



JOSHUA BASIN WATER DISTRICT  
 SPECIAL MEETING OF THE BOARD OF DIRECTORS  
 WEDNESDAY DECEMBER 12, 2012 7:00 PM  
 61750 CHOLLITA ROAD, JOSHUA TREE CALIFORNIA 92252

AGENDA

- |           |     |   |
|-----------|-----|---|
|           | 1.  | CALL TO ORDER   |
|           | 2.  | PLEDGE OF ALLEGIANCE  |
|           | 3.  | ADMINISTER OATH OF OFFICE   |
|           | 4.  | DETERMINATION OF QUORUM   |
| Pg. 1     | 5.  | RESOLUTION HONORING JBWD DIRECTOR BILL LONG   |
|           | 6.  | APPROVAL OF AGENDA  |
|           | 7.  | <p>PUBLIC COMMENT: At this time, any member of the public may address the Board on matters within the Board's jurisdiction that are <u>not</u> listed on the agenda. Please use the podium microphone. The Board may not discuss at length or take action on items not on the agenda.</p> <p>During either "Public Comment" Item, please use the podium microphone. State your name and have your information prepared and be ready to provide your comments to the Board. The District is interested and appreciates your comments. A 3-minute time limit may be imposed. Thank you.</p> |
|           | 8.  | <p>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.</p> <p style="margin-left: 40px;">A. <u>Cancellation of December 19, 2012 Regular Board Meeting</u></p> <p style="margin-left: 40px;">B. <u>Adopt Resolution Authorizing signers for District Checking Accounts</u></p>   |
| Pg. 2-3   |     |   |
| Pg. 4-51  | 9.  | <p>FISCAL YEAR 11/12 AUDIT REPORT PRESENTATION FROM CHARLES Z. FEDAK &amp; COMPANY</p> <p>Recommend that the Board receive presentation, ask questions, accept and file report.</p>   |
| Pg. 52-80 | 10. | <p>APPROVAL OF CONSTRUCTION SUPPORT CONTRACTS FOR GROUND WATER RECHARGE PIPELINE PROJECT:</p> <p>1) Dudek in the amount of \$125,000 for construction management and inspection; 2) Leighton Engineering in the amount of \$68,000 for geotechnical consulting; and 3) MSA in the amount of \$30,000 for construction staking; and 4) A 10% contingency in the amount of \$22,500.</p>  |
| Pg. 81-82 | 11. | <p>CONSIDER EARLY PAYOFF OF ID#2 GENERAL OBLIGATION BONDS</p> <p>Recommend that the Board authorize early payoff of ID #2 Bonds and withdrawal of \$225,000 from the LAIF Opportunity Fund, resulting in interest savings of approximately \$19,400.</p>  |

12. COMMITTEE REPORTS
  - A. PUBLIC INFORMATION COMMITTEE: Vice President Luckman and Director Long: Kathleen Radnich, Public Outreach Consultant to report.
  - B. AD HOC ENGINEERING AND RECHARGE COMMITTEE: Director Long and Director Coate
13. PUBLIC COMMENT

At this time, any member of the public may address the Board on matters within the Board's jurisdiction that are not listed on the agenda. Please use the podium microphone. The Board may not discuss at length or take action on items not on the agenda.
14. GENERAL MANAGER REPORT
15. DIRECTORS COMMENTS/REPORTS
16. DISTRICT GENERAL COUNSEL REPORT
17. FUTURE AGENDA ITEMS
18. ELECTION OF BOARD PRESIDENT AND VICE PRESIDENT
19. ADJOURNMENT

## INFORMATION

The public is invited to comment on any item on the agenda during discussion of that item.

Any person with a disability who requires accommodation in order to participate in this meeting should telephone Joshua Basin Water District at (760) 366-8438, at least 48 hours prior to the meeting in order to make a request for a disability-related modification or accommodation.

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

*This meeting is scheduled to be broadcast on Time Warner Cable Channel 10 on December 19 at 7:00 pm and December 26 at 7:00 pm. DVD recordings of Joshua Basin Water District Board meetings are available at the District office and at the Joshua Tree Library.*

**Resolution No. 12-896**

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

**WILLIAM C. "BILL" LONG**

**WHEREAS**, William C. "Bill" Long was elected to the Joshua Board of Directors in November, 2003; and was elected by the Board of serve a term as President; and

**WHEREAS**, Bill Long has been certified by the California Special Districts Association and is one of five percent of directors and staff in California to have been awarded this certification; and

**WHEREAS**, Bill has been instrumental in providing leadership to the Joshua Basin Water District by supporting the first Citizens Advisory Committee, thus promoting public participation and transparency in the decisions of the District; and serving on various board committees; and

**WHEREAS**, Bill has served as the Joshua Basin Water District representative to the Morongo Basin Pipeline Committee, and has been an ambassador from the Joshua Basin Water District by meeting with other water districts, the Building Industry Association, and other organizations in the Morongo Basin to foster communication, cooperation, and good will; and

**WHEREAS**, Bill has been instrumental in developing positive relations with the Mojave Water Agency and the Colorado River Basin Regional Water Quality Control Board; and

**WHEREAS**, during Bill's term of office the Joshua Basin Water District has become known as a progressive, stable, and forward-thinking organization; and has significantly modernized its equipment, greatly improved employee training, instituted a strong preventive maintenance program, replaced 58,000 feet of pipe; and

**WHEREAS**, the Joshua Basin Water District has pursued a long term vision to import water for the future and acquiring authority to provide sewer treatment services to protect it's outstanding water quality; and

**WHEREAS**, Bill Long has decided to retire from the Joshua Basin Water District Board of Directors;

**WHEREAS**, this vision has resulted in initiating construction of groundwater recharge facilities and the first public waste water treatment plant in the Morongo Basin; and

**NOW THEREFORE**, the Joshua Basin Water District Board of Directors does hereby express its thanks and gratitude to Bill Long for his time, dedication, and support for the Joshua Basin Water District; and

The Joshua Basin Water District Board of Directors does further wish Bill and his lovely wife, Sheri best wishes for a second retirement.

Adopted this 12<sup>th</sup> day of December in Joshua Tree, California.

\_\_\_\_\_  
Mike Reynolds, President

\_\_\_\_\_  
Mickey Luckman, Vice President

\_\_\_\_\_  
Joe Guzzetta, GM/Board Secretary

Resolution 12-896

JOSHUA BASIN WATER DISTRICT  
AGENDA REPORT

Meeting of the Board of Directors

December 12, 2012

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

TOPIC:

CONSIDER APPROVAL OF RESOLUTION AUTHORIZING SIGNERS WITH US BANK

RECOMMENDATION:

Approve Resolution

ANALYSIS:

This is a routine item, required after the election of a new Board member. The attached resolution removes the outgoing Board member and adds the new and is required before the bank will prepare new signature cards.

The resolution authorizes all Board members, the General Manager and Assistant General Manager/Controller to sign checks. Current practice is to require two signatures up to \$5,000 and three signatures when the check exceeds that amount.

Once signature cards are prepared we will need multiple signatures from every authorized signer.

STRATEGIC PLAN ITEM:

N/A

FISCAL IMPACT:

N/A

RESOLUTION 12-897

A RESOLUTION OF THE BOARD OF DIRECTORS  
OF THE JOSHUA BASIN WATER DISTRICT  
OPENING NEW BANK ACCOUNT AND AUTHORIZING SIGNERS AT US BANK

WHEREAS, the Joshua Basin Water District requires bank accounts in order to conduct its business.

NOW, THEREFORE, BE IT RESOLVED that the District allows any of the following three acting together in excess of \$5,000 or any two at \$5,000 or less, to withdraw funds from any account in the form of checks in any manner as shall be agreed upon by the contracting officers with US Bank:

Frank Coate  
Victoria Fuller  
Mickey Luckman  
Mike Reynolds  
Gary Wilson  
Joseph Guzzetta  
Susan Greer

FURTHER RESOLVED that any one of the preceding is allowed to transfer funds between the District's account and the Local Agency Investment Fund (LAIF) or from one District account to another District account only.

BE IT FURTHER RESOLVED that this Resolution replaces all prior Resolutions regarding this matter and shall remain in force until notice of revocation of it by this District shall be received by Bank at the office where the account is maintained or as Banks shall otherwise direct.

ADOPTED this 12<sup>th</sup> day of December, 2012.


By \_\_\_\_\_  
Mike Reynolds, President

Attest \_\_\_\_\_  
Joseph Guzzetta, Secretary

JOSHUA BASIN WATER DISTRICT  
AGENDA REPORT

Meeting of the Board of Directors

December 12, 2012

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

TOPIC:

11/12 AUDIT REPORT PRESENTATION FROM CHARLES Z. FEDAK & COMPANY,  
CPA'S

RECOMMENDATION:

Receive presentation, ask questions, accept and file report

ANALYSIS:

Our new auditor, Paul Kaymark from Charles Z. Fedak & Company, will be at the meeting to give the presentation of the 11/12 audited financial statements.

Our new auditor has made some changes in the presentation of our report, to comply with new thinking and/or changing reporting requirements. For comparison purposes, the 2011 information in the report has also been changed so that you can compare information side-by-side.

The easiest read of the financial report is located at the front of the document, within the sections entitled Management's Discussion and Analysis (pages 3-6), and includes summary information.

Operating revenues increased 6.2%. Total revenues (operating and non-operating) increased \$169,000 or 3%.

Operating expenses increased 1%. Total expenses (operating and non-operating) increased \$65,000 or 1.3%.

Net assets increased 1.2%

One area where a significant change in the presentation of the audit report has been made is in the area of operating revenues. Standby fees (called standby service charges in the report) have been moved from non-operating to operating revenues because they are integral to the operating of the water system. Recurring operating expenses exceed recurring operating revenues by \$1,048,000 or 24.5%.

Another change to the report format was to move the depreciation expense "below the line" of total operating expense. In the past, this was included as part of operating expense. When we add depreciation expense to operating expense, that total operating exceeds operating revenues by \$204,000 or 4.8%. This is an improvement over last year, when the total exceeded operating revenues by \$304,000. Another way of looking at this is that operating revenues covered all but \$204,000 of operating and depreciation expense in the last fiscal year.

Operating loss results partially from the Board's desire to maintain lower water rates and instead offset operating expenses with non-operating revenues such as property taxes. Many public agencies such as ours run with an operating loss, balancing operating costs with non-operating revenues, such as tax revenues. Non-operating revenues exceeded non-operating expenses by \$402,000 and we used \$204,000 of that to fund the operating loss, leaving us net revenue of \$198,000 (compared to \$94,000 last year).

The District paid down its debt from \$4 million to \$3.8 million during the year.

The District added \$1,100,000 in capital assets, including the E1/D2 booster station, Well #10 rehab, three new trucks and utility vacuum pump and new file server.

After the audit report, you will find the Management Report, which we have not received in the past. The Report indicates that there were no deficiencies in internal controls based on observed problems, weaknesses or deficiencies. Further information about the audit entries made this year follows. Many of the entries are the result of the new thinking and/or changing requirements that I talked about previously.

While I take great personal pride in presenting this report to the Board, I must acknowledge the tremendous effort of my Finance Staff (Anne Roman, Patricia Freeman, Autumn Rich and Shirley Bolha) during the previous year. Their commitment, effort, attention to detail and professionalism on a daily basis resulted in minimal correcting audit entries and no audit findings again this year. They are a talented and dedicated group and I'm grateful for their fine work which produces these exceptional results. Anne Roman especially, deserves huge credit for handling the audit this year, which was her first time with this responsibility. The audit is always significantly more difficult when we change auditors and Anne invested the time and did such an exceptional job that the new auditors were able to finish their field work ahead of schedule.

STRATEGIC PLAN ITEM:

N/A

FISCAL IMPACT:

N/A



**Joshua Basin Water District**

**Annual Financial Report**

**For the Fiscal Years Ended June 30, 2012 and 2011**



**Charles Z. Fedak & Company**

Certified Public Accountants  
An Accountancy Corporation





**Joshua Basin Water District  
Board of Directors as of June 30, 2012**

<b>Name</b>	<b>Title</b>	<b>Elected/ Appointed</b>	<b>Current Term</b>
Michael Reynolds	President	Elected	12/08-12/12
Mickey Luckman	Vice President	Elected	12/08-12/12
Frank Coate	Director	Appointed	12/11-12/12
William Long	Director	Elected	12/08-12/12
Gary L. Wilson	Director	Elected	12/10-12/14

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

**Joshua Basin Water District**  
**Annual Financial Report**  
**For the Fiscal Years Ended June 30, 2012 and 2011**

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**Joshua Basin Water District  
Annual Financial Report  
For the Fiscal Years Ended June 30, 2012 and 2011**

**Table of Contents**

	<b><u>Page No.</u></b>
Table of Contents	i
<b>Financial Section</b>	
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-6
Basic Financial Statements:	
Statements of Net Assets	7
Statements of Revenues, Expenses and Changes in Net Assets	8
Statements of Cash Flows	9-10
Notes to the Basic Financial Statements	11-25
<b>Report on Internal Controls and Compliance</b>	
Independent Auditor's Report on Internal Control Over Financial Reporting And on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	26

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**Financial Section**

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Charles Z. Fedak, CPA, MBA  
Paul J. Keymark, CPA  
Christopher J. Brown, CPA

## Charles Z. Fedak & Company

Certified Public Accountants  
An Accountancy Corporation

6081 Orange Avenue  
Cypress, California 90630  
(714) 527-1818  
(562) 598-6565  
FAX (714) 527-9154  
EMAIL [czfco@czfcpa.com](mailto:czfco@czfcpa.com)  
WEB [www.czfcpa.com](http://www.czfcpa.com)

### Independent Auditor's Report

Board of Directors  
Joshua Basin Water District  
Joshua Tree, California

We have audited the accompanying financial statements of the Joshua Basin Water District (District) as of and for the fiscal year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. The comparative financial information as of June 30, 2011 was audited by other auditors whose report dated October 10, 2011, expressed an unqualified opinion on those basic financial statements.

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 basic financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic 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, 2012, and the respective changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 31, 2012 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit. This report can be found on page 26.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 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.

**Independent Auditor's Report, continued**

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.

**Charles Z. Fedak & Company, CPA's – An Accountancy Corporation**  
Cypress, California  
October 31, 2012

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**Joshua Basin Water District**  
***Management's Discussion and Analysis***  
**For the Fiscal Years Ended June 30, 2012 and 2011**

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Joshua Basin Water District (District) provides an introduction to the financial statements of the District for the fiscal years ended June 30, 2012 and 2011. The two year presentation is provided for comparative purposes. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section.

**Financial Highlights**

- The District's net assets increased 1.2% or \$331,641 to \$29,103,424 in fiscal year 2012 as a result of operations.
- In 2012, the District's operating revenues increased 6.2% or \$250,118 primarily due to an \$83,120 increase in water consumption sales and a \$151,149 increase in standby service charges.
- In 2012, the District's operating expenses increased 1.0% or \$33,018.

**Required Financial Statements**

This annual report consists of a series of financial statements. The Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets 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 Assets includes all of the District's investments in resources (assets) and the obligations to creditors (liabilities). 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 Assets. 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 Assets and the Statement of Revenues, Expenses and Changes in Net Assets report information about the District in a way that helps answer this question.



**Joshua Basin Water District**  
**Management's Discussion and Analysis**  
**For the Fiscal Years Ended June 30, 2012 and 2011**

**Financial Analysis of the District, continued**

These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting method used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District's *net assets* and changes in them. You can think of the District's net assets – the difference between assets and liabilities – as one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net assets 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 11 through 25.

**Statement of Net Assets**

Condensed Statements of Net Assets					
	2012	2011	Change	2010	Change
<b>Assets:</b>					
Current assets	\$ 6,756,057	6,323,612	432,445	6,753,006	(429,394)
Non-current assets	37,654	36,934	720	36,215	719
Capital assets, net	26,741,763	27,286,496	(544,733)	27,161,281	125,215
<b>Total assets</b>	<b>33,535,474</b>	<b>33,647,042</b>	<b>(111,568)</b>	<b>33,950,502</b>	<b>(303,460)</b>
<b>Liabilities:</b>					
Current liabilities	673,494	925,474	(251,980)	1,789,420	(863,946)
Non-current liabilities	3,758,556	3,949,785	(191,229)	4,093,465	(143,680)
<b>Total liabilities</b>	<b>4,432,050</b>	<b>4,875,259</b>	<b>(443,209)</b>	<b>5,882,885</b>	<b>(1,007,626)</b>
<b>Net assets:</b>					
Investment in capital assets	22,868,325	23,231,058	(362,733)	22,465,168	765,890
Unrestricted	6,235,099	5,540,725	694,374	5,602,449	(61,724)
<b>Total net assets</b>	<b>29,103,424</b>	<b>28,771,783</b>	<b>331,641</b>	<b>28,067,617</b>	<b>704,166</b>
<b>Total liabilities and net assets</b>	<b>\$ 33,535,474</b>	<b>33,647,042</b>	<b>(111,568)</b>	<b>33,950,502</b>	<b>(303,460)</b>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets of the District exceeded liabilities by \$29,103,424 and \$28,771,783 as of June 30, 2012 and 2011, respectively.

By far the largest portion of the District's net assets (76% as of June 30, 2012 and 81% as of June 30, 2011) 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 2012 and 2011, the District showed a positive balance in its unrestricted net assets of \$6,235,099 and \$5,540,725, respectively, which may be utilized in future years. See note 9 for further information.

**Joshua Basin Water District**  
**Management's Discussion and Analysis**  
**For the Fiscal Years Ended June 30, 2012 and 2011**

**Statement of Revenues, Expenses and Changes in Net Assets**

Condensed Statements of Revenues, Expenses and Changes in Net Assets

	2012	2011	Change	2010	Change
<b>Revenue:</b>					
Operating revenue	\$ 4,267,436	4,017,318	250,118	3,889,550	127,768
Non-operating revenue	814,764	895,460	(80,696)	844,628	50,832
Total revenue	<u>5,082,200</u>	<u>4,912,778</u>	<u>169,422</u>	<u>4,734,178</u>	<u>178,600</u>
<b>Expense:</b>					
Operating expense	3,219,812	3,186,794	33,018	2,986,433	200,361
Depreciation	1,251,680	1,134,312	117,368	1,195,062	(60,750)
Non-operating expense	412,790	497,985	(85,195)	533,634	(35,649)
Total expense	<u>4,884,282</u>	<u>4,819,091</u>	<u>65,191</u>	<u>4,715,129</u>	<u>103,962</u>
Net income before capital	197,918	93,687	104,231	19,049	74,638
Capital contributions:	133,723	710,479	(576,756)	79,990	630,489
Change in net assets	331,641	804,166	(472,525)	99,039	705,127
Net assets, beginning of year	28,771,783	27,967,617	804,166	27,868,578	99,039
Net assets, end of year	<u>\$ 29,103,424</u>	<u>28,771,783</u>	<u>331,641</u>	<u>27,967,617</u>	<u>804,166</u>

The statement of revenues, expenses and changes of net assets shows how the District's net assets changed during the fiscal years. In the case of the District, the District's change in net assets increased by \$331,641 and \$804,166 for the fiscal years ended June 30, 2012 and 2011, respectively.

A closer examination of the sources of changes in net assets reveals that:

In 2012, the District's operating revenues increased 6.2% or \$250,118 primarily due to an \$83,120 increase in water consumption sales and a \$151,149 increase in standby service charges.

In 2012, the District's operating expenses increased 1.0% or \$33,018.

**Capital Asset Administration**

Changes in capital asset amounts for 2012 were as follows:

	Balance 2011	Additions	Transfers/ Deletions	Balance 2012
<b>Capital assets:</b>				
Non-depreciable assets	\$ 3,811,305	706,947	(1,119,572)	3,398,680
Depreciable assets	42,704,063	1,119,572	(54,013)	43,769,622
Accumulated depreciation	(19,228,872)	(1,251,680)	54,013	(20,426,539)
Total capital assets, net	<u>\$ 27,286,496</u>	<u>574,839</u>	<u>(1,119,572)</u>	<u>26,741,763</u>

Changes in capital asset amounts for 2011 were as follows:

	Balance 2010	Additions	Transfers/ Deletions	Balance 2011
<b>Capital assets:</b>				
Non-depreciable assets	\$ 3,666,328	1,259,527	(1,114,550)	3,811,305
Depreciable assets	41,589,513	1,114,550	-	42,704,063
Accumulated depreciation	(18,094,560)	(1,134,312)	-	(19,228,872)
Total capital assets, net	<u>\$ 27,161,281</u>	<u>1,239,765</u>	<u>(1,114,550)</u>	<u>27,286,496</u>

At the end of fiscal year 2012 and 2011, the District's investment in capital assets amounted to \$26,741,763 and \$27,286,496 (net of accumulated depreciation), respectively. This investment in capital assets includes land, transmission and distribution systems, buildings, equipment, vehicles and construction-in-process, etc. See note 5 for further information.

**Joshua Basin Water District**  
**Management's Discussion and Analysis**  
**For the Fiscal Years Ended June 30, 2012 and 2011**

**Debt Administration**

Changes in long-term debt amounts for 2012 were as follows:

	<u>Balance 2011</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance 2012</u>
Long-term debt:				
Bonds payable	\$ 4,055,438	-	(182,000)	3,873,438
Total long-term debt	<u>\$ 4,055,438</u>	<u>-</u>	<u>(182,000)</u>	<u>3,873,438</u>

Changes in long-term debt amounts for 2011 were as follows:

	<u>Balance 2010</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance 2011</u>
Long-term debt:				
Bonds payable	\$ 4,228,438	-	(173,000)	4,055,438
Total long-term debt	<u>\$ 4,228,438</u>	<u>-</u>	<u>(173,000)</u>	<u>4,055,438</u>

See note 7 for further information.

**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 assets or operating results based on past, present and future events.

**Requests for Information**

This financial report is designed to provide the District's funding sources, customers, stakeholders and other interested parties 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 at 61750 Chollita Road, Joshua Tree, California, 92252-0675 – (760) 366-8438.

**Basic Financial Statements**

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**Joshua Basin Water District  
Statements of Net Assets  
June 30, 2012 and 2011**

<i>Assets</i>	<b>2012</b>	<b>2011</b>
<b>Current assets:</b>		
Cash and cash equivalents (note 2)	\$ 5,389,847	5,042,018
Accrued interest receivable	4,730	5,850
Accounts receivable – water sales and services, net (note 3)	922,216	557,675
Property taxes receivable	34,617	30,061
Special assessments receivable	150,822	139,179
Grants receivable	-	291,000
Accounts receivable – other	25,136	27,662
Materials and supplies inventory	153,184	155,886
Prepaid expenses and other deposits	75,505	74,281
Total current assets	<u>6,756,057</u>	<u>6,323,612</u>
<b>Non-current assets:</b>		
Note receivable – property tax from state (note 4)	37,654	36,934
Capital assets – not being depreciated (note 5)	3,398,680	3,811,305
Capital assets, net – being depreciated (note 5)	23,343,083	23,475,191
Total non-current assets	<u>26,779,417</u>	<u>27,323,430</u>
<b>Total assets</b>	<u>\$ 33,535,474</u>	<u>33,647,042</u>
<b><i>Liabilities and Net Assets</i></b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 146,872	299,956
Accrued wages and related payables	64,080	65,291
Customer deposits and deferred revenue	188,842	287,925
Accrued interest payable	58,660	64,853
Long-term liabilities – due within one year:		
Compensated absences (note 6)	25,040	25,449
Bonds payable (note 7)	190,000	182,000
Total current liabilities	<u>673,494</u>	<u>925,474</u>
<b>Non-current liabilities:</b>		
Long-term liabilities – due in more than one year:		
Compensated absences (note 6)	75,118	76,347
Bonds payable (note 7)	3,683,438	3,873,438
Total non-current liabilities	<u>3,758,556</u>	<u>3,949,785</u>
<b>Total liabilities</b>	<u>4,432,050</u>	<u>4,875,259</u>
<b>Net assets:</b>		
Investment in capital assets, net of related debt (note 8)	22,868,325	23,231,058
Unrestricted (note 9)	6,235,099	5,540,725
<b>Total net assets</b>	<u>29,103,424</u>	<u>28,771,783</u>
	<u>\$ 33,535,474</u>	<u>33,647,042</u>

See accompanying notes to the basic financial statements

**Joshua Basin Water District**  
**Statements of Revenues, Expenses and Changes in Net Assets**  
**For the Fiscal Years Ended June 30, 2012 and 2011**

	<b>2012</b>	<b>2011</b>
<b>Operating revenues:</b>		
Water consumption sales	\$ 1,448,441	1,365,321
Water service charges	1,362,325	1,337,804
Standby service charges	1,302,280	1,151,131
Other charges for services	154,390	163,062
<b>Total operating revenues</b>	<b>4,267,436</b>	<b>4,017,318</b>
<b>Operating expenses:</b>		
Pumping, production and treatment	841,399	748,582
Transmission and distribution	433,839	484,418
Customer service	576,438	642,970
General and administrative	1,368,136	1,310,824
<b>Total operating expenses</b>	<b>3,219,812</b>	<b>3,186,794</b>
Operating income before depreciation expense	1,047,624	830,524
Depreciation expense – capital recovery	(1,251,680)	(1,134,312)
<b>Operating loss</b>	<b>(204,056)</b>	<b>(303,788)</b>
<b>Non-operating revenue(expense):</b>		
Property taxes	396,283	398,294
Special assessments for debt service	398,443	445,990
Investment earnings	17,713	26,136
Morongo Basin Pipeline project (note 10)	(219,544)	(219,291)
Interest expense	(180,869)	(214,538)
Amortization of debt related items	-	(47,325)
Debt administration charges	(11,174)	(15,816)
Property tax administration charge	(1,203)	(1,015)
Other non-operating revenue, net	2,325	25,040
<b>Total non-operating, net</b>	<b>401,974</b>	<b>397,475</b>
<b>Net income before capital contributions</b>	<b>197,918</b>	<b>93,687</b>
<b>Capital contributions:</b>		
Water capacity charges	47,803	42,829
Wastewater capacity charges	85,920	26,650
Federal capital grant	-	291,000
Local capital grant	-	350,000
<b>Total capital contributions</b>	<b>133,723</b>	<b>710,479</b>
<b>Change in net assets</b>	<b>331,641</b>	<b>804,166</b>
<b>Net assets, beginning of year</b>	<b>28,771,783</b>	<b>28,031,402</b>
Prior period adjustment (note )	-	(63,785)
<b>Net assets, end of year</b>	<b>\$ 29,103,424</b>	<b>28,771,783</b>

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See accompanying notes to the basic financial statements

**Joshua Basin Water District**  
**Statements of Cash Flows**  
**For the Fiscal Years Ended June 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>Cash flows from operating activities:</b>		
Cash receipts from customers for water sales and services	\$ 3,907,746	4,242,084
Cash paid to employees for salaries and wages	(1,501,249)	(1,459,274)
Cash paid to vendors and suppliers for materials and services	<u>(2,204,022)</u>	<u>(2,360,591)</u>
Net cash provided by operating activities	<u>202,475</u>	<u>422,219</u>
<b>Cash flows from non-capital financing activities:</b>		
Property taxes	<u>391,727</u>	<u>300,233</u>
Net cash provided by non-capital financing activities	<u>391,727</u>	<u>300,233</u>
<b>Cash flows from capital and related financing activities:</b>		
Acquisition and construction of capital assets	(706,947)	(1,259,527)
Capital contributions	424,723	429,086
Special assessments for debt service	386,800	446,811
Principle paid	(182,000)	(688,000)
Interest paid	<u>(187,062)</u>	<u>(217,258)</u>
Net cash used in capital and related financing activities	<u>(264,486)</u>	<u>(1,288,888)</u>
<b>Cash flows from investing activities:</b>		
Investment earnings	<u>18,113</u>	<u>27,137</u>
Net cash provided by investing activities	<u>18,113</u>	<u>27,137</u>
<b>Net increase(decrease) in cash and cash equivalents</b>	<b>347,829</b>	<b>(539,299)</b>
<b>Cash and cash equivalents, beginning of year</b>	<u>5,042,018</u>	<u>5,581,317</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 5,389,847</u>	<u>5,042,018</u>

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See accompanying notes to the basic financial statements

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**Joshua Basin Water District**  
**Statements of Cash Flows, continued**  
**For the Fiscal Years Ended June 30, 2012 and 2011**

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

<b>Operating loss</b>	\$ <u>(204,056)</u>	<u>(303,788)</u>
<b>Adjustments to reconcile operating loss to net cash provided by operating activities:</b>		
Depreciation expense	1,251,680	1,134,312
Morongo Basin pipeline	(219,544)	(219,291)
Debt administration charges	(11,174)	(15,816)
Property tax administration charge	(1,203)	(1,015)
Other non-operating revenue, net	2,325	25,040
<b>Changes in assets and liabilities:</b>		
(Increase)decrease in assets:		
Accounts receivable – water sales and services, net	(364,541)	96,668
Accounts receivable – other	2,526	103,058
Materials and supplies inventory	2,702	(14,434)
Prepaid expenses and other deposits	(1,224)	(18,284)
Increase(decrease) in liabilities:		
Accounts payable and accrued expenses	(153,084)	(383,393)
Accrued wages and related payables	(1,211)	16,074
Customer deposits and deferred revenue	(99,083)	15,095
Compensated absences	(1,638)	(12,007)
Total adjustments	<u>406,531</u>	<u>726,007</u>
Net cash provided by operating activities	<u>\$ 202,475</u>	<u>422,219</u>

See accompanying notes to the basic financial statements.

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**Joshua Basin Water District**  
**Notes to the Financial Statements**  
**For the Fiscal Years Ended June 30, 2012 and 2011**

**(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 reporting entity is based on the provisions of GASB Statement 14, as amended by GASB Statement 39. The District is the primary government unit. Component units are those entities which are financially accountable to the primary government, either because the District appoints a voting majority of the component unit's board or because the component unit will provide a financial benefit or impose a financial burden on the District.

**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 costs 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 values. 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.

**C. Financial Reporting**

The District's basic financial statements are presented in conformance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, "*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*" (GASB No. 34). This statement established revised financial reporting requirements for state and local governments throughout the United States for the purpose of enhancing the understandability and usefulness of financial reports.

GASB No. 34 and its related GASB pronouncements provide for a revised view of financial information and restructure the format of financial information provided prior to its adoption. A statement of net assets replaces the balance sheet and reports assets, liabilities, and the difference between them as net assets, not equity. A statement of revenues, expenses and changes in net assets replaces both the income statement and the statement of changes in retained earnings and contributed capital. GASB No. 34 also requires that the statement of cash flows be prepared using the direct method. Under the direct method, cash flows from operating activities are presented by major categories.

**Joshua Basin Water District**  
**Notes to the Financial Statements**  
**For the Fiscal Years Ended June 30, 2012 and 2011**

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

**C. Financial Reporting**

Under GASB No. 34, enterprise funds, such as the District, have the option of consistently following or not following pronouncements issued by the Financial Accounting Standards Board (FASB) subsequent to November 30, 1989. The District has elected not to follow FASB standards issued after that date, unless such standards are specifically adopted by GASB.

**D. Assets, Liabilities and Net Assets**

**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 assets 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.

**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.

**Joshua Basin Water District**  
**Notes to the Financial Statements**  
**For the Fiscal Years Ended June 30, 2012 and 2011**

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

**D. Assets, Liabilities and Net Assets, continued**

**7. Prepaid Expenses**

Certain payments to vendors reflects 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 year
- Surveys and plans – 2 to 5 years

**9. 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.

**10. Net Assets**

The financial statements utilize a net assets presentation. Net assets are categorized as follows:

- **Investment in Capital Assets, Net of Related Debt** – This component of net assets consists of capital assets, net of accumulated depreciation and reduced by any outstanding debt against the acquisition, construction or improvement of those assets.
- **Restricted Net Assets** – This component of net assets consists of constraints placed on net assets use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Assets** – This component of net assets consists of net assets that do not meet the definition of *restricted* or *investment in capital assets, net of related debt*.

**11. Water Sales and Services**

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

**12. Capital Contributions**

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

**Joshua Basin Water District**  
**Notes to the Financial Statements**  
**For the Fiscal Years Ended June 30, 2012 and 2011**

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

**D. Assets, Liabilities and Net Assets, continued**

**13. Reclassifications**

Certain reclassifications of prior year amounts have been made to adhere to the current year presentation of the basic financial statements.

**14. 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 Investments**

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

	<b>2012</b>	<b>2011</b>
Cash on hand	\$ 2,100	2,100
Deposits with financial institutions	207,449	142,734
Deposits in Local Agency Investment Fund	5,180,298	4,897,184
Total cash and investments	\$ 5,389,847	5,042,018

As of June 30, the District's authorized deposits had the following maturities:

	<b>2012</b>	<b>2011</b>
Deposits in Local Agency Investment Fund	268 days	237 days

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

The District is legally empowered by statute and resolution to invest in money-market funds and to invest in the California State Investment Pool – Local Agency Investment Fund. The District's investment policy identifies other investment types that are authorized for the District to invest in under the California Government Code.

***Investment in State Investment Pool***

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code 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.

**Joshua Basin Water District**  
**Notes to the Financial Statements**  
**For the Fiscal Years Ended June 30, 2012 and 2011**

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

***Custodial Credit Risk, continued***

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 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 (such as LAIF).

***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 contains no limitations on the amounts that can be invested in any one issuer as beyond that stipulated by the California Government Code. There were no investments in any one issuer (other than for external investment pools) that represent 5% or more of total District's investments at June 30, 2012 and 2011, respectively.

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

Accounts receivable – water sales and sewer services, net consisted of the following as of June 30:

	<b>2012</b>	<b>2011</b>
Accounts receivable – water sales	\$ 280,471	259,792
Unbilled water sales receivables	226,713	200,824
Standby charges receivables	705,032	497,489
Allowance for doubtful accounts	(290,000)	(400,430)
Total accounts receivable, net	\$ 922,216	557,675

**Joshua Basin Water District**  
**Notes to the Financial Statements**  
**For the Fiscal Years Ended June 30, 2012 and 2011**

**(4) Note Receivable – Property Tax from State**

Under the provisions of the State of California Proposition 1A and as part of the 2010 fiscal year State of California budget package passed by the California State Legislature on July 28, 2009, the State of California borrowed 8.0% of the amount of property tax revenue apportioned to cities, counties and special districts. The State of California is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California State Legislature may consider only one additional borrowing within a ten-year period. The amount of the borrowing pertaining to the District was \$35,975. The borrowing by the State of California was recognized as a note receivable plus accrued interest at 2.0% per annum in the accompanying financial statements as follows:

Note receivable – property tax from state consisted of the following as of June 30:

	2012	2011
Note receivable – property tax from state	\$ 35,975	35,975
Accrued interest receivable on note	1,679	959
Total note receivable	\$ 37,654	36,934

**(5) Capital Assets**

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

Changes in capital assets for the year ended June 30, 2012 were as follows:

	Balance 2011	Additions/	Deletions/ Transfers	Balance 2012
<b>Non-depreciable assets:</b>				
Land and land rights	\$ 496,400	11,777	-	508,177
Construction-in-process	3,314,905	695,170	(1,119,572)	2,890,503
Total non-depreciable assets	3,811,305	706,947	(1,119,572)	3,398,680
<b>Depreciable assets:</b>				
Transmission and distribution system	38,532,051	880,519	-	39,412,570
Structures and improvements	821,390	17,298	(3,663)	835,025
Vehicles and large equipment	1,358,624	145,891	-	1,504,515
Office furniture and equipment	1,145,237	22,803	-	1,168,040
Water rights	263,759	-	-	263,759
Wastewater system in development	22,419	-	-	22,419
Surveys and plans	560,582	53,061	(50,350)	563,293
Total depreciable assets	42,704,062	1,119,572	(54,013)	43,769,621
<b>Accumulated depreciation:</b>				
Transmission and distribution mains	(16,705,272)	(888,417)	-	(17,593,689)
Structures and improvements	(305,303)	(28,444)	3,663	(330,084)
Vehicles and large equipment	(769,312)	(76,551)	-	(845,863)
Office furniture and equipment	(815,112)	(87,123)	-	(902,235)
Water rights	(171,817)	(10,216)	-	(182,033)
Wastewater system in development	(4,857)	(4,484)	-	(9,341)
Surveys and plans	(457,198)	(156,445)	50,350	(563,293)
Total accumulated depreciation	(19,228,871)	(1,251,680)	54,013	(20,426,538)
Total depreciable assets, net	23,475,191	(132,108)	-	23,343,083
Total capital assets, net	\$ 27,286,496	574,839	(1,119,572)	26,741,763

**Joshua Basin Water District**  
**Notes to the Financial Statements**  
**For the Fiscal Years Ended June 30, 2012 and 2011**

**(5) Capital Assets, continued**

Changes in capital assets for the year ended June 30, 2011 were as follows:

	<u>Balance 2010</u>	<u>Additions/</u>	<u>Deletions/ Transfers</u>	<u>Balance 2011</u>
<b>Non-depreciable assets:</b>				
Land and land rights	\$ 496,400	-	-	496,400
Construction-in-process	3,169,928	1,259,527	(1,114,550)	3,314,905
<b>Total non-depreciable assets</b>	<u>3,666,328</u>	<u>1,259,527</u>	<u>(1,114,550)</u>	<u>3,811,305</u>
<b>Depreciable assets:</b>				
Transmission and distribution system	37,755,680	776,371	-	38,532,051
Structures and improvements	543,229	278,161	-	821,390
Vehicles and large equipment	1,358,624	-	-	1,358,624
Office furniture and equipment	1,085,219	60,018	-	1,145,237
Water rights	263,759	-	-	263,759
Wastewater system in development	22,419	-	-	22,419
Surveys and plans	560,582	-	-	560,582
<b>Total depreciable assets</b>	<u>41,589,512</u>	<u>1,114,550</u>	<u>-</u>	<u>42,704,062</u>
<b>Accumulated depreciation:</b>				
Transmission and distribution mains	(15,829,727)	(875,545)	-	(16,705,272)
Structures and improvements	(286,044)	(19,259)	-	(305,303)
Vehicles and large equipment	(665,256)	(104,056)	-	(769,312)
Office furniture and equipment	(735,793)	(79,318)	-	(815,111)
Water rights	(161,601)	(10,216)	-	(171,817)
Wastewater system in development	(374)	(4,484)	-	(4,858)
Surveys and plans	(415,764)	(41,434)	-	(457,198)
<b>Total accumulated depreciation</b>	<u>(18,094,559)</u>	<u>(1,134,312)</u>	<u>-</u>	<u>(19,228,871)</u>
<b>Total depreciable assets, net</b>	<u>23,494,953</u>	<u>(19,762)</u>	<u>-</u>	<u>23,475,191</u>
<b>Total capital assets, net</b>	<u>\$ 37,161,281</u>	<u>1,239,765</u>	<u>(1,114,550)</u>	<u>27,286,496</u>

**Construction-In-Process**

The District is involved in various 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 \$2,890,503 as of June 30, 2012 as follows:

Construction-in-process consisted of the following projects as of June 30, 2012:

<u>Project Description</u>	<u>2012</u>
Water recharge pond	\$ 1,804,179
Water recharge pipe	362,070
Grading for new tank	138,069
Various other minor projects < \$100,000	586,185
<b>Total construction-in-process</b>	<u>\$ 2,890,503</u>

**(6) Compensated Absences**

Changes to compensated absences for 2012, were as follows:

	<u>Balance 2011</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance 2012</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
\$	101,796	56,428	(58,066)	100,158	25,040	75,118

Changes to compensated absences for 2011, were as follows:

	<u>Balance 2010</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance 2011</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
\$	113,803	54,263	(66,270)	101,796	25,449	76,347

**Joshua Basin Water District**  
**Notes to the Financial Statements**  
**For the Fiscal Years Ended June 30, 2012 and 2011**

**(7) Long-Term Debt**

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

	Balance 2011	Additions	Payments	Balance 2012	Current Portion
Long-term debt:					
Bonds payable:					
1974 General obligation bonds	\$ 430,000	-	(100,000)	330,000	105,000
1996 Limited obligation improvement bonds	3,625,438	-	(82,000)	3,543,438	85,000
Total bonds payable	<u>\$ 4,055,438</u>	<u>-</u>	<u>(182,000)</u>	<u>3,873,438</u>	<u>190,000</u>

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

	Balance 2010	Additions	Payments	Balance 2011	Current Portion
Long-term debt:					
Bonds payable:					
1974 General obligation bonds	\$ 525,000	-	(95,000)	430,000	100,000
1996 Limited obligation improvement bonds	3,703,438	-	(78,000)	3,625,438	82,000
Total bonds payable	<u>\$ 4,228,438</u>	<u>-</u>	<u>(173,000)</u>	<u>4,055,438</u>	<u>182,000</u>

**1974 General Obligation Bonds**

In 1974, the District authorized and issued general obligation bonds in the amount of \$2.0 million at an interest rate of 5.00%. The bonds mature through fiscal year 2015 as follows:

Year	Principal	Interest	Total
2013	\$ 105,000	16,500	121,500
2014	110,000	11,250	121,250
2015	115,000	5,750	120,750
Total	<u>330,000</u>	<u>33,500</u>	<u>363,500</u>
Current	<u>(105,000)</u>		
Long-term	<u>\$ 225,000</u>		

**1996 Limited Obligation Improvement Bonds**

In March 1996, the District authorized the issuance of \$4,551,389 in Copper Mountain Mesa limited obligation improvement bonds pursuant to the provisions of the Municipal Improvement Act of 1913. The bonds are payable solely from and secured solely by special assessments on property parcels and the amounts held by the District. The District is not obligated to, but may in its sole discretion, advance available surplus funds from the District treasury. The bonds bear interest at 4.5% per annum. Principal and interest are payable on March 2<sup>nd</sup> and September 2<sup>nd</sup> of each year as follows:

Year	Principal	Interest	Total
2013	\$ 85,000	157,567	242,567
2014	89,000	153,653	242,653
2015	93,000	149,558	242,558
2016	98,000	145,260	243,260
2017	102,000	140,760	242,760
2018-2022	582,000	629,101	1,211,101
2023-2027	722,000	482,940	1,204,940
2028-2032	899,000	301,296	1,200,296
2033-2036	873,438	80,775	954,213
Total	<u>3,543,438</u>	<u>2,240,910</u>	<u>5,784,348</u>
Current	<u>(85,000)</u>		
Long-term	<u>\$ 3,458,438</u>		



**Joshua Basin Water District  
Notes to the Financial Statements  
For the Fiscal Years Ended June 30, 2012 and 2011**

**(8) Net Investment in Capital Assets, Net of Related Debt**

Calculation of net investment in capital assets as of June 30, were as follows:	<b>2012</b>	<b>2011</b>
Investment in capital assets, net of related debt		
Capital assets, not being depreciated	\$ 3,398,680	3,811,305
Depreciable capital assets, net	23,343,083	23,475,191
Current:		
Bonds payable	(190,000)	(182,000)
Non-current:		
Bonds payable	(3,683,438)	(3,873,438)
Total investment in capital assets, net of related debt	\$ 22,868,325	23,231,058

**(9) Unrestricted Net Assets**

Unrestricted net assets as of June 30, were categorized as follows:	<b>2012</b>	<b>2011</b>
Non-spendable net assets:		
Materials and supplies inventory	\$ 153,184	155,886
Prepaid expenses and other deposits	75,505	74,281
Total non-spendable net assets	228,689	230,167
Spendable net assets are designated as follows:		
Capital replacement reserve	3,003,205	2,655,279
Rate stabilization reserve	3,003,205	2,655,279
Total spendable net assets	6,006,410	5,310,558
Total unrestricted net assets	\$ 6,235,099	5,540,725

**(10) Morongo Basin Pipeline Project**

During the year ended June 30, 1991, the District executed an Agreement for construction, operation and financing of the Morongo Basin Pipeline project with the Mojave Water Agency (Agency). Pursuant to this Agreement, the Agency has constructed a pipeline to supply, on a wholesale basis, certain areas of San Bernardino County, including the Joshua Basin Water District, with water from the State Water Project.

Voters within the area to be served by the pipeline project approved the issuance of \$66,500,000 principal amount of general obligation bonds to finance the pipeline project. This resulted in the formation of Improvement District M of the Mojave Water Agency. In the Agreement, the District has agreed to make certain payments to the Agency to cover the District's share of fixed project costs, including debt service.

The District makes annual payments under the Agreement for Improvement District M's general obligation bond sales of \$12,000,000 principal amount in May 1991 (Series A) and \$40,735,000 principal amount in 1993 (Series B). The District is obligated to pay 27% of the debt service on Improvement District M's general obligation bonds.

Improvement District M bonds are general obligations of the Mojave Water Agency and are secured by and payable from the taxes levied upon the taxable property in Improvement District M. As part of the agreement, approximately 70% of the debt service will be derived from the levy of taxes on properties within Improvement District M, and 30% of the debt service on the bonds will be derived from payments to be made by the Mojave Water Agency participants.

**Joshua Basin Water District  
Notes to the Financial Statements  
For the Fiscal Years Ended June 30, 2012 and 2011**

**(10) Morongo Basin Pipeline Project, continued**

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 \$219,544 and \$219,291 for the years ended June 30, 2012 and 2011.

**(11) Defined Benefit Pension Plan**

***Plan Description***

The Agency contributes to the California Public Employees Retirement System (CalPERS), a cost-sharing multi-employer defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public agencies within the State of California. Benefit provisions and all other requirements are established by state statute and the Agency. Copies of CalPERS annual financial report may be obtained from their executive Office: 400 P Street, Sacramento, CA, 95814.

***Funding Policy***

The contribution rate for plan members in the CalPERS, 2.0% at 55 Risk Pool Retirement Plan is 7% of their annual covered salary and is paid by the members. The District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The required employer contribution rates are equal to the annual pension costs (APC) percentage of payroll for fiscal years 2012, 2011 and 2010 as noted below. The contribution requirements of the plan members are established by State statute, and the employer contribution rate is established and may be amended by CalPERS. At fiscal year ended June 30, 2012, the District does not have an unfunded pension liability. For Fiscal years 2012, 2011 and 2010, the District's annual contributions for the CalPERS plan were equal to the Agencies required and actual contributions for each fiscal year as follows:

***Three Year Trend Information:***

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>	<u>APC Percentage of Payroll</u>
2009-2010	\$ 119,308	100%	-	9.511%
2010-2011	124,029	100%	-	10.861%
2011-2012	139,706	100%	-	11.040%

**Joshua Basin Water District**  
**Notes to the Financial Statements**  
**For the Fiscal Years Ended June 30, 2012 and 2011**

**(12) 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, 2012, 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 coverage's.
- Property loss is paid at the replacement cost for property on file (\$31,714,916), if replaced within two years after the loss, otherwise paid on an actual cash value basis, to a combined total of \$100 million per occurrence, subject to a \$2,500 deductible per occurrence.
- Boiler and machinery coverage for the replacement cost up to \$50 million per occurrence, subject to various deductibles depending on the type of equipment.
- 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, 2012. 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 were no IBNR claims payable as of June 30, 2012, 2011 and 2010, respectively.

**Joshua Basin Water District**  
**Notes to the Financial Statements**  
**For the Fiscal Years Ended June 30, 2012 and 2011**

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

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2012, that have effective dates that may impact future financial presentations.

***Governmental Accounting Standards Board Statement No. 60***

In November 2010, the GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. This standard addresses how to account for and report service concession arrangements, a type of public-private or public-public partnership that state and local governments are increasingly entering into. This statement is effective for financial statements for periods beginning after December 15, 2011. The District estimates that this statement will not have an impact on the presentation of the basic financial statements.

***Governmental Accounting Standards Board Statement No. 61***

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity, Omnibus*. This standard is designed to improve financial reporting for governmental entities by amending the requirements of GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 34, *Basic Financial Statement and Management's Discussion and Analysis for State and local Governments*. This statement is effective for financial statements for periods beginning after June 15, 2012. The District estimates that this statement will not have a material impact on the presentation of the basic financial statements.

***Governmental Accounting Standards Board Statement No. 62***

In December 2010, The GASB issued Statement No. 62 – *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

Hereinafter, these pronouncements collectively are referred to as the "FASB and AICPA pronouncements." This Statement also supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided in paragraph 7 of that Statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this Statement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. The provisions of this Statement generally are required to be applied retroactively for all periods presented.

***Governmental Accounting Standards Board Statement No. 63***

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This standard is designed to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. This statement is effective for financial statements for periods beginning after December 15, 2011. The District estimates that this statement will not have a material impact on the presentation of the basic financial statements.

**Joshua Basin Water District**  
**Notes to the Financial Statements**  
**For the Fiscal Years Ended June 30, 2012 and 2011**

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

***Governmental Accounting Standards Board Statement No. 65***

In March 2012, the GASB issued Statement No. 65 – *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. The District estimates that this statement will not have a material impact on the presentation of the basic financial statements.

***Governmental Accounting Standards Board Statement No. 66***

In March 2012, the GASB issued Statement No. 66 – *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. The District estimates that this statement will not have a material impact on the presentation of the basic financial statements.

***Governmental Accounting Standards Board Statement No. 68***

In June 2012, the GASB issued Statement No. 68 – *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve 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.

This Statement 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. The provisions of Statement 68 are effective for fiscal years beginning after June 15, 2014. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

**Joshua Basin Water District  
Notes to the Financial Statements  
For the Fiscal Years Ended June 30, 2012 and 2011**

**(14) Prior Period Adjustment**

<b>Prior period adjustment:</b>	<u>June 30, 2010</u>
Accrual of property tax from state	\$ 35,975
Accrual of investment earnings from property tax from state receivable	240
Over-accrual of property taxes receivable	<u>(100,000)</u>
Total	<u>\$ (63,785)</u>

***Accrual of Property Tax from State***

In fiscal year 2010, the State of California borrowed 8.0% of the amount of property tax revenue apportioned to the District, which amounted to \$35,975. This amount is due and payable to the District as of June 30, 2013. The District did not accrue for this amount as a note receivable – property tax from state in the 2010 fiscal year and therefore are accounting for this transaction as a prior period adjustment. (See note 4 for further information)

***Accrual of Investment Earnings from Property Tax from State Receivable***

In fiscal year 2010, the State of California borrowed 8.0% of the amount of property tax revenue apportioned to the District, which amounted to \$35,975. This amount is due and payable to the District as of June 30, 2013 plus accrued interest on this balance at an interest rate of 2.00%. The District did not accrue for this accrued interest earned amount in the 2010 fiscal year and therefore are accounting for this transaction as a prior period adjustment. (See note 4 for further information)

***Over-Accrual of Property Taxes Receivable***

In prior fiscal year(s), the District accrued for property taxes receivable above the Teeter Plan reconciliation received. The Teeter Plan reconciliation is to make the District whole each year for the property taxes levied each fiscal year. Therefore, the District has recorded a reversal of the property tax receivable of \$100,000 as a prior period adjustment.

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

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

**Joshua Basin Water District**  
**Notes to the Financial Statements**  
**For the Fiscal Years Ended June 30, 2012 and 2011**

**(16) 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.

***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.

**(17) Subsequent Events**

Events occurring after June 30, 2012 have been evaluated for possible adjustment to the financial statements or disclosure as of October 31, 2012, which is the date the financial statements were available to be issued.

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**Report on Internal Controls and Compliance**

DRAFT



**DRAFT**



Charles Z. Fedak, CPA, MBA  
Paul J. Koyumark, CPA  
Christopher J. Brown, CPA

## Charles Z. Fedak & Company

Certified Public Accountants  
An Accountancy Corporation

6081 Orange Avenue  
Cypress, California 90630  
(714) 527-1818  
(562) 598-6565  
FAX (714) 527-9154  
EMAIL [czfco@czfcpa.com](mailto:czfco@czfcpa.com)  
WEB [www.czfcpa.com](http://www.czfcpa.com)

### **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 the basic financial statements of the Joshua Basin Water District (District) as of and for the year ended June 30, 2012 and have issued our report thereon dated October 31, 2012. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### ***Internal Control Over Financial Reporting***

In planning and performing our audits, 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 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.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### ***Compliance and Other Matters***

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 or other matters that are required to be reported under *Government Auditing Standards*.

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 these specified parties.

**Charles Z. Fedak & Company, CPA's - An Accountancy Corporation**  
Cypress, California  
October 31, 2012

**Joshua Basin Water District**

**Management Report**

**June 30, 2012**



**Charles Z. Fedak & Company**

Certified Public Accountants  
An Accountancy Corporation

**Joshua Basin Water District**

**Management Report**

**Table of Contents**

<u>Item</u>	<u>Page No.</u>
General Introduction	1
Summary of Current & Prior Year Comments and Recommendations	2
<b>Appendix:</b>	
Audit/Finance Committee Letter	1-3
Schedule of Audit Adjusting Journal Entries	

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Charles Z. Fedak, CPA, MBA  
Paul J. Kaymark, CPA  
Christopher J. Brown, CPA

## Charles Z. Fedak & Company

Certified Public Accountants  
An Accountancy Corporation

6081 Orange Avenue  
Cypress, California 90630  
(714) 527-1818  
(562) 598-6565  
FAX (714) 527-9154  
EMAIL [czfco@czfcpa.com](mailto:czfco@czfcpa.com)  
WEB [www.czfcpa.com](http://www.czfcpa.com)

Board of Directors  
Joshua Basin Water District  
Joshua Tree, California

### Dear Members of the Board:

We have audited the basic financial statements of the Joshua Basin Water District (the District) as of and for the year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of District's internal control. Accordingly, we do not express an opinion on the effectiveness of District's internal control.

A control deficiency 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 misstatements on a timely basis.

A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected.

Our consideration on internal control was for the limited period described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above; however, we did identify some other matters.

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

**Summary of Current Year Comments and Recommendations**

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

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

**Management's Response**

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

\*\*\*\*\*

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.

**Charles Z. Fedak & Company, CPA's – An Accountancy Corporation**  
Cypress, California  
October 31, 2012

**APPENDIX**

**Joshua Basin Water District**

**Audit/Finance Committee Letter**

**June 30, 2012**

**DRAFT**



Charles Z. Fedak, CPA, MBA  
Paul J. Kaymark, CPA  
Christopher J. Brown, CPA

## Charles Z. Fedak & Company

Certified Public Accountants  
An Accountancy Corporation

6081 Orange Avenue  
Cypress, California 90630  
(714) 527-1818  
(562) 598-6565  
FAX (714) 527-9154  
EMAIL [czfco@czfcpa.com](mailto:czfco@czfcpa.com)  
WEB [www.czfcpa.com](http://www.czfcpa.com)

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, 2012 and have issued our report thereon dated October 31, 2012. 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 June 15, 2012, 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 in our Audit Engagement Letter dated June 15, 2012.



### **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.

We noted no transactions entered into by the District during fiscal year 2012 for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

### **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.

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.

The disclosure of capital assets, net in Note 5 to the basic financial statements is based on historical information which could differ from actual useful lives of each capitalized item.

### **Corrected and Uncorrected Misstatements**

Generally Accepted Auditing 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 as follows:

There were thirteen (13) audit reclassification and adjusting entries proposed and posted to the original trial balance presented to us to begin our audit. (See a listing of those entries attached to this report)

**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.

**Difficulties Encountered in Performing the Audit**

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

**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 October 31, 2012.

**Conclusion**

We appreciate the cooperation extended us by Joe Guzzetta, General Manager, and Susan Greer, Assistant General Manager/Controller, 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.

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.

**Charles Z. Fedak & Company, CPA’s – An Accountancy Corporation**  
Cypress, California  
October 31, 2012

**Joshua Basin Water District**  
**June 30, 2012**  
**Schedule of Audit Adjusting Journal Entries**

<u>Entry #</u>	<u>Status</u>	<u>Account</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
AJE 1	Posted	503-07010	BAD DEBT	15,377.40	
		100-13110	ALLOW. UNCOLL. WATER SALES		7,633.81
		100-13220	ALLOW. UNCOLL. STANDBY		5,107.29
		100-13330	ALLOWANCE FOR COPPER MTN. TAX		2,636.30
<b>AJE - To Adjust Allowance for Bad Debt</b>					
AJE 2	Posted	100-13200	A/R STANDBY - CURRENT YEAR	30,188.37	
		100-13210	A/R STANDBY - PRIOR YEARS	15,807.60	
		100-13310	PROPERTY TAX REC. I.D. #2	12,804.71	
		100-13300	PROPERTY TAX REC. G.D.	12,454.31	
		100-13320	PROPERTY TAX REC.-CMM	8,788.70	
		100-11350	ACCRUED PROP TAX RECEIVABLE		80,043.69
<b>AJE - To Adjust Receivables Balance</b>					
AJE 3	Posted	504-98003	OFFICE EXPENSE ALLOCATED	404.00	
		100-12320	PREPAID PROPERTY INSURANCE		404.00
		100-12325	PREPAID COMP SUPPORT & LICENSE	40.67	
		504-98003	OFFICE EXPENSE ALLOCATED		40.67
<b>AJE - To Adjust Prepaid Expenses</b>					
AJE 4	Posted	100-15301	BUILDINGS - ACCUM DEPREC	2,240.75	
		400-47010	GAIN/LOSS ON SALE OF ASSETS		2,240.75
		599-00000	CAPITAL REPL EXPENSE	2,240.75	
		100-15301	BUILDINGS - ACCUM DEPREC		2,240.75
<b>AJE - To Adjust Capital Assets</b>					
AJE 5	Posted	509-09205	MISC NON-OP EXPENSE	4,973.96	
		200-23010	PROJECT DEPOSITS		4,463.67
		200-23015	DEPOSIT REFUNDS PAYABLE		510.29
		200-23020	PREPAID CAPACITY	35,034.00	
		400-44010	WATER CAPACITY CHARGES		35,034.00
<b>AJE - To Adjust Project Deposits Payable</b>					
AJE 6	Posted	300-31100	UNAPPROP. FUND BAL. G.D.	100,000.00	
		100-13300	PROPERTY TAX REC. G.D.		100,000.00
<b>AJE - To Adjust Property Tax Receivable</b>					
AJE 7	Posted	509-08210	INTEREST EXPENSE I.D. #2		45.83
		200-24010	ACCRUED INT PAYABLE - ID 2	45.83	
		509-08215	INTEREST EXPENSE - CMM	8.43	
		200-24020	ACCRUED INT PAYABLE-CMM		8.43
<b>AJE - To Adjust Interest Payable</b>					
AJE 8	Posted	509-08205	INTEREST EXPENSE - 1997 BONDS	4,262.34	
		400-47000	MISCELLANEOUS REVENUE		4,262.34
<b>RJE - To Reclass Interest Expense Accrual to Misc Revenue</b>					

Board of Directors  
 Joshua Basin Water District

**Joshua Basin Water District**  
**June 30, 2012**  
**Schedule of Audit Adjusting Journal Entries**

<u>Entry #</u>	<u>Status</u>	<u>Account</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>		
<b>AJE 9</b>	<b>Posted</b>	200-22100	ACCRUED WAGES PAYABLE	1,422.93			
		501-01115	PRODUCTION SALARY		106.25		
		502-01130	DISTRIBUTION SALARY		782.93		
		504-01105	ADMINISTRATION SALARY		220.19		
		506-01100	FINANCE SALARY		214.96		
		551-01210	COMPENSATED LEAVE		98.60		
<b>CPE - To Reverse Adjust to Payroll Accrual</b>							
<b>AJE 10</b>	<b>Posted</b>	501-01115	PRODUCTION SALARY	9,140.41			
		502-01130	DISTRIBUTION SALARY	10,450.73			
		502-01130	DISTRIBUTION SALARY	1,314.87			
		503-01105	FIELD SALRY - CUSTOMER SERVICE	1,398.02			
		503-01110	OFFICE SALARY - CUSTOMER SERV.	1,560.86			
		504-01105	ADMINISTRATION SALARY	9,694.64			
		504-01115	DIRECTORS SALARY	868.15			
		504-07005	BUSINESS EXPENSE	66.00			
		505-01105	ENGINEERING/GIS/IT SALARY	3,196.18			
		506-01100	FINANCE SALARY	9,101.36			
		507-01120	SAFETY SALARY	200.00			
		551-01210	COMPENSATED LEAVE	2,685.05			
		551-01215	CAFETERIA PLAN EXPENSE	7,615.00			
		552-05010	AUTO EXPENSE	152.07			
		200-22225	EE Dependent Care		649.16		
		200-22235	RETIREMENT PAYABLE		1,052.69		
		200-22310	Fed Income Tax Withheld		6,150.63		
		200-22320	SOCIAL SECURITY TAX PAYABLE		2,190.20		
		200-22205	Employee Garnishment		198.92		
		200-22215	EE INSURANCE DEDUCTION		4,261.50		
		200-22220	CAFE NON-TAX UNREIMB. MEDICAL		375.01		
		200-22330	MEDICARE TAX PAYABLE		756.16		
		200-22235	RETIREMENT PAYABLE		3,958.84		
		200-22340	SDI Payable		489.40		
		200-22350	STWD Payable		2,109.43		
		200-22245	Union Dues Payable		234.00		
		200-22100	ACCRUED WAGES PAYABLE		35,017.40		
		<b>CPE - To Adjust Payroll Accrual</b>					
		<b>AJE 11</b>	<b>Posted</b>	200-21100	ACCOUNTS PAYABLE	71,100.18	
				501-03120	TANK & RESERVOIR MAINTENANCE		71,100.18
		<b>AJE - To Adjust A/P Balance</b>					
<b>AJE 12</b>	<b>Posted</b>	200-23000	CONSUMER DEPOSITS	75.45			
		400-47000	MISCELLANEOUS REVENUE		75.45		
<b>AJE - To Adjust Consumer Deposits</b>							

Board of Directors  
 Joshua Basin Water District

**Joshua Basin Water District  
 June 30, 2012  
 Schedule of Audit Adjusting Journal Entries**

Entry #	Status	Account	Description	Debit	Credit
AJE 13	Posted	501-98001	EE BENEFITS ALLOCATED	1,530.22	
		502-98001	EE BENEFITS ALLOCATED	2,142.30	
		503-98001	EE BENEFITS ALLOCATED	1,734.25	
		504-98001	EE BENEFITS ALLOCATED	2,040.29	
		505-98001	EE BENEFITS ALLOCATED	714.10	
		506-98001	EE BENEFITS ALLOCATED	1,836.26	
		507-98001	EE BENEFITS ALLOCATED	204.03	
		551-98000	ALLOCATED EXPENSES		10,201.45
		502-98002	FIELD EXPENSES ALLOCATED	152.07	
		552-98000	ALLOCATED EXPENSES		152.07
				<b>RJE - Reclass Expenses for Allocation</b>	
<b>TOTALS</b>				<u>385,067.24</u>	<u>385,067.24</u>

DRAFT

JOSHUA BASIN WATER DISTRICT  
SUPPLEMENTAL DATA SHEET  
AGENDA ITEM #

Meeting of the Board of Directors

December 12, 2012

Report to: President and Members of the Board  
From: Joe Guzzetta, General Manager

TOPIC: APPROVAL OF CONSTRUCTION SUPPORT CONTRACTS FOR  
GROUND WATER RECHARGE PIPELINE PROJECT

RECOMMENDATION: That the Board authorize the following contracts and costs for the ground water recharge project:

- 1) Dudek in the amount of \$125,000 for construction management and inspection;
- 2) Leighton Engineering in the amount of \$68,000 for geotechnical consulting; and
- 3) MSA in the amount of \$30,000 for construction staking; and
- 4) A 10% contingency in the amount of \$22,500.

ANALYSIS: The Board's policy has been to provide construction management and inspection for major construction projects and to use District staff for construction management and inspection for smaller projects. With that in mind, Krieger and Stewart and Dudek Engineering were asked to provide proposals for construction management and inspection for the Recharge Pipeline Project, as both engineering firms have been intimately involved in engineering of the project and both have extensive experience in providing construction management and inspection services.

Krieger & Stewart and Dudek provided proposals of \$185,640 and \$180,700, respectively based on the assumed 22-week construction period and fulltime inspection. As Dudek is currently providing construction management and inspection for the ongoing HDMC treatment plant (which does not have a fulltime inspection requirement), they provided a second proposal to conduct construction management and inspection on a part-time basis during the same time that they are inspecting the Hi Desert Medical Center waste water treatment plant, reducing the cost to \$125,000 for construction management and inspection.

Geotechnical services are also required to test soil compaction and provide other related services. Leighton Engineering was

on the design team and provided the geotechnical testing and consulting for project design. For that reason, it is recommended that they continue to provide the same services during construction, with a proposal cost of \$67,883.

Surveying proposals were received from three firms, including Krieger & Stewart, MSA, and ROW Engineering. Surveying is required to stake the location of the pipeline over the project's 4.5 mile alignment during construction. Proposals ranged between \$28,000 and \$48,000. It is recommended that the MSA be awarded the construction staking contract at a cost of \$28,765.

The exact cost of each of these service categories will depend on the length of construction and the field conditions that are encountered during construction.

The ad hoc Engineering Committee (Directors Coate and Long) have reviewed the construction management and geotechnical information. The survey information was obtained after the committee meeting.

Financial Impact: The costs are included in the current year budget and are eligible for reimbursement from grant funds.

**JOSHUA BASIN WATER DISTRICT  
WATER RECHARGE PIPELINE PROJECT**

**PROPOSAL FOR CONSTRUCTION MANAGMENT & INSPECTION SERVCIES (FULLTIME INSPECTION)**

**DUDEK**

November 2012

TASK / SUBTASK DESCRIPTION	DIRECT LABOR HOURS				Hours	SUBCON FEE	TOTAL
	Staffing Discipline : Direct Labor Rate :	PIC/PM \$195	PE/INSP \$105	CADD \$115			
TASK 1: PRE-CONSTRUCTION MEETING .....		2	4		2	8	\$ 980
TASK 2: SUBMITTAL REVIEW .....			75		25	100	\$ 10,000
TASK 3: CONTRACT ADMINISTRATION .....		44	264		132	440	\$ 47,520
TASK 4: CONSTRUCTION INSPECTION .....			880			880	\$ 92,400
TASK 5: CONSTRUCTION STAKING .....			70			70	\$ 37,350
TASK 6: MATERIALS TESTING & GEOTECHNICAL .....					0	\$68,000	\$ 68,000
TASK 7: RECORD DRAWINGS .....			8	24		32	\$ 3,600
<i>Subtotal:</i>		46	1,301	24	159	1,530	\$ 259,850
<b>OTHER DIRECT COSTS</b>							
Printing & Reproduction .....							\$ 150
Mail & Delivery Services .....							\$ 200
Local Travel Services .....							\$ 18,500
<i>Subtotal ODCs:</i>							\$ 18,850
<b>TOTAL PROPOSED LABOR EFFORT &amp; FEE .....</b>		<b>46</b>	<b>1,301</b>	<b>24</b>	<b>159</b>	<b>1,530</b>	<b>\$ 278,700</b>
· Dudek CM & Inspection Fee .....							\$ 180,700
· Leighton Geotechnical & Materials Testing Fee .....							\$ 30,000
· MSA Construction Staking Fee .....							\$ 68,000

**DEFINITIONS:**

PIC / PM = Principal in Charge / Project Manager, PE/INSP = Project Engineer & Inspector, CADD = CADD Designer, CL/WP = Clerical/Word Processing.



**JOSHUA BASIN WATER DISTRICT  
WATER RECHARGE PIPELINE PROJECT**

**PROPOSAL FOR CONSTRUCTION MANAGMENT & INSPECTION SERVCIES (PARTTIME INSPECTION)**

**DUDEK**

November 2012

TASK / SUBTASK DESCRIPTION	DIRECT LABOR HOURS				Hours	SUBCON FEE	TOTAL
	Staffing Discipline : Direct Labor Rate :	PIC/PM \$195	PE/INSP \$105	CADD \$115			
TASK 1: PRE-CONSTRUCTION MEETING .....		2	4		2	8	\$ 980
TASK 2: SUBMITTAL REVIEW .....			75		25	100	\$ 10,000
TASK 3: CONTRACT ADMINISTRATION .....		40	264		66	370	\$ 41,130
TASK 4: CONSTRUCTION INSPECTION .....			440			440	\$ 46,200
TASK 5: CONSTRUCTION STAKING .....			40			40	\$ 34,200
TASK 6: MATERIALS TESTING & GEOTECHNICAL .....						0	\$ 68,000
TASK 7: RECORD DRAWINGS .....			8	24		32	\$ 3,600
<i>Subtotal:</i>		42	831	24	93	990	\$ 204,110
<b>OTHER DIRECT COSTS</b>							
Printing & Reproduction .....							\$ 150
Mail & Delivery Services .....							\$ 200
Local Travel Services .....							\$ 18,500
<i>Subtotal ODCs:</i>							\$ 18,850
<b>TOTAL PROPOSED LABOR EFFORT &amp; FEE .....</b>		<b>42</b>	<b>831</b>	<b>24</b>	<b>93</b>	<b>990</b>	<b>\$ 222,960</b>
· Dudek CM & Inspection Fee .....							\$ 124,960
· Leighton Geotechnical & Materials Testing Fee .....							\$ 30,000
· MSA Construction Staking Fee .....							\$ 68,000

**DEFINITIONS:**

PIC / PM = Principal in Charge / Project Manager, PE/INSP = Project Engineer & Inspector, CADD = CADD Designer, CL/WP = Clerical/Word Processing.

# Right-Of-Way Engineering Services, Inc.

## Land Surveying



December 3, 2012

Mr. Justin Scheidel, P.E.  
 Dudek  
 605 Third Street  
 Encinitas, Ca 92024

Subject: Construction staking for the Joshua Basin Water District Water Recharge Supply Pipeline  
 (23, 765 L.F.)

Dear Mr. Scheidel,

I have prepared the following scope of work and related fees to provide construction staking for 23,765 L.F. of pipeline.

Scope of work

Task	Hours	Cost
1. Offset stakes along 23,765 L.F. of pipeline as shown on the approved plans	128.0	\$28,800.00
Staking will include:		
<ul style="list-style-type: none"> <li>▪ Offset stakes on 50' intervals with grades to FL</li> <li>▪ Bore and receiving pits</li> <li>▪ Limits of restrained joints</li> <li>▪ Limits of casings</li> <li>▪ Points of connection</li> <li>▪ Horizontal and vertical angle points</li> <li>▪ Air valve locations</li> </ul>		
2. Monument perpetuation, based on 13 monuments shown on the plan set that may be destroyed or disturbed during construction.		\$15,600.00
<ul style="list-style-type: none"> <li>▪ Tie out monuments that may be destroyed by construction</li> <li>▪ Prepare and file with the county of San Bernardino pre and post construction corner records, in compliance with the land surveyor's act.</li> <li>▪ Reset monuments destroyed by construction (Destroyed or disturbed well monuments to be provided and constructed by the contractor)</li> </ul>		
3. Office support	24.0	\$2,160.00
<ul style="list-style-type: none"> <li>▪ Staking alignment calculation</li> <li>▪ Grade sheet setup</li> </ul>		
4. Supervision / Coordination	6.0	\$720.00
<b>Total (time and material) not to exceed</b>		<b>\$47,280.00</b>

**Please Note:**

13 survey monuments were identified on the plan set close enough to the proposed construction to warrant perpetuation. The assumption is made that since there were no monuments shown as found no additional monuments exist.

This proposal is based on review of a plan sets received from the Dudek Signed May 5, 2012. Every effort has been made to accurately predict the required staking, should the tasks or scope differ from the above stated tasks or scope Right-of-Way Engineering Services, Inc. reserves the right to amend our proposal.

Sheet 2 of the plan set, items 17 and 18 under Caltrans General Notes are specifically excluded from this proposal. If necessary these tasks can be provided for an additional fee.

**Understandings and Exclusions:**

This proposal is based on providing one set of stakes for each task listed.

This proposal is based on having a minimum of 4,000 L.F. of staking requested for each visit to the job site.

All construction staking requests must be specific and made in writing 48 hours prior to the field staking. However, every effort shall be made to respond to staking request as soon as our survey crews schedule permits.

All staking is assumed to be conducted in a timely and continuous manner. If tasks are phased or repeatedly started and stopped, additional work to accommodate that schedule shall be considered as additional service.

Staking areas shall be cleared prior to survey crew arrival on site.

Offset lines and grades are for construction control layout lines. Contractor has final responsibility for implementing the design of the project from the layout lines and the plans.

Acceptance and preservation of construction stakes, once set, is the responsibility of the Contractor.

Contractor shall use three consecutive offset stakes to determine the line and grade. Should the contractor not have three consecutive stakes in conformity with line and grade, it shall be the contractor's responsibility to notify the project inspector or assume responsibility for using less than three consecutive stakes to determine the line and grade.

Right-of-Way Engineering Services field crews are all members of the Operating Engineers Local 12 and paid prevailing wage.

Thank you for the opportunity to join your team on this project  
Sincerely,

Right-of-Way Engineering Services, Inc.

  
Michael Schlumpberger, P.L.S., President

October 24, 2012

Proposal No. P612-00639

Joshua Basin Water District  
c/o Dudek Engineering  
750 Second Street  
Encinitas, California 92024-4406

Attention: Mr. D. Michael Metts, PE  
District Engineer

**Subject: Proposal for Geotechnical Observation and Testing  
Joshua Basin Water District's (JBWD's)  
Proposed Supply Pipeline Backfill Testing  
Yucca Mesa Road and Twentynine Palms Highway (SR-62)  
Joshua Tree, Unincorporated San Bernardino County, California**

Following our discussions last week and today with Mark Messersmith with Krieger & Stewart, Leighton Consulting, Inc. is pleased to present this proposal to provide geotechnical (soils) observation and testing services during installation of this proposed recharge basins supply pipeline in Joshua Tree, unincorporated San Bernardino County, California. **This proposal addresses only supply pipeline trench backfill testing.** This is a scope and fee proposal. Upon request, we can send you information regarding our qualifications. However, Leighton Consulting, Inc., is uniquely qualified to provide these geotechnical services during construction because we prepared the February 7, 2012 *Geotechnical Exploration* report for this project.

#### **PROJECT DESCRIPTION**

As documented in our February 7, 2012 *Geotechnical Exploration* report for this project, groundwater recharge basins will be constructed on the east side of the Joshua Tree community in unincorporated San Bernardino County, north of State Route (SR) 62 (Twentynine Palms Highway). Water will be brought to these basins via a pressurized pipeline that will convey water from the eastern edge of the Town of Yucca Valley to these basins. This proposal addresses only pipeline trench backfilling, for a pipeline alignment reportedly 4½ miles (23,671 feet) long; installed within existing Yucca Mesa Road, Twentynine Palms Highway (SR-62), Sunset Road (in Joshua Tree), Chollita

Road, Sunburst Avenue and Verbena Road, all in unincorporated San Bernardino County, California. However, Twentynine Palms Highway (SR-62), is Caltrans right-of-way and Caltrans has jurisdiction over this portion of the proposed alignment.

## **PROPOSED SCOPE OF WORK**

Our scope of services during construction will consist of geotechnical observation, field density testing of backfill, geotechnical laboratory testing and management of our services and quality review. Site safety is the responsibility of the contractor. Therefore, we will notify your site representative whenever we are on site. We will provide our field representatives with conventional and customary personal protection for construction sites, including a hard hat, orange vest and eye protection, and they will wear hard sole shoes. Let us know if any additional personal protection is required specific to this site/alignment and project.

Our field personnel will also check-back-in at the project field-office on-site, upon completion of activities for the day. Our *Daily Field Reports* (DFRs) will be brought to the project superintendent or designated field representative (e.g. District's construction manager), to confirm activities and hours worked each day; and for their signature on our DFR for their confirmation and comprehension of what was reported. For planning purposes, we propose the following scope for work:

- **Geotechnical Laboratory Testing:** We will perform geotechnical laboratory testing of representative on-site and imported soils, and possibly aggregate base materials to determine the ASTM D 1557-09 laboratory maximum dry density and optimum moisture content ("compaction curves"), and corresponding grain size distribution to match tested soils with the appropriate compaction curve. Additional geotechnical laboratory testing such as Sand Equivalent (SE) and R-value (of pavement subgrades) are included in our budget and are expected to be required by Caltrans for portions of this pipeline alignment within Caltrans right-of-way. Corrosivity or other tests are **not** currently budgeted.
- **Backfill Observation and Testing:** We will provide full-time observation and testing of backfill placement, as fill thickness and the earthwork contractor's schedule requires.
- **Office Support:** We will coordinate our field personnel and provide professional administrative services. We will also provide project geotechnical testing management, supervision and internal quality control, which will be provided by our Field Operations Manager and Project Manager (Geotechnical Engineer). DFRs written by our technicians in the field will be reviewed in the office and prepared for distribution. Laboratory tests results will also be reviewed and distributed.

Geotechnical concerns encountered in the field and noted on DFRs, and/or non-conforming laboratory tests results, will be brought to the attention of your project manager or designated representative. A final compacted fill report is currently proposed and budgeted, but may not be required.

## **SCHEDULE**

We are prepared to begin this work immediately upon receipt of your signed authorization to proceed. However, we would appreciate at least two working days advance notice when scheduling our field personnel at the commencement of construction; work thereafter may be scheduled with one working day notice. We will need representative bulk-samples of intended backfill material at least two working days before backfill compaction is proposed, for compaction curve (ASTM D 1557) and sieve analyses laboratory testing.

We anticipate our personnel will be on site periodically for both full time and/or part time observation and testing, as requested by your field representative. We request that you "partner-with-us" to manage our budget, by avoiding unnecessary trips to the site and to combine required observation and testing, whenever possible into one visit. We will work with your field representative to reduce standby time or unnecessary trips to the site/alignment.

## **FEES AND TERMS**

### **Fees**

Our services will be provided on a time-and-expense basis as-requested, on-call and part-time. These proposed geotechnical (backfill density) testing services during construction will be performed on a time-and-expense basis at unit rates listed on the attached *2011 Professional Fee Schedule* (8 pages), with our prevailing wage soils technician **discounted down to \$94 per hour**. We have also **waived nuclear moisture/density gauge charges** for this project. Our hourly rates are based on the assumption that this is a California prevailing wage project. Our fees will be reduced if this project is not subject to California prevailing wage requirements.

### **Budget Estimate**

At the time of preparing this proposal, a formal project schedule was **not** available to us. But we have assumed a pipeline installation production-rate of 400 feet-per-day, requiring 60 working days to complete this pressurized pipeline installation and backfilling. This proposal **excludes** basin construction observation. Due to the remoteness of the site, we have assumed we will be on-site only 6 hours a day, for 8-

hour days including travel time (although travel time costs may be reduced and replaced with three days per diem per week). We have estimated a budget for these services as shown on the attached Table 1, *Breakdown of Estimated Fees* (1-page). As shown on Table 1 and based on the above scheduling assumptions, we estimate that our fees to provide geotechnical (backfill density) testing services for this new Joshua Basin pipeline will be \$68,000. Consideration should be given to a contingency, which is commonly 20% and would raise this budget to roughly \$80,000. Actual amount of our time and our associated fees will be dependent on weather, possibly unanticipated subsurface conditions, and the contractor's means-and-methods, schedule, sequencing, pace and efficiency. Therefore, our fee may vary from what is estimated above.

The following assumptions have been made in estimating our costs for geotechnical testing services during construction:

- **Access:** We assume pipeline trenches will be safely and readily accessible to our staff and equipment during construction. The contractor will provide safe and adequate trench shoring.
- **No Professional Consultation:** Our estimate does not include costs for unanticipated additional geotechnical design consultation, plan reviews or third-party review.
- **No Materials Testing:** We assume that there is no structural reinforced-concrete or other construction materials testing (other than earthwork and pavements) associated with this current project.
- **Invoicing:** We assume that our standard invoice and breakdown of fees will be acceptable for payment. A typical copy can be provided upon request.

#### **Terms and Conditions**

If you wish us to proceed, please send us an agreement to our Rancho Cucamonga office to review and sign. Or, if preferred, we can send you our *Master Services Agreement* for your review and execution.

**CLOSURE**

We appreciate this opportunity to be of additional service. If you have any questions or information that would update our scope of work and budget, please contact us at your convenience at (866) LEIGHTON, directly at the phone extensions and e-mail addresses below.

Respectfully submitted,

LEIGHTON CONSULTING, INC.

Thomas C. Benson, Jr., PE, GE  
President and CEO  
Extension 8771, [tbenson@leightonconsulting.com](mailto:tbenson@leightonconsulting.com)

TCB:tcb

Attachments: Table 1, Breakdown of Estimated Fees (1 page)  
*2011 Professional Fee Schedule (8 pages)*

Distribution: (2) addressee



## BREAKDOWN OF ESTIMATED FEES

### GEOTECHNICAL OBSERVATION AND TESTING DURING CONSTRUCTION

#### JOSHUA BASIN WATER DISTRICT, SUPPLY PIPELINE (ONLY)

#### 400-FEET OF PIPELINE BACKFILL PER DAY=60 DAYS

<u>Geotechnical and Materials Laboratory Testing</u>	<u>Quantity</u>	<u>Unit</u>	<u>Unit Rate</u>	<u>Amount</u>
Modified Proctor compaction curve (ASTM D 1557-09)	20	samples	\$220	\$4,400
Soil and aggregate sieve analysis (ASTM D 6913-04 and C 136-06)	20	samples	\$135	\$2,700
Sand Equivalent (SE)	2	samples	\$105	\$210
Corrosion suite (pH, minimum resistivity, soluble sulfate and chloride)	0	samples	\$245	\$0
R-value (CTM 301 for pavements)	2	samples	\$310	<u>\$620</u>
			<b>Subtotal:</b>	\$7,930
<u>Geotechnical Fieldwork (Observation and Testing)</u>	<u>Quantity</u>	<u>Unit</u>	<u>Rate</u>	<u>Amount</u>
<b>PIPELINE:</b> Geotechnical Field Technician (60 days <b>prevailing wage</b> )	480	hours	<b>\$94</b>	\$45,120
Nuclear Density Gauge ( <i>charges waived for this project, only</i> )	60	days	<b>\$0</b>	\$0
Field Operations Manager ( <i>monthly visit</i> )	17	hours	\$144	\$2,448
Vehicle with testing equipment	497	hours	\$15	<u>\$7,455</u>
			<b>Subtotal:</b>	\$55,023
<u>Project Management, Quality Review and Reporting</u>	<u>Hours</u>	<u>Unit</u>	<u>Rate</u>	<u>Amount</u>
Project Manager, PE, GE (Associate)	12	hours	\$200	\$2,400
Senior Staff Engineer (Final As-Built Report)	10	hours	\$125	\$1,250
CAD Operator (Final As-Built Report)	4	hours	\$110	\$440
Project Administrator/Word Processor	12	hours	\$70	<u>\$840</u>
			<b>Subtotal:</b>	<u>\$4,930</u>
<b>TOTAL ESTIMATED FEE:</b>	Duration= 3 months			<b>\$67,883</b>

Leighton Consulting, Inc.  
Palm Desert, California



**2011 PROFESSIONAL FEE SCHEDULE\*  
PROFESSIONAL SERVICES**

<b>Technical Staff</b>	<b>Hourly Rate</b>
Special Inspection/Technician-Materials .....	\$80
Special Inspection/Technician-Materials – Welding, Masonry & Fabrication .....	85
Special Inspection/Technician-Materials (Prevailing Wage)** .....	95
Special Inspection/Technician-Materials – Welding, Masonry & Fabrication (Prevailing Wage)**.....	100
Technician I .....	85
Technician II .....	90
Senior Technician.....	95
Soil/Field Technician (Prevailing Wage) ** .....	<b>94</b>
Remediation System Operation & Maintenance Specialist.....	105
Materials Inspection Manager .....	110
Staff Engineer/Geologist/Scientist/Field Supervisor .....	125
Senior Staff Engineer/Geologist/Scientist.....	140
Project Engineer/Geologist/Scientist/Operations Manager.....	160
Senior Project Engineer/Geologist/Scientist.....	180
Associate.....	200
Principal.....	215
Senior Principal .....	260
<b>Technical Support Staff</b>	<b>Hourly Rate</b>
Project Administrator /Word Processor .....	\$78
Information Specialist.....	105
CAD Operator.....	110
GIS Specialist.....	125
<b>Miscellaneous</b>	<b>Hourly Rate</b>
Vehicle usage.....	\$15

\* Effective through **June 30, 2013**, after which remaining work will be billed at then-current rates.

\*\* Subject to change based upon project advertised date and changes in California prevailing wage rates. Prevailing wage rates presented in this fee schedule will increase by \$5.00 per hour on **July 1, 2013** in conjunction with the scheduled increase in California Prevailing Wage law. Prevailing wage time accrued will include portal to portal travel time.

**FIELD EQUIPMENT LIST**

<b>Task</b>	<b>Equipment, Supplies and Materials</b>	<b>Unit Rate</b>
8200	Box of 10 soil drive-sample rings	\$25 per day
9511	Mileage (current published IRS rate)	IRS rate/mile
9512	Service Vehicle Usage	150 per day
9516	Brass Sample Tubes	10 each
9594	Caution Tape (1000-foot roll)	20 each
9575	Combination Lock or Padlock	11 each
9533	Consumables (gloves, rope, soap, tape, etc.)	35 per day
9564	Core Sample Boxes	11 each
9565	Cutoff Saws, reciprocating, electric (Saws-All)	75 per day
9566	D.C. Purging Pump, 3 gpm	30 per day
9517	Disposable Bailers	12 each
9567	Dissolved Oxygen Meter	45 per day
9555	DOT 55-gallon Containment Drum with lid	65 each
9597	Double-Ring Infiltrometer (ASTM D 3385-09) equipment	350 per day
9599	Electrical Resistivity Meter (Wenner array for in-situ measurements from the surface)	80 per day
9569	Four Gas Meter	110 per day
9537	Generator, portable gasoline fueled, 3,500 watts	90 per day
9590	GPS Trimble Unit	75 per day
9531	Hand Auger	90 per day
9540	High-resolution Global Positioning System (GPS) unit (Trimble®)	80 per day
9538	In-Situ Level Troll 500 (each)	90 per day
9539	In-Situ Troll 9500 Low Flow Water Sampling Equipment	150 per day
9543	Level B Protection (per person)	400 per day
9544	Level C Protection (per person)	200 per day
9574	Magnahelic Gauges, each	15 per day
9547	Nitrile Gloves	20 per pair
9535	Nuclear Moisture and Density Gauge (licensed, calibrated, swipe tested)	-0- per day
9522	pH/Conductivity/Temperature Meter	55 per day
9562	Photo-Ionization Detector (PID)	110 per day
9557	Pump, Typhoon 2 or 4 Stage	50 per day
9581	Slip / Threaded Cap, 2-inch or 4-inch diameter, PVC Schedule 40	15 each
9593	Safety Fence (100-foot roll)	50 per day
9525	Stainless Steel Bailer	40 per day
9526	Submersible Pump, 10 gpm, high powered Grunfos 2-inch with controller	160 per day
9527	Submersible Sump/Transfer Pump, 10-25 gpm	50 per day
9595	Survey/Fence Stakes	5 each
9585	Tedlar® Bags	18 each
9586	Traffic Cones (≤25)/Barricades (single lane)	50 per day
9556	Tubing, clear vinyl 3/8-inch diameter	.55¢ per foot
9528	Turbidity Meter	70 per day
9548	Tyvek® Suit (each)	18 each
9529	Vapor Sampling Box	45 per day
9588	Visqueen, 6-mil, 20 feet x100 feet roll, 6-mil	75 per roll
9536	Water Level Indicator (electronic well sounder) <300 feet deep well	60 per day
9598	Water Level Indicator Dual Phase	80 per day
9601	Manometer (floor level measuring device using contained water)	80 per day
9602	Specialized Geotechnical Testing & Monitoring Equipment (site specific)	Quote Upon Request
9600	SVE Thermal Oxidizer	Quote Upon Request



**UNIT RATE GEOTECHNICAL (SOILS) LABORATORY TESTING**

Task	Classification and Index Properties	Method	Per Test
8002	Moisture Content	ASTM D 2216	\$20
8003	Moisture and Density (Ring Samples)	ASTM D 2937	30
8004	Moisture Content & Density ( <i>Shelby tube or requires cutting</i> )	ASTM D 2937	40
8005	Atterberg Limits (3 points)	ASTM D 4318	150
8006	Single Point / Non-plastic	ASTM D 4318	84
8024	Atterberg Limits (Organic)	ASTM D 2487 / 4318	182
8007	Visual classification of point as non-plastic	ASTM D 2488	11
8008	Particle Size: Sieve ONLY (1½-inch to #200)	ASTM D 422	110
8023	Large Sieve (6-inch to #200)	ASTM D 422/C136	175
8009	Hydrometer ONLY	ASTM D 422	110
8010	Sieve + Hydrometer (≤3-inch sieve)	ASTM D 422	185
8011	Dispersive Characteristics of Clay Soil ( <i>Double Hydrometer</i> )	ASTM D 4221	89
8012	Specific Gravity: Fine (passing #4)	ASTM D 854 / CTM 207	125
8013	Coarse (retained on #4)	ASTM C 127 / CTM 206	100
8014	Total Porosity – On Shelby tube sample	<i>calculated from density &amp; specific gravity</i>	137
8015	Total Porosity – On other sample		105
8016	Photograph of sample		11
8017	Shrinkage Limits ( <i>Wax Method</i> )	ASTM D 4943	126
8018	Pinhole Dispersion	ASTM D 4647	210
8020	Percent Passing #200 Sieve wash ONLY	ASTM D 1140	70
8021	As-Received Moisture and Density ("chunk" or carved samples)		58
8022	Sand Equivalent (SE)	ASTM D 2419 / CTM 217	105
<b>Soil Chemistry and Corrosivity</b>		<b>Method</b>	<b>Per Test</b>
8050	pH	CTM CA Test 532/643	\$42
8051	Electrical Resistivity – single point – in-situ moisture		42
8052	Minimum Resistivity (≥3 moisture content points)	CTM CA Test 532/643	89
8053	pH + Minimum Resistivity	CTM CA Test 532/643	131
8054	Sulfate Content - Gravimetric	CTM CA Test 417 Part II	68
8055	Sulfate Screen	HACH kit	32
8056	Chloride Content	CTM CA Test 422	68
8057	Corrosion Suite: pH, Chloride, Minimum Resistivity & Sulfate ( <i>gravimetric</i> )	CTM CA Test 532/643	245
8058	Organic Matter Content	ASTM 2974	63
<b>Shear Strength</b>		<b>Method</b>	<b>Per Test</b>
8070	Pocket Penetrometer		\$16
8072	Direct Shear (3 points) <i>Consolidated Undrained - 0.05 in./min.</i>	ASTM D 3080 mod.	285
8073	Direct Shear (3 points) <i>Consolidated Drained - &lt;0.05 in./min.</i>	ASTM D 3080	345
8074	Residual Shear (price per each additional pass after shear)	EM 1110-2-1906-IXA	50
8075	Remolding or Hand Trimming of specimens (3 points)		90
8076	Oriented or Block Hand Trimming (per hour)		65/hour
8077	Daily equipment usage rate (after 2 days)		35/day
8079	Single Point Shear		105
8080	Torsional Shear		820
<b>Compaction and Pavement Subgrade Tests</b>		<b>Method</b>	<b>Per Test</b>
8094	Standard Proctor Compaction (Maximum Density), 4 points	ASTM D 698	
8092	4 inch diameter mold	Methods A and B	\$182
8093	6 inch diameter mold	Method C	215
	Modified Proctor Compaction (Maximum Density), 4 points	ASTM D 1557	
8100	4 inch diameter mold	Methods A and B	220
8101	6 inch diameter mold	Method C	245
8102	Check Point	per point	65



**UNIT RATE GEOTECHNICAL (SOILS) LABORATORY TESTING (Continued)**

<b>Task</b>	<b>Compaction and Pavement Subgrade Tests (Continued)</b>	<b>Method</b>	<b>Per Test</b>
8000	Relative Compaction of Untreated & Treated Soils & Aggregates (Caltrans CTM 216: Caltrans wet density compaction curve)	CTM 216	\$250
8103	Relative Density (0.1 cubic foot mold)	ASTM D 4253, D 4254	236
8104	California Bearing Ratio (CBR) – 3 point *	ASTM D 1883	500
8105	– 1 point *		184
* Compaction (Maximum Density) should also be performed – not included in above prices			
8090	R-Value – Untreated	CTM 301	310
8091	R-Value – Lime or cement treated soils (<7% additive)	CTM 301	338
<b>Triaxial Tests</b>			
		<b>Method</b>	<b>Per Test</b>
8120	Unconfined Compression Strength of Cohesive Soil ( <i>with stress/strain plot</i> )	ASTM D 2166	\$135
8121	Unconsolidated Undrained Triaxial Compression Test on Cohesive Soils (USACE Q test) ( <i>per confining stress</i> )	ASTM D 2850	168
8122	Consolidated Undrained Triaxial Compression Test for Cohesive Soils (CU, USACE R-bar test) with Back Pressure Saturation & Pore Water Pressure Measurement ( <i>per confining stress</i> )	ASTM D 4767	375
--	Consolidated Drained Triaxial Compression Test (CD, USACE S test) with Volume Change Measurement. Price per soil type below:	EM 1110-2-1906(X)	
8123	Sand or silty sand soils ( <i>per confining stress</i> )		375
8124	Silt or clayey sand soils ( <i>per confining stress</i> )		500
8125	Clay soils ( <i>per confining stress</i> )		705
8117	Three-stage Triaxial Tests (sand or silty sand soils)		656
8118	Three-stage Triaxial Tests (silt or clayey sand soils)		875
8119	Three-stage Triaxial Tests (clay soils)		1,234
8169	Remolding of Test Specimens		65
<b>Consolidation and Expansion/Swell Tests</b>			
		<b>Method</b>	<b>Per Test</b>
8140	Consolidation ( <i>11 loads up to 16 ksf &amp; unload to 0.25 with strain vs. load curve and one time-rate-of-consolidation curve</i> )	ASTM D 2435	\$195
8141	Each additional Time Curve		45
8142	Each additional load/unload w/o Time Reading		42
8143	Expansion Index (EI)	ASTM D 4829-08	131
8145	Swell/Collapse Test – Method A ( <i>Up to 10 load/unloads w/o time curves</i> )	ASTM D 4546-A	289
8146	Single Load Swell/Collapse Test - Method B ( <i>Seat, load, and inundate only</i> )	ASTM D 4546-B	105
8148	Collapse Potential of Soils	ASTM D 5333	220
<b>Hydraulic Tests</b>			
		<b>Method</b>	<b>Per Test</b>
8162	Triaxial Permeability in Flexible-Wall Permeameter with Backpressure Saturation (at One Effective Stress)	EPA 9100/ASTM D 5084 (Falling Head Method C)	\$310
8163	- Each Additional Effective Stress		121
8164	- Hand Trimming of Soil Samples for Horizontal K		58
8169	Remolding of Test Specimens		65
8174	Permeability of Granular Soils (Constant Head)	ASTM D 2434	\$135
<b>Soil-Cement</b>			
		<b>Method</b>	<b>Per Test</b>
8106	Moisture-Density Relations of Soil-Cement Mixtures	ASTM D 558	\$240
8107	Wet-Dry Durability of Soil-Cement Mixtures*	ASTM D 559	1,205
8130	Compressive Strength of Molded Soil-Cement Cylinders* (per cylinder)	ASTM D 1633	60
8161	Soil-Cement Remolded Specimen* (for shear strength, consolidation, etc.)		236
*Compaction (ASTM D 558 maximum density) should also be performed – not included in above price			



**MATERIALS TESTING AND INSPECTION SCHEDULE OF SERVICES**

<b>Task</b>	<b>Technician Services</b>	
6236	In-situ surface Wenner soil resistance test (including equipment)	Quote upon request, site specific
6237	Pull-out Test on Embedded Bolts, Anchors and Dowels (including equipment)	Quote upon request, site specific
6238	Earth Anchor Hold Down Test (4 hour, full load application with 5 tests minimum)	Quote upon request, site-specific
6239	Earth Anchor Hold Down Test (Prelude / short term with full load)	Quote upon request, site-specific
6240	Coring concrete, masonry or asphalt in the field	Quote upon request, site-specific
6241	Sawing concrete, masonry or asphalt in the field	Quote upon request, site-specific
6242	Pick-up and Delivery – (weekdays, per trip, <50 mile radius from Leighton office)	80
6232	Coring and Sizing (in house, at Leighton laboratories)	80

<b>Task</b>	<b>Concrete Strength Characteristics</b>	<b>Method</b>	<b>Per Test</b>
7200	Concrete Cylinders (6-inch by 12-inch) - Compression	ASTM C 39	\$25
7201	Gunite /Shotcrete Cores (laboratory coring and testing only)	ASTM C 42	60
7202	Lightweight Fill Concrete (3-inch by 6-inch)	ASTM C 495	30
7203	Compression, Concrete or Masonry Cores (testing only) ≤6-inch diameter	ASTM C 42	40
7220	Trimming concrete cores (per core)		20
7204	Splitting Tensile – 6-inch by 12-inch cylinder	ASTM C 496	50
7205	Flexural Strength of Concrete (Simple Beam with 3rd pt. Loading)	ASTM C 78	65
7206	Mix Design, Determination of Proportions		250
7207	Mix Design, Review of Existing		150
7208	Laboratory Trial Batch with Slump, Unit Weight & Air Content	ASTM C 192	457
7209	6-inch by 12-inch Cylinder, Make and Test (lab trial batch)	ASTM C 192	25
7210	3-inch by 6-inch Grout Prisms, Make and Test (lab trial batch)	ASTM C 192	25
7211	6-inch by 6-inch Flexural Beams, Make and Test (lab trial batch)	ASTM C 192	65
7213	Cylinder molds, 6-inch by 12-inch, 2-inch by 4-inch when not used with testing		3
7214	Unit Weight of Hardened Light weight Concrete	ASTM C 567	50
7215	Rapid Cure Concrete Cylinders (Boil Method)	ASTM C 684	50
7216	Drying Shrinkage (Four Readings, up to 90 days, 3 bars)	ASTM C 157	400
7217	Modulus of Elasticity/Poisson's Ratio 3-inch by 6-inch cores	ASTM C 469	350
7376	Flexural Strength of Concrete (simple beam w/ center point loading) †	CTM 523	65
<b>Task</b>	<b>Aggregate Properties</b>	<b>Method</b>	<b>Per Test</b>
7240	Sieve Analysis of Fine and Coarse Aggregate	ASTM C 136	\$135
7241	Sieve Analysis-Finer than #200 (Wash)	ASTM C 117	90
7242	LA Rattler-Smaller Coarse Aggregate <	ASTM C 131	165
7243	LA Rattler-Larger Coarse Aggregate >	ASTM C 535	190
7244	Soundness Magnesium	ASTM C 88	225
7249	Soundness Sodium		650
7245	Organic Impurities	ASTM C 40	90
7246	Clay Lumps, Friable Particles	ASTM C 142	175
7370	Soil & Aggregate Preparation & Sieve (Fine & Coarse Aggregate) ✕	CTM 201 & 202	265
7373	Grading & Specific Gravity Calculation ‡	CTM 105	80
7247	Durability Index	CTM 229	200
7248	Cleanness Value of Coarse Aggregate	CTM 227	210
7250	Unit Weight of Aggregate	CTM 212 (modified 5/10)	50



**MATERIALS TESTING AND INSPECTION SCHEDULE OF SERVICES (Continued)**

<b>Task</b>	<b>Masonry</b>	<b>Method</b>	<b>Per Test</b>
7260	Mortar Cylinders (2-inch by 4-inch)	ASTM C 780	\$25
7261	Mortar Cubes (2-inch by 2-inch)	ASTM C 109	25
7262	Grout Prisms (3-inch by 6-inch)	ASTM C 1019	25
7263	Concrete or Masonry Cores Compression, ≤6-inch diameter (Testing Only)	ASTM C 42	40
7264	CMU Compression (3 required) to size 8-inch by 8-inch by 16-inch	ASTM C 140	45
7265	CMU Compression (3 required) greater than 8-inch by 8-inch by 16-inch	ASTM C 140	50
7266	CMU Moisture Content, Absorption & Unit Weight (6 required)	ASTM C 140	40
7267	Masonry efflorescence (5 required)	ASTM C 67	40
7268	CMU Linear Drying Shrinkage	ASTM C 426	175
7269	CMU Grouted Prisms (compression test ≤ 8 inch by 8-inch by 16-inch)	ASTM E 447	180
7280	CMU Grouted Prisms (compression test > 8-inch by 8-inch by 16-inch)	ASTM E 447	250
7281	Masonry Core-Shear Title 24 (Test Only)		70
7283	Specimen Prep (Sample by others)		50
7284	CMU width, depth and face shell measurements		40
<b>Task</b>	<b>Brick</b>	<b>Method</b>	<b>Per Test</b>
7290	Compression (5 required)	ASTM C 67	\$40
7291	Modulus of Rupture (5 required)	ASTM C 67	40
7292	Absorption, Soak (5 required)	ASTM C 67	40
7293	Absorption, Boil (5 required)	ASTM C 67	50
7294	Absorption, Saturation Coefficient (5 required)	ASTM C 67	50
7295	Initial Rate of Absorption (5 required)	ASTM C 67	40
7296	Efflorescence (5 required)	ASTM C 67	55
7297	Efflorescence with Mortar (5 required)	ASTM C 67	65
<b>Task</b>	<b>Steel Reinforcement</b>	<b>Method</b>	<b>Per Test</b>
7300	Tensile Test, Up to No. 10	ASTM A 370	\$45
7301	Tensile Test, No. 11 and over	ASTM A 370	100
7302	Bend Test, Up to No. 11	ASTM A 370	45
<b>Task</b>	<b>Structural Steel</b>	<b>Method</b>	<b>Per Test</b>
7310	Tensile Strength, ≤100,000 pounds axial load	ASTM A 370	\$45
7311	Tensile Strength, 100,000 to 200,000 pounds axial load	ASTM A 370	60
7312	Bend Test	ASTM A 370	40
7313	Pipe Flattening Test	ASTM A 370	Quote
7314	Machining and Preparation of Samples	ASTM A 370	Quote
7315	Brinell & Rockwell Hardness Test	ASTM A 370	55
7316	Chemical Analysis, Carbon and Low Alloy Steel		Quote
<b>Task</b>	<b>Pre-stressing</b>	<b>Method</b>	<b>Per Test</b>
7320	Prestressing Wire, Tension (stress vs. strain plot)	ASTM A 416	\$150
7321	Sample Preparation (cutting)		50
7322	Prestressing cable, 7 wire (Breaking strength/Modulus of Elasticity)	ASTM A 416	190
<b>Task</b>	<b>Weld Procedure and Welder Qualifications</b>		<b>Rate</b>
7330	Weld Tensile Test		50 each
7331	Weld Bend Test		40 each
7332	Weld Macro-Etch		60 each
7333	Bolt Tensile Test		50 each
7334	Bolt, Nut or Washer Hardness Test		50 each
7335	Bold Elastic Proof Load Test		50 each
<b>Task</b>	<b>Fireproofing</b>	<b>Method</b>	<b>Per Test</b>
7340	Unit Weight (Density)	ASTM E 605-93	\$60

**MATERIALS TESTING AND INSPECTION SCHEDULE OF SERVICES (Continued)**

<b>Task</b>	<b>Asphalt Concrete, Specimen Testing</b>	<b>Method</b>	<b>Per Test</b>
7350	Extraction, Percent Asphalt and Gradation, Centrifuge	ASTM D 2172/C 136	\$195
7351	Extraction & Percent Asphalt (only), Centrifuge	ASTM D 2172	155
7355	Extraction and Gradation Only, Centrifuge	ASTM D 2172/C 136	175
7358	Extraction by ignition oven, percent asphalt and gradation	CTM 382/CTM 202	200
7352	Bulk Specific Gravity – Molded Specimen or Cores	ASTM D 1188	55
7353	Maximum Density - Hveem	CTM 308	125
7359	Theoretical Maximum Density and Specific Gravity of HMA ("Rice")	CTM 309 (10/2010)	130
7354	Stabilometer Value	CTM 366	265
7357	Bituminous Mixture Preparation	CTM 304	80
7377	Moisture Content of Asphalt †	CTM 370	60
7378	Sampling Highway Materials/Products (Roadway Structural Sections) †	CTM 125	Quote
7379	Extraction by Ignition Oven Rubberized Asphalt	CTM 382 (8/2003)	150 add 25%
<b>Task</b>	<b>Mix Design/Control</b>	<b>Method</b>	<b>Per Test</b>
7360	Mix Design – Hveem Including Aggregate Tests per Design	ASTM D 1560/CTM 366	Quote
7361	Mix Design – Marshall Including Aggregate Tests per Design	ASTM D 1559	Quote
7362	Field Mix – Hveem Stability per point	ASTM D 1560/CTM 366	\$200
7363	Field Mix - Marshall Stability per point	ASTM D 1559	200
<b>Task</b>	<b>Moisture Vapor Emission Rate (MVER) Test</b>	<b>Method</b>	<b>Per Test</b>
6325	Moisture Test Kit (excludes labor to perform test)	ASTM E 1907	\$60
<b>Task</b>	<b>Other Services</b>	<b>Method</b>	<b>Rate</b>
6260	Non-Destructive Testing (NDT)	ANSI	\$92 hour
6259	Radiographic Testing		Quote
6270	Project Closeout		215/hour

‡ soil † material ✕ soil & materials



**TERMS AND CONDITIONS**

- **Overtime:** Overtime for field personnel will be charged at 1.5 times basic hourly rates when exceeding 8 hours up to 12 hours per 24 hour interval, and 2 times basic hourly rates when exceeding 12 hours in 24 hours or on Sunday, and 3 times basic hourly rates on California official holidays.
- **Expert Witness Time:** Expert witness deposition and testimony will be charged at 2 times hourly rates listed on the previous pages, with a minimum charge of four hours per day.
- **Minimum Hourly Charges for Geotechnical and Environmental Technicians (field time only):**
  1. Monday-Friday..... 2 hours
  2. Saturday and Sunday ..... 4 hours
- **Minimum Hourly Charges for Special Inspectors or Material Testing Field Services (field time only):**
  1. Cancellation of inspections not canceled by 4:00 p.m. on preceding day\* ..... 2 hours
  2. One-half working day or less except as No. 3 (below) applies ..... 4 hours
  3. Over one-half working day, or begins before noon and extends into afternoon ..... 8 hours

\*No charge if cancellation is made before 4:00 p.m. of the preceding work day.
- **Outside Direct Costs (ODCs):** Heavy equipment, subcontractor fees and expenses, project-specific permits and/or licenses, project-specific supplemental insurance, travel, subsistence, project-specific parking charges, shipping, reproduction, and other reimbursable expenses will be invoiced at cost plus 20%, unless billed directly to and paid by client.
- **Insurance and Limitation of Liability:** These rates are predicated on standard insurance coverage and a limit of Leighton's liability equal to our total fees for a given project.
- **Invoicing:** Invoices are rendered monthly, payable upon receipt in United States dollars. A service charge of 1½-percent per month will be charged for late payment.
- **Proposal Expiration:** Proposals are valid for at least 30 days, subject to change after 30 days; unless otherwise stated in the attached proposal. Fees are subject to change on January 1<sup>st</sup>. of every year.
- **Client Disclosures:** Client agrees to provide all information in Client's possession about actual or possible presence of buried utilities and hazardous materials on the project site, prior to fieldwork, and agrees to reimburse Leighton for all costs related to unanticipated discovery of utilities and/or hazardous materials. Client is also responsible for providing safe and legal access to the project site for all Leighton field personnel.
- **Earth Material Samples:** Quoted testing unit rates are for soil and/or rock (earth) samples free of hazardous materials. Additional costs will accrue beyond these standard testing unit rates for handling, testing and/or disposing of soil and/or rock containing hazardous materials. Hazardous materials will be returned to the site or the site owner's designated representative at additional cost not included in listed unit rates. Standard turn-around time for geotechnical-laboratory test results is 10 working days. Samples will be stored for 2 months, after which they will be discarded. Prior documented notification is required if samples need to be stored for a longer time. A monthly storage fee of \$10 per bag and \$5 per sleeve or tube will be applied. Quoted unit rates are only for earth materials sampled in the United States. There may be additional cost for handling imported samples.
- **Construction Material Samples:** After all designated 28-day breaks for a given set meet specified compressive or other client-designated strength, all "hold" cylinders or specimens will be automatically disposed of, unless specified in writing prior to the 28-day break. All other construction materials will be disposed of after completion of testing and reporting.





December 5, 2012

Mr. Charles Greely  
DUDEK AND ASSOCIATES, INC.  
40-004 Cook Street, Suite 4  
Palm Desert, CA 92211

Subject: Construction Surveying Services  
Joshua Basin Water District Water Recharge Project

Dear Mr. Greely:

**MSA Consulting, Inc. (MSA)** is pleased to submit our proposal to provide Construction Surveying Services as requested per the Joshua Basin Water District's Request for Proposals. MSA's submittal has been carefully prepared to be fully responsive to your request. Our firm offers the District a unique opportunity to engage an established local company with the staff size, technical resources and experience required to meet the demands of the project(s).

**MSA Consulting, Inc.** is now in our 35<sup>th</sup> year in the Coachella Valley. Our staff of 38 includes 6 state-registered engineers and land surveyors. As the largest locally owned civil engineering, surveying, and land planning firm, our work on your project would ensure the District that any problems found in the field would be resolved quickly and professionally. More importantly, our staff availability and responsiveness will be second to none, since we have the local in-house personnel and equipment to meet the demands of compressed time schedules if required.

The **MSA** team offers the following advantages to the District:

- **Contacts**

**MSA** offers the District highly experienced licensed land surveyors and survey crews for assignments in both field and office environment.

Charles R. Harris, P.L.S., Director of Surveying and Mapping Services  
Douglas E. Redlin, P.L.S., Director of Field Surveying Operations  
Tony Maddox, P.L.S., Senior Survey Analyst  
Eduardo Hernandez, Senior Survey Technician

- **Experience**

**MSA** has completed over 2,000 projects of various size and scope. The firm has been performing civil engineering and land surveying services in San Bernardino County since 1977, including extensive work on agency funded public facility improvements. Our office has provided staking for the 29 Palms Marine Base, Brehm Park, and the HiDesert Medical Center to name a few.

Mr. Charles Greely  
December 5, 2012  
Page Two

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- **Responsiveness**

Our availability and office location will ensure the District that we can respond to problems and be on the job when needed. Although our office is in Rancho Mirage, our Survey Director and several survey department field personnel live in the Morongo Basin and can provide a quick response when needed.

- **Costs**

Our experience and state of the art equipment will aid in effectively reducing time, thereby reducing costs. Our past experience in the County of San Bernardino, including familiarity with City and Agency procedures will be advantageous both in terms of cost and time savings.

- **Technical Resources**

**MSA** has an in-house staff of 38. Technicians support our engineering and surveying staff with expertise in state-of-the-art software and equipment.

**MSA** recognizes the technical, administrative and managerial requirements associated with the District's assignment. Our commitment to providing outstanding service is backed by well-trained personnel with advanced equipment and the office support required for successful projects.

Thank you for considering our firm's qualifications. We look forward to discussing your needs in greater detail and are confident of our ability to serve the District with professional competence and integrity. Should you have any questions or require any further information please feel free to contact me:

Charles R. Harris, P.L.S., Director of Survey and Mapping  
MSA Consulting, Inc.  
34200 Bob Hope Drive  
Rancho Mirage, CA 92270  
760.320.9811  
[charris@msaconsultinginc.com](mailto:charris@msaconsultinginc.com)

Very truly yours,



Charles R. Harris, P.L.S.  
Director of Survey and Mapping  
MSA Consulting, Inc.

CRH:ssf



December 5, 2012

Mr. Charles Greely  
DUDEK AND ASSOCIATES, INC.  
40-004 Cook Street, Suite 4  
Palm Desert, CA 92211

Subject: Proposal Request – Construction Staking Services (RFP 4990)  
Supply Pipeline Schedule A – JBWD Water Recharge Project

Dear Mr. Greely:

**MSA Consulting, Inc.** (MSA) is pleased to provide you with this proposal for Construction Staking Services related to JBWD Water Recharge Project.

Our proposal is based upon Supply Pipeline Plans prepared by Krieger and Stewart, commencing at the JBWD Connection Station No 3 and ending at a blind flange at the southwest corner of the Recharge Facility, in the Town of Yucca Valley.

### **SCOPE OF WORK**

MSA (Consultant) proposes to perform the following tasks:

1. Verify existing control points shown on plans, with additional control added as needed for construction.
2. Tie out 14 existing monuments and TBM's, file preliminary corner records with the San Bernardino County.
3. Stake offsets as determined by contractor, at 50' stations, including all changes in vertical and horizontal direction, air vacs and other appurtenances as requested by contractor.
4. Set control for bore and receiver pits for 2 separate bore and jack operations underneath Highway 62.
5. Stake offsets to vault corners of JBWD Connection Stations 2 and 3.
6. Reset any disturbed or missing monuments, file permanent corner records with San Bernardino County.
7. Attend 2 project meetings.

### **CLIENT RESPONSIBILITIES and ASSUMPTIONS**

The following has been taken into consideration in the preparation of this proposal:

1. District Engineer to provide survey control information.
2. Traffic control to be provided by contractor.
3. Contractor to make every attempt to insure efficient use of survey crew to minimize travel time.

Mr. Charles Greely  
Page 2  
December 5, 2012

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**EXCLUSIONS**

Consulting services relating to any of the following tasks are presently specifically excluded from the agreement. Some items, if required, may be provided by Consultant by separate written proposal with additional fees approved by the Owner:

- 1. Restaking
- 2. Improvements to MWA Turnout
- 3. Light pole staking.

**COMPENSATION**

Client agrees to compensate Consultant for such services as follows:


Task/Description	Fee
<b>Total – All Tasks .....</b>	<b>\$28,765</b>

The proposed Agreement, both Scope and Fee, contained herein, shall be valid until March 31, 2013.

Scheduling for the Work will commence upon receipt of a signed copy of a Professional Services Agreement which will serve to acknowledge approval of the terms contained herein. Progress billings will be forwarded on a monthly basis. These billings will include the fees earned for the billing period.

We hope the above scope and fee are consistent with your requirements. We appreciate the opportunity to offer our services and would be pleased to answer any questions you might have.

Very truly yours,

  
Charles R. Harris, PLS 4989  
Director of Surveying and Mapping  
MSA Consulting, Inc

CRH:rp

**Enclosures**

R:\Proposals\CRH\_Proposals\2012\4989 Dudek JBWD\crh\_CGreely\_Staking\_Ltr\_12.03.12.docx

Via Electronic Mail

## II. SCOPE OF SERVICES

### Introduction

Krieger & Stewart has organized its construction engineering services into the following components:

1. Preconstruction Meeting
2. Submittals Review
3. Partial and Final Payment Requests
4. Contract Administration
5. Construction Inspection
6. Construction Staking
7. Final Inspection and Project Acceptance
8. Record Drawings

### Scope of Services

Engineering services for the components above are described in detail in the following paragraphs:

#### 1. Preconstruction Meeting

Prior to the preconstruction meeting, we will prepare a detailed meeting agenda that will outline contractual requirements, including any special requirements. Said agenda will be distributed to District staff for review and comments prior to the preconstruction meeting. We will incorporate any comments received into the agenda, which will be distributed to all meeting attendees.

As a minimum, the preconstruction meeting will be attended by designated District staff, Krieger & Stewart's Project Engineer and Construction Inspector, and Contractor's staff. The preconstruction meeting will provide the opportunity for complete review of the Contract Documents by all parties prior to starting work. In conjunction with District staff, we will be prepared to respond to questions regarding the Contract Document requirements, including special project requirements, sequence of work, and completion date. We will review the Contractor's schedule and approach to construction. We will prepare a record of the meeting (meeting minutes), incorporating items reviewed, for distribution to all attendees.

#### 2. Submittals Review

Our Project Engineer will review and approve all project submittals to ensure compliance with the Construction Drawings and Specifications. We expect submittal documents to be received for all construction materials and equipment, equipment operation and maintenance manuals, equipment warranties, and record drawings. We will expedite our submittal review time to keep the project moving forward.

We will also prepare and maintain a submittal log for an ongoing record of: submittal numbers, dates received and returned, quantities received and returned, descriptions, manufacturers, actions taken, and other comments as necessary. Said submittal log will be available for transmittal to the District at any time.

We will also review the Contractor's CPM construction schedule and schedule updates to ensure that the project will be completed in a timely manner, that nothing significant is omitted from same, and that the proposed sequencing is consistent with Contract requirements.

#### 3. Partial and Final Payment Requests

Each month and at the conclusion of all work, we will review the payment request submitted by the Contractor for work completed. Our Project Engineer will review the work completed and the payment request with the Construction Inspector to ensure the quantities and amounts requested reflect the actual work completed. Prior to the Contractor's submittal of a payment request, he will be required to review the actual work completed with our inspector (so that both parties agree upon same). After each request has been reviewed (and revised if necessary), Krieger & Stewart's Project Engineer will recommend approval and payment by the District. Said recommendation will be sent to District staff for approval and payment.



#### 4. Contract Administration

Throughout the course of construction, our Project Engineer, assisted by Krieger & Stewart staff, will **respond to inquiries regarding the Contract Documents to ensure that the project is constructed in compliance with same.** Contract administration activities will include limited site visits, review of daily inspection reports, daily telephