assets, net	$ 31,378,673	3,891,474	(4,055,942)	31,214,205

At the end of fiscal year 2015, the District's investment in capital assets amounted to $31,214,205 (net of accumulated depreciation). This investment in capital assets includes land, transmission and distribution systems, buildings, equipment, vehicles and construction-in-process. The capital assets of the District are more fully analyzed in Note 7 to the basic financial statements.

Debt Administration

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

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

The debt agreement of the District is fully analyzed in Note 11 to the basic financial statements.

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.

Basic Financial Statements

Joshua Basin Water District
Statement of Net Position
June 30, 2015

		2015
Current assets:		
Cash and cash equivalents (note 2)	$	6,264,166
Accrued interest receivable		6,557
Accounts receivable – water sales and services, net (note 3)		1,011,198
Property taxes receivable		28,241
Special assessments receivable		90,518
Grants receivable		1,922,013
Accounts receivable – other		43,203
Materials and supplies inventory		99,180
Prepaid expenses and other deposits		70,556
Total current assets		9,535,632
Non-current assets:		
Note receivable – Hi-Desert Medical Center (note 4)		895,325
Capital assets – not being depreciated (note 7)		995,832
Capital assets, net – being depreciated (note 7)		30,218,373
Total non-current assets		32,109,530
Total assets		41,645,162
Deferred outflows of resources:		
Deferred pension outflows (note 6 and 12)		147,279
Total deferred outflows of resources	$	147,279

Continued on next page

See accompanying notes to the basic financial statements

Joshua Basin Water District
Statement of Net Position
June 30, 2015

Current liabilities:		
Accounts payable and accrued expenses	$	174,485
Accrued wages and related payables		83,864
Customer deposits and unearned revenue		225,760
Accrued interest payable		49,155
Long-term liabilities – due within one year:		
Compensated absences (note 8)		32,920
Bonds payable (note 11)		98,000
Total current liabilities		664,184
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (note 8)		98,759
Bonds payable (note 11)		3,179,000
Net pension liability (note 12)		288,403
Total non-current liabilities		3,566,162
Total liabilities		4,230,346
Deferred inflows of resources:		
Deferred pension inflows (note 12)		104,330
Total deferred inflows of resources		104,330
Net position:		
Net investment in capital assets (note 13)		27,937,205
Unrestricted (note 14)		9,520,560
Total net position	$	37,457,765

See accompanying notes to the basic financial statements

Joshua Basin Water District
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2015

		2015
Operating revenues:		
Water consumption sales	$	1,544,760
Water service charges		1,387,143
Standby service charges		1,210,582
HDMC operations revenue		204,301
Other charges for services		124,229
Total operating revenues		4,471,015
Operating expenses:		
Pumping, production and treatment		936,333
Transmission and distribution		763,025
Customer service		321,773
General and administrative		1,445,237
Total operating expenses		3,466,368
Operating income before depreciation expense		1,004,647
Depreciation expense		(1,255,109)
Operating loss		(250,462)
Non-operating revenue (expense):		
Property taxes		364,437
Special assessments for debt service		373,472
Investment earnings		15,692
Morongo Basin pipeline (note 15)		(219,578)
Interest expense		(146,802)
Debt administration charges		(11,172)
Property tax administration charge		(622)
HDMC project – District expense (note 10)		(206,785)
Other non-operating expenses, net		(3,015)
Total non-operating revenue, net		165,627
Net loss before capital contributions		(84,835)
Capital contributions:		
Water capacity charges		18,957
State capital grant		891,969
Local capital grant – MWA for recharge project		9,150
Total capital contributions		920,076
Change in net position		835,241
Net position, beginning of period, as restated (note 5)		36,622,524
Net position, end of period	$	37,457,765

See accompanying notes to the basic financial statements

Joshua Basin Water District
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2015

		2015
Cash flows from operating activities:		
Cash receipts from customers for water sales and services	$	4,498,876
Cash paid to employees for salaries and wages		(1,443,432)
Cash paid to vendors and suppliers for materials and services		(2,958,642)
Net cash provided by operating activities		96,802
Cash flows from non-capital financing activities:		
Property taxes		387,575
Net cash provided by non-capital financing activities		387,575
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets		(1,090,641)
HDMC project expense		(206,785)
Capital contributions		2,279,038
Payments received for note receivable		74,610
Change in construction and retentions payable		(82,328)
Special assessments for debt service		391,001
Principle paid on debt		(93,000)
Interest paid on debt		(149,532)
Net cash provided by capital and related financing activities		1,122,363
Cash flows from investing activities:		
Investment earnings		14,311
Net cash provided by investing activities		14,311
Net increase in cash and cash equivalents		1,621,051
Cash and cash equivalents, beginning of year		4,643,115
Cash and cash equivalents, end of year	$	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 Year Ended June 30, 2015

Reconciliation of operating loss to net cash provided by operating activities:

Cash and cash equivalents, end of year		**2015**
Operating loss	$	(250,462)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation		1,255,109
Morongo Basin pipeline		(219,578)
Debt administration charges		(11,172)
Property tax administration charge		(622)
Other non-operating expenses, net		(3,015)
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:		
(Increase) decrease in assets:		
Accounts receivable – water sales and services, net		21,659
Accounts receivable – other		9,217
Materials and supplies inventory		(4,905)
Prepaid expenses and other deposits		(3,152)
(Increase) in deferred outflows		(109,123)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses		(647,404)
Accrued wages and related payables		8,732
Customer deposits and unearned revenue		44,388
Compensated absences		8,460
Net pension liability		(105,659)
Increase in deferred inflows		104,330
Total adjustments		347,265
Net cash provided by operating activities	$	96,803

See accompanying notes to the basic financial statements

Joshua Basin Water District
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 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.

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. 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. Standards applicable to governmental entities that use proprietary fund include:

Government Accounting Standards Board Statement No. 68

For the fiscal year ended June 30, 2015, the District implemented Government Accounting Standards Board Statement No. 68 (GASB 68), *Accounting and Financial Reporting for Pensions*. The requirements of this statement are effective for the financial statement periods beginning after June 15, 2014.

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

C. Financial Reporting, continued

Government Accounting Standards Board Statement No. 68, continued

GASB 68 improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision – useful information, supporting assessments of accountability and inter-period equity and creating additional transparency.

GASB 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers,* as well as the requirements of Statement No. 50, *Pension Disclosures,* as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement.

Government Accounting Standards Board Statement No. 71

For the fiscal year ended June 30, 2015, the District implemented Government Accounting Standards Board Statement No. 71 (GASB 71), *Pension Transition for Contributions made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68.* The requirements of this statement are effective for the financial statement periods beginning after June 15, 2014. The provisions of this Statement are applied simultaneously with the provisions of GASB Statement No. 68.

GASB 71 improves accounting and financial reporting by addressing the issue in GASB 68 concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation by employers and non-employer contributing entities. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

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

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. 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.

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

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

5. 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

6. 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 weighted-average method. Inventory items are charged to expense at the time that individual items are withdrawn from inventory or consumed.

7. 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.

8. 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

9. Deferred Outflows of Resources

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

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

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

10. 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.

11. Deferred Inflows of Resources

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

12. 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, 2013
- Measurement Date: June 30, 2014
- Measurement Period: July 1, 2013 to June 30, 2014

13. 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.

14. Water Sales and Services

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

15. 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.

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

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

16. 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

Authorized Deposits and Investments

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.

Cash and investments as of June 30, consist of the following:

		2015
Cash on hand	$	2,100
Deposits held with financial institutions		235,338
Deposits held with California Local Agency Investment Fund		6,026,728
Total cash and investments	$	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.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio	Maximum Investment in One Issuer
State and Local Agency Bonds	5 years	100%	None
U.S. Agency Obligations	5 years	None	None
State Obligations - CA and Others	5 years	None	None
CA Local Agency Obligations	5 years	None	None
Commercial Paper	270 days	40%	10%
Non-negotiable Certificates of Deposit	5 years	None	None
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase agreements	1 year	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

(2) Cash and Cash Equivalents, continued

Local Agency Investment Fund

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code Section 16429 under the oversight of the Treasurer of the State of California. 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.

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 California Government Code and the District's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, 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. Of the District's bank balances, up to $250,000 held at each institution were 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.

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. The Code and the District's investment policy contains legal and policy requirements that would limit the exposure to custodial credit risk for investments. 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.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates.

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.

Concentration of Credit Risk

The District's investment policy does not contain various limitations on the amounts that can be invested in any one issuer as beyond as stipulated by the California Government Code. The District's deposit portfolio with governmental agencies such as the Local Agency Investment Fund (LAIF) was 96% of the District's total depository and investment portfolio as of June 30, 2015.

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

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

		2015
Accounts receivable – water sales	$	294,666
Unbilled water sales receivables		278,726
Standby charges receivables		553,669
Allowance for doubtful accounts		(115,863)
Total accounts receivable, net	$	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, 2015, the note principal balance remaining was $895,325. Accrued interest receivable on the note was $2,315 and included in the accrued interest receivable balance at June 30, 2015.

(5) Prior Period Adjustment

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 of $355,907 to decrease the proprietary activities' beginning net position. The adjustment was made to reflect the prior period costs related to the implementation of GASB 68 and 71.

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

(6) Deferred Outflows of Resources

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

		Balance 2014	Additions	Transfers	Amortization	Balance 2015
Deferred outflows of resources:						
Pension contributions, 2014	$	38,155	-	(38,155)	-	-
Pension contributions, 2015		-	146,314	-	-	146,314
Adjustments due to differences in proportions		-	1,310	-	(345)	965
Total deferred outflows of resources	$	38,155	147,624	(38,155)	(345)	147,279

(7) Capital Assets

Major capital assets additions during the years include upgrades and extensions of the District's water transmission and distribution systems, recharge facilities and equipment purchases in the following schedules:

Changes in capital assets for the year ended were as follows:

	Balance 2014	Additions/	Deletions/ Transfers	Balance 2015
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	4,930,072	121,702	(4,055,942)	995,832
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	26,254	-	622,157
Total depreciable assets	48,903,640	5,024,882	-	53,928,522
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)	(26,254)	-	(622,157)
Total accumulated depreciation	(22,455,039)	(1,255,110)	-	(23,710,149)
Total depreciable assets, net	26,448,601	3,769,772	-	30,218,373
Total capital assets, net	$ 31,378,673	3,891,474	(4,055,942)	31,214,205

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. The balance of construction-in-process was $487,655 as of June 30, 2015, as follows:

Construction-in-process consisted of the following projects:

Project Description	**2015**
Grading for new tank	$ 238,199
Various other minor projects < $100,000	249,456
Total construction-in-process	$ 487,655

(8) Compensated Absences

Changes to compensated absences for 2015, were as follows:

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

(9) 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. Market value of all plan assets held in trust by ICMA-RC at June 30, 2015 was $432,989.

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.

(10) 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. In fiscal year 2015, the District incurred $206,785 in reimbursable costs towards the project.

(11) Long-Term Debt

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

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

(11) Long-Term Debt, continued

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 2nd and September 2nd of each year as follows:

1996 Limited Obligation Improvement Bonds, continued

Year		Principal	Interest	Total
2016	$	98,000	145,260	243,260
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
2021-2025		663,000	545,243	1,208,243
2026-2030		823,000	378,786	1,201,786
2031-2035		1,025,000	171,608	1,196,608
2036		232,000	5,220	237,220
Total		3,277,000	1,780,132	5,057,132
Current		(98,000)		
Long-term	$	3,179,000		

(12) Defined Benefit Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the District's separate Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan is established by State statute and Local Government 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 or may be obtained from their executive office: 400 P Street, Sacramento, CA, 95814.

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.

(12) Defined Benefit Pension Plan, continued

Benefits provided, continued

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:

	Miscellaneous Plan	
	Classic	**PEPRA**
Hire date	Prior to January 1, 2011	On or after January 1, 2013
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 comp	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates	7.00%	6.50%
Required employer contribution rates	12.33%	6.70%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates, for all public employers, be determined on an annual basis by the actuary and shall be effective on July 1 following notice of the change in rate. Funding contributions for the Plan is 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.

As of the fiscal year ended June 30, 2015, the contributions recognized as part of pension expense for the Plan was as follows:

		Miscellaneous Plan
Contributions – employer	$	146,314
Total employer paid contributions	$	146,314

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

		Proportionate Share of Pension Liabilities
Miscellaneous Plan	$	288,403

(12) Defined Benefit Pension Plan, continued

Contributions, continued

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, 2014, and the total pension liability for the Plan used to calculate the net pension liability was determines by an actuarial valuation as of June 30, 2013, rolled forward to June 30, 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 June 30, 2013 and 2014 was as follows:

	Miscellaneous Plan
Proportion – June 30, 2013 (Valuation Date)	0.00489%
Proportion – June 30, 2014 (Measurement Date)	0.00463%
Change – Increase (Decrease)	-0.00026%

As a result of the implementation of the GASB 68 pronouncement at June 30, 2015, the District recognized pension expense of $35,861 at June 30, 2015.

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 146,314	-
Net differences between projected and actual earnings on plan investments	-	(96,916)
Adjustments due to differences in proportion	965	(7,414)
Total	$ 147,279	(104,330)

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

As of the fiscal year ended June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources for June 30, 2014 related to pensions as part of its adjustment to the beginning net position as of July 1, 2014 (Note 5) from the following sources:

Description	Deferred Outflows of Resources
Pension contributions between the valuation and measurement date	$ 38,155

Employer pension contributions reported as deferred outflows of resources related to contributions between the valuation date and measurement date of $38,155 were recognized as an adjustment to the beginning net position as of July 1, 2014.

(12) Defined Benefit Pension Plan, continued

Contributions, continued

As a result of the implementation of the GASB 68 at June 30, 2015, the District recognized other amounts reported by the Plan actuarial as deferred outflows of resources and deferred inflows of resources related to the pension liability. Pension related amounts will be recognized as pension expense as follows.

Fiscal Year Ending June 30:		Deferred Outflows/(Inflows) of Resources
2016	$	(26,532)
2017		(26,532)
2018		(26,072)
2019		(24,229)
2020		-
Thereafter		-

The total pension liability in the June 30, 2013 actuarial valuation report was determined using the following actuarial assumptions:

Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumptions:	
Discount rate	7.50%
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.

Discount Rate

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 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.

(12) Defined Benefit Pension Plan, continued

Discount Rate, continued

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.

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.

Asset Class	New Strategic Allocation	Real Return Years 1–10*	Real Return Year 11+**
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6	0.45	3.36
Private Equity	12.0	6.83	6.95
Real Estate	11.0	4.50	5.13
Infrastructure and Forestland	3	4.50	5.09
Liquidity	2	(0.55)	(1.05)
Total	100.0%		

* An expected inflation of 2.5% used for this period

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

(12) Defined Benefit Pension Plan, continued

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

The following table 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:

	Discount Rate – 1% (6.50%)	Current Discount Rate (7.50%)	Discount Rate + 1% (8.50%)
Plan's Net Pension Liability/(Asset)	$ 513,844	288,403	101,307

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 32 through 33 for the Required Supplementary Schedules.

(13) Net Investment in Capital Assets, Net of Related Debt

Calculation of net investment in capital assets as of June 30, were as follows:

	2015
Investment in capital assets, net of related debt	
Capital assets, not being depreciated	$ 995,832
Depreciable capital assets, net	30,218,373
Current:	
Bonds payable	(98,000)
Non-current:	
Bonds payable	(3,179,000)
	$ 27,937,205

(14) Unrestricted Net Position

Unrestricted net position as of June 30, were categorized as follows:

	2015
Non-spendable net position:	
Materials and supplies inventory	$ 99,180
Prepaid expenses and other deposits	70,556
Total non-spendable net position	169,736
Spendable net assets are designated as follows:	
Capital replacement reserve	6,233,883
Rate stabilization reserve	3,116,941
Total spendable net position	9,350,824
Total unrestricted net position	$ 9,520,560

(15) 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 $219,578 for the year ended June 30, 2015.

(16) 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.

(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, 2015, the District participated in the liability and property 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 $1,000,000, combined single limit at $1,000,000 per occurrence. The JPIA purchases additional excess coverage layers: $60 million per occurrence 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 $100,000 per loss includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction coverages.
- Property loss, including boiler and machinery coverage is paid at the replacement cost for property on file $17,410,865 if replaced within two years after the loss, otherwise paid on an actual cash value basis, to a combined total of $150 million per occurrence, subject to a $2,500 deductible per occurrence.
- 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 $2.0 million 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 year ending June 30, 2015. 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, 2015.

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

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2015, that has effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 72

In February 2015, the GASB issued Statement No. 72 – *Fair Value Measurement and Application*. 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 provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2015. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

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

Governmental Accounting Standards Board Statement No. 73

In June 2015, the GASB issued Statement No. 73 – *Accounting and Financial Reporting for Pensions.* 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. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, Financial Reporting for Pension Plans, and Statement No. 68 for pension plans as pensions that are within their respective scopes.

The requirements of this statement that address accounting and financial reporting by employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after December 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement No. 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. 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. 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 December 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.

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

Governmental Accounting Standards Board Statement No. 75, continued

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 December 15, 2017. 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. 76

In June 2015, the GASB issued Statement No. 76 – *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 state and 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 for a transaction or other event is not specified within the source of authoritative GAAP.

This Statement replaces the requirements of Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2015, and should be applied retroactively.

Governmental Accounting Standards Board Statement No. 77

In August 2015, the GASB issued Statement No. 77 – *Tax Abatement Disclosures*. The objective of this Statement is to improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Financial statement users need information about certain limitations on a government's ability to raise resources. This includes limitations on revenue-raising capacity resulting from governmental programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens. Tax abatements are widely used by state and local governments, particularly to encourage economic development. This Statement is effective for financial statements for periods beginning after December 15, 2015. 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.

(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, 2015, have been evaluated for possible adjustment to the financial statements or disclosure as of November 30, 2015, 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.

Required Supplementary Information

Joshua Basin Water District
Schedule of the District's Proportionate Share of the Net Pension Liability
As of June 30, 2015
Last Ten Years*

		6/30/2014 (a)
District's proportion of the net pension liability (asset)		0.00463%
District's proportionate share of the net pension liability (asset)	$	288,403
District's covered-employee payroll (b)	$	1,385,362
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll		20.82%
Plan's fiduciary net position as a percentage of the total pension liability		81.15%

Notes:

(a) Historical information is required only for measurement periods for which GASB 68 is applicable.

(b) Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll related ratios.

* Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.

Joshua Basin Water District
Schedule of Pension Plan Contributions
As of June 30, 2015
Last Ten Years*

Schedule of Pension Plan Contributions (a):		**Fiscal Year 2013-2014**
Actuarially determined contribution (b)	$	138,973
Contributions in relation to the actuarially determined contribution (b)		(138,973)
Contribution deficiency (excess)	$	-
District's covered payroll (c), (d)	$	1,385,362
Contribution's as a percentage of covered-employee payroll (c)		10.03%

Notes:

(a) Historical information is required only for measurement periods for which GASB 68 is applicable.

(b) Employers are assumed to make contributions equal to the actuarially determined contributions (which is the actuarially determined contribution). However, some employer's may choose to make additional contributions towards their side fund or unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions. CalPERS has determined that employer obligations referred to as "side funds" do not conform to the circumstances described in paragraph 120 of GASB 68, therefore are not considered separately financed specific liabilities.

(c) Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

(d) Payroll from prior year ($1,345,011) was assumed to increase by the 3.00 percent payroll growth assumption.

* Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.

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Report on Internal Controls and Compliance

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 year ended June 30, 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 30, 2015.

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 30, 2015

Joshua Basin Water District

Management Report

June 30, 2015

Joshua Basin Water District

Management Report

Table of Contents

CONFIDENTIAL

Board of Directors
Joshua Basin Water District
Joshua Tree, California

Dear Members of the Board:

We have audited, 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 Agency's, the basic financial statements of the Joshua Basin Water District (District) as of and for the year ended June 30, 2015, 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 basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of District 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 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 or, significant deficiencies. 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

None Noted

Summary of Prior 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.

* * * * * * * * * *

This report is intended solely for the information and use of management and the Board of Directors of the District. This restriction is not intended to limit the distribution of this letter, which is a matter of public record.

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 30, 2015

APPENDIX

Joshua Basin Water District

Audit/Finance Committee Letter

June 30, 2015

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, 2015 and have issued our report thereon dated November 30, 2015. 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 April 14, 2015, our responsibility, as described by professional standards, is to express an opinion about whether the basic financial statements prepared by management with oversight of the Governing Board 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 the Governing Board or management of its responsibilities of oversight in the District's external financial reporting process or any other processes.

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 previously communicated to management.

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 5, 6 and 12 to the financial statements, the District changed accounting policies related to Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions, and No. 71, Pension Transition for Contributions made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68, as of June 30, 2015. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the Statement of Activities.

We noted no transactions entered into by the District during fiscal year 2015 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 play an integral part in the preparation of basic financial statements by management and are based upon management's knowledge, experience and current judgment(s) 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 is (are):

> Management's estimate of the fair value of cash and investments 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.

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

Management's Judgments, Accounting Estimates and Financial Disclosures, continued

The disclosure of capital assets, net in Note 7 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, 6 and 12 to the basic financial statements is based on actuarial assumptions which could differ from actual costs.

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 Page 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 30, 2015.

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 principal 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.

Conclusion

We appreciate the cooperation extended us by Susan Greer, Anne Roman and the District staff 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.

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.

Fedak & Brown LLP
Cypress, California
November 30, 2015

Joshua Basin Water District
Schedule of GASB 68 Adjustments
June 30, 2015

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

GASB 68 Entry No. 1 - To record prior period adjustment for change in accounting principle of GASB 68 as of June 30, 2014

100-13600	DEFERRED OUTFLOWS - PENSIONS	38,155.00	
300-31300	RETAINED EARNINGS (3)	355,907.00	
200-22360	NET PENSION LIABILITY		394,062.00
Total		**394,062.00**	**394,062.00**

GASB 68 No. 2 - To reclassify 2014 contributions to NPL at June 30, 2015.

200-22360	NET PENSION LIABILITY	38,155.00	
100-13600	DEFERRED OUTFLOWS - PENSIONS		38,155.00
Total		**38,155.00**	**38,155.00**

GASB 68 Entrry No. 3 - To reclassify 2015 contributions to Deferred Outflows of Resources at June 30, 2015.

100-13600	DEFERRED OUTFLOWS - PENSIONS	146,314.00	
551-01230	RETIREMENT: PERS Classic 2%@55		131,864.00
551-01231	RETIREMENT: PERS Tier 2 2%@62		14,450.00
Total		**146,314.00**	**146,314.00**

GASB 68 Entry No. 4 - To record changes in pension liability during FY13/14 at June 30, 2015.

200-22360	NET PENSION LIABILITY	67,504.00	
551-01230	RETIREMENT: PERS Classic 2%@55	119,377.00	
551-01230	RETIREMENT: PERS Classic 2%@55	223,531.00	
551-01231	RETIREMENT: PERS Tier 2 2%@62	18.00	
551-01231	RETIREMENT: PERS Tier 2 2%@62	5,776.00	
100-13600	DEFERRED OUTFLOWS - PENSIONS		8,752.00
200-23050	DEFERRED INFLOWS - PENSIONS		121,145.00
551-01230	RETIREMENT: PERS Classic 2%@55		90,166.00
551-01230	RETIREMENT: PERS Classic 2%@55		189,047.00
551-01231	RETIREMENT: PERS Tier 2 2%@62		14.00
551-01231	RETIREMENT: PERS Tier 2 2%@62		7,082.00
Total		**416,206.00**	**416,206.00**

GASB 68 Entry No. 5 - To record changes in the deferred outflows and deferred inflows (amortization) during FY13/14 at June 30, 2015.

100-13600	DEFERRED OUTFLOWS - PENSIONS	2,303.00	
200-23050	DEFERRED INFLOWS - PENSIONS	24,229.00	
551-01231	RETIREMENT: PERS Tier 2 2%@62	341.00	
551-01230	RETIREMENT: PERS Classic 2%@55		26,873.00
Total		**26,873.00**	**26,873.00**

GASB 68 Entry No. 6 - To adjust deferred outflows and inflows to agree with page 10 of the actuarial report.

100-13600	DEFERRED OUTFLOWS - PENSIONS	7,414.00	
200-23050	DEFERRED INFLOWS - PENSIONS		7,414.00
Total		**7,414.00**	**7,414.00**

JOSHUA BASIN WATER DISTRICT
MEETING AGENDA REPORT

Meeting of the Board of Directors December 16, 2015

Report to: President and Members of the Board

Prepared by: Curt Sauer

TOPIC: Employee Compensation Study

RECOMMENDATION: That the Board accept and file the Compensation Study as presented.

ANALYSIS: As part of the August 2013 Memorandum of Understanding with the Union, the District agreed to a compensation survey for the general unit employees. In March of 2015, the Board approved a contract with Koff and Associates to conduct a District-wide employee compensation study, for both union and nonunion employees.

The Board is not bound by any agreement in the MOU to implement any of the findings. The MOU does state that the findings of the compensation study "may be a matter subject to future negotiations between the District and the Union."

The current MOU expires September 2, 2016. The Union is to submit an outline of conceptual ideas to the District between 90 -150 days (February to June) prior to expiration of the MOU. I would expect the Union to include the findings of the study in their list. Therefore, the Board will need to understand the findings and provide direction to the General Manager and his co-negotiator concerning compensation.

There is one item I wish to emphasize with this compensation study. That is, this study addresses all positions, rather than only union positions. I believe this approach leads to internal equitable consistency for all District employees.

Mr. Georg Krammer, CEO of Koff and Assoc. is with us tonight to present the Compensation Study process and findings to the Board.

<u>The purpose of the presentation is to inform the Board.</u> If the Board finds the study acceptable, the Board should accept and file the Study. Actions to implement any changes to total compensation for the union employees will be at the discretion of the Board. Your guidance will be needed as we move into negotiations with the union beginning in June of 2016.

STRATEGIC PLAN ITEM:

FISCAL IMPACT:

JOSHUA BASIN WATER DISTRICT
MEETING AGENDA REPORT

Meeting of the Board of Directors December 16, 2015

Report to: President and Members of the Board

Prepared by: Curt Sauer

TOPIC: Update on NextEra

RECOMMENDATION: Receive information and direct General Manager on action to be taken.

ANALYSIS:

I met with NextEra reps on Thursday November 12. At that time they were considering various ways to obtain water for the project. These included:
-Buying water from well owners
-Trucking in water
-Encouraging the District to apply for an Alternative Compliance Plan from SWRCB
-Drilling their own well.

These items will be discussed, as well as information expected to be received from the County and NextEra during the first part of the week of December 14th.

STRATEGIC PLAN ITEM:

FISCAL IMPACT:

JOSHUA BASIN WATER DISTRICT
MEETING AGENDA REPORT

Meeting of the Board of Directors December 16, 2015

Report to: President and Members of the Board

Prepared by: Seth J. Zielke, Director of Water Resources and Operations

TOPIC: Well 14 Rehabilitation

RECOMMENDATION: That the Board receive report for information only.

ANALYSIS: The Joshua Basin Water District's ("District") Well 14 was drilled in 1982. Well 14's original production capacity was approximately 2,100 gallons per minute ("gpm"). Well 14's current production capacity is approximately 1,700 gpm, which is the highest of the five District wells and accounts for approximately 35% of the District's total well production capacity. Well 14 is located in the District's largest pressure zone, which is Zone (C). Zone (C) contains the largest number of service connections of any zone, with approximately 1,900 connections, or 43% of the Districts entire service connection total. Zone (C) also has the highest storage capacity of any District zone with over 7.0 million gallons. Over the last 5 years (2010' – 2014') Well 14 has an annual production average of approximately 645 acre-feet per year, that is the highest production average of any District well over that time period. The next closest annual production average for that time period is Well 10 with an annual production average of approximately 458 acre-feet per year.

The statistics above indicate that Well 14 is the District's most critical and highest priority well in terms of production and meeting demand. The Board recognized and acknowledged the importance of Well 14 when they adopted the District's Revised Capital Budget on September 2, 2015 that included $168, 241.22 to rehabilitate Well 14.

Since the Board's adoption of that budget, District staff have been working diligently with Dudek Engineering ("Dudek") to develop a bid document and specifications for the rehabilitation of Well 14 in order to go out for bid. During this process the District has learned of new developments that will impact the cost of rehabilitating Well 14, and could delay the start date for this work.

The initial bid document for Well 14 was developed without shutting down the well and removing the equipment and major components (well casing, bowls, well pump, shaft, and well motor) for examination. It was determined that having Well 14 down for an extended period of time to remove these major components and have them shipped to a supplier for examination would severely hinder the District's ability to meet demand within the zone that Well 14 supplies. It was determined that this process would also prove very costly to pay for the shipping and examination of the major components if the supplier determine that they would need to be replaced in the end.

District staff attempted to include the examination of the equipment as part of the initial bidding documents. However, the lack of available information resulted in high bidder uncertainty and an extended time period for the well to be out of service.

As part of the initial bidding process, District staff conducted a pre-bid meeting with interested well rehabilitation contractors. At that meeting the contractors identified that due to the uncertainty of the condition of the major components, and the time required to complete the examination analysis, it would be less expensive overall to replace the well's major components. Under this scenario, the major components can be ordered prior to taking the well offline. Once received, the equipment can quickly be installed, with the well offline for a minimum duration.

Additionally, it was determined that Well 14 maintenance records indicated that the well has not been rehabilitated nor have any major components been replaced since it was drilled in 1982. Unfortunately, due to this deferred maintenance, Well 14's useful life, and that of its major components, has exceeded its acceptable useful life of 30 years as defined for California Special Districts, and pursuant to Dudek's Well 14 Engineering Considerations letter dated September 1, 2015 (attached).

Well 14's original production capacity was approximately 2,100 gpm. Well 14's current production capacity is approximately 1,700 gpm (representing a loss of approximately 15% of production capacity). This reduction in the capacity of the well, as compared to the originally constructed capacity, indicates the efficiency of the well pump has degraded over time and will continue to degrade resulting in even less production capacity. Therefore, to provide the same amount of water from Well 14, the District is required to increase energy input to the well to overcome both the wear on the pump and the inefficiency of the pump and motor. This increased energy input results in increased energy costs. These costs will continue to increase as the pump and motor continue to wear and decrease in efficiency.

As a result of the many years of deferred maintenance, and for the reasons previously discussed, Dudek does not recommend pursuing the rehabilitation of Well 14, but instead concurs with the well rehabilitation contractors that replacing the major components of Well 14 and cleaning the well should occur.

Based on this new available information, it is clear that Well 14 is operating beyond the typical life expectancy, and that rehabilitation of the equipment has not been completed in over 30 years. Considering the importance of Well 14 to the District in relation to meeting ongoing water demand and the fact that taking the well offline for an extended period of time would significantly impair the District's ability to meet demands during peak periods, it is the conclusion that strong consideration is warranted to replacing the existing equipment at this time. Replacement will assure that Well 14 is reliably available for water production for many years without the need for significant maintenance costs, and that the District's primary water supply well is operating as efficiently as possible to hold down the District's operating costs. Replacement of the well's major components, coupled with the cleaning of the well, will also support ongoing Chromium 6 mitigation efforts that the District is currently undergoing by ensuring Well 14 is operational, when and if, Chromium 6 treatment will need to be designed, constructed, and implemented at the well.

Because of the importance of Well 14 as described, the timing for performing the replacement of the major components and the cleaning of the well is critical. It is recommended that if a well rehabilitation contractor cannot guarantee the completion of this work by no later than May 31, 2016, than the work should not begin until fall of 2016. This will allow for the District to have sufficient production capacity through the summer of 2016 in order to meet its demands. District staff continues to work with Dudek to obtain additional cost information and estimates. As information is obtained the Board will be apprised.

FISCAL IMPACT: To be determined

Preliminary estimates obtained by the District from well equipment suppliers for the well equipment and pump suggest the cost for replacing these Well 14 major components will be approximately $166,000 - $215,000, not including delivery of material or replacing the motor. The motor will need to be shipped to a supplier to determine the condition and need for replacement or rehabilitation. Additional costs to perform the work and clean the well are being evaluated. It is anticipated that the cost to complete the replacement of Well 14's major components and properly clean the well will be in excess of double the original budgeted amount of $168, 241.22.

DUDEK

MAIN OFFICE
605 THIRD STREET
ENCINITAS, CALIFORNIA 92024
T 760.942.5147 T 800.450.1818 F 760.632.0164

September 1, 2015

Curt Sauer, General Manager
Joshua Basin Water District
61750 Chollita Road
Joshua Tree, California 92252

Subject: **Well 14 Replacement Considerations**

Dear Mr. Sauer:

As part of the District's ongoing rehabilitation and replacement of its critical water supply and distribution facilities, District staff is currently evaluating the condition of the water supply wells. Recently, Well 10 was rehabilitated, including cleaning of the well and rehabilitation of the pump, motor and other equipment. Having completed Well 10, the next well for service is Well 14.

Well 14 is the District's largest water supply well, with an original well capacity of approximately 2,000 to 2,100 gpm. Recent analysis has identified that the well is producing water at a current rate of approximately 1,700 gpm (representing a loss of approximately 15 percent of the well production capacity). Well 14 has been in continuous operation for over 40 years without rehabilitation or replacement of the well equipment or cleaning of the well itself. With the identified loss of production capacity and the length of time that the well has been in service, District staff is considering options for well cleaning and potential equipment replacement. The purpose of this letter is to identify engineering considerations with regard to Well 14, and provide input into the overall upgrade process for Well 14.

Useful Life

The District water system is comprised of a number of capital assets, including wells, pumps, pipelines, tanks, control equipment, among others. The useful life of a capital asset is defined to be the estimated lifespan of a fixed asset, during which it can be expected to cost-effectively contribute to the District's operations. The concept of useful life is important in that it is the time beyond which the asset ceases to provide a benefit to the ratepayers, costing more to operate on an annual basis than new or rehabilitated assets would cost.

The primary components of Well 14 are the actual groundwater well, the well pump and motor, valves and other appurtenances, chemical equipment, and the electrical equipment. The following are the accepted values of useful life for Well 14 components as defined for California Special Districts.

Equipment Item	Accepted Useful Life (yrs)
Wells	30
Well Pumps	25
Pump Motors	25
Flow Meters	30
Chlorinators	12
Appurtenances	20
Electrical Equipment	25
Water Mains (4" and less)	50
Water Mains (6")	65
Water Mains (8" and 10")	75
Water Mains (12" and greater)	100

As shown in the table, the average useful life for wells and associated equipment is on the order of 25 to 30 years. Well 14 has been in operation for over 40 years, without any significant repair, rehabilitation or replacement. For Well 14 to continue to operate in a safe and reliable manner, repair and/or replacement of the major equipment is warranted. As Well 14 is the District's largest source well, replacement of aged equipment is warranted, as loss of Well 14 in an emergency condition (i.e. earthquake) would greatly reduce the District's ability to service the community.

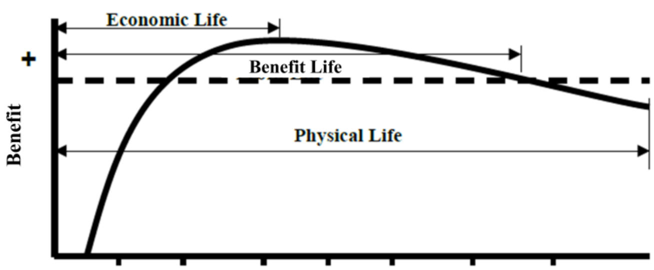

Figure 1 Equipment Life

Figure 1 shows the relationship between the various stages of a typical equipment life-cycle. The graph shows that over the physical life of the equipment, it takes time for the benefit of new equipment to exceed the capital cost of its procurement. It then moves into a phase where the benefit is more than it costs to own, operate and maintain the equipment. The equipment finishes its life in a stage where the costs of keeping it and the productive time lost to repair the equipment is greater than the benefit it provides during the periods when it is operational. Thus, it is important to identify the point in time where retaining a given piece of equipment is no longer beneficial so that the equipment can be replaced by purchasing new equipment. The figure also graphically illustrates the different definitions for the useful life of a given piece of equipment: economic life, profit life, and physical life.

- **Physical Life**. The physical life of equipment is identified as the service life. This time period ends when equipment can no longer be operated. This stage is greatly impacted by the repair and maintenance attention that the machine has been provided over its lifespan. A piece of equipment that has not been given adequate maintenance throughout its lifespan will deteriorate at a faster rate than a machine that was been given substantial preventative maintenance. Thus, the service lives will vary depending on the piece of equipment and the amount of upkeep it has been provided.
- **Benefit Life**. Benefit life is the time period where equipment is providing sustained value to the District. This is the most desired stage of the equipment life because after this point in time the equipment will operate less efficiently. Thus, this is a critical stage in the equipment life to maximize on benefit and efficiencies. Also, the District must be able to identify this time period to implement a replacement plan for new equipment, while the existing equipment remains useful.
- **Economic Life**. Economic life is defined by decreasing ownership costs and increasing operating costs, corresponding to the period when these costs are equivalent. To maximize benefit, the replacement of the equipment should occur before the economic life is reached.

With respect to Well 14, the well pump, motor and appurtenances are beyond the Benefit Life period and District records identify that minimal maintenance has occurred. Replacement of the equipment is recommended to avoid potential equipment failure, causing an emergency condition for the District. Operating efficiency is another primary consideration in defining the replacement needs of equipment. Note that failure of equipment is typically subsequent to many years of potential inefficient operation, increasing District operating costs.

Energy Considerations

Providing safe drinking water is a highly energy-intensive activity. At the national level, drinking water systems account for three to four percent of U.S. energy use. At the community level, drinking water systems are typically the largest energy consumers accounting for 25 to 40 percent of an agency's total energy cost. Approximately 80 percent of water processing and distribution costs are for electricity. Energy is needed for groundwater water extraction and conveyance, treatment, water storage and distribution. Energy usage can vary based on water source, facility age, treatment type, storage capacity, topography, and system size, which encompasses volume produced and service area. By understanding the energy consumption and taking advantage of energy efficiency opportunities, water systems can save money while saving energy.

Recent energy audits for Well 14 have identified a significant reduction in the capacity of the well, as compared to the originally constructed well. In addition, the efficiency of the well pump has degraded slowly over time. Therefore, to provide the same amount of water from Well 14, the District is required to increase energy input to the well to overcome both the wear on the pump and the inefficiency of the pump and motor. Increased energy is increased cost.

Water and wastewater utilities are complex systems including distribution pipelines, pump stations, reservoirs, and various other equipment. The *American Society of Civil Engineers 2013 Report Card* *for America's Infrastructure* gave the nation's water and wastewater systems a grade of D. One of the main reasons for the low grade is that much of the infrastructure is reaching the end of its useful life. While some utilities are already taking steps to improve the reliability of their systems, the capital improvement programs of many agencies are often focused on emergency repairs, increasing system capacity to meet population growth, or making system improvements to satisfy public health and environmental regulations.

The Board of Directors recently approved plan preparation and bidding of the Well 14 Rehabilitation Project. During preparation of the bidding documents, it was evident that the condition of Well 14 was not completely defined. Shutting down the well and removing the equipment for examination was determined to be detrimental to District operations, as well as very costly. District staff attempted to include the examination of the equipment as part of the bidding documents. However, the lack of available information resulted in high bidder uncertainty. As part of the bidding at effort, District staff conducted a pre-bid meeting with interested well rehabilitation contractors. At that meeting, the contractors identified that, considering the uncertainty and the time required to complete the analysis, it would be less expensive overall to replace the well equipment. Under this scenario, the equipment can be ordered prior to taking the well offline. Once received, the equipment can quickly be installed, with the well out of service for a minimum duration.

Based on the available information, it is clear that the existing equipment is operating well beyond the typical life expectancy, and that rehabilitation of the equipment has not been completed in over 40 years. Furthermore, the well equipment is exhibiting signs of wear and inefficiency that suggest that the equipment may be beyond its beneficial life. Considering the importance of well 14 to the District in relation to meeting ongoing water demand and the fact that taking the well offline for an extended period of time would significantly impair the District's ability to meeting current demand, it is the conclusion that strong consideration is warranted to replacing the existing equipment at this time. Replacement will assure that Well 14 is reliably available for water production for many years without the need for significant maintenance costs, and that the District's primary water supply well is operating as efficiently as possible to hold down District operating costs. Replacement of the well equipment, coupled with the cleaning of the well, will also support ongoing Chromium 6 mitigation efforts that the District is currently undergoing.

I would be pleased to discuss these thoughts with you at your convenience. Please do not hesitate to contact me if you have any questions or need any additional information.

Respectfully Submitted,
DUDEK

D. Michael Metts, PE
Contract District Engineer

JOSHUA BASIN WATER DISTRICT
MEETING AGENDA REPORT

Meeting of the Board of Directors December 16, 2015

Report to: President and Members of the Board

Prepared by: Susan Greer

TOPIC:
ELECTION OF BOARD OFFICERS – PRESIDENT AND VICE PRESIDENT

RECOMMENDATION:
Elect President and Vice President for calendar year 2016.

ANALYSIS:
Article 2.01 of the District's 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 2016.

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;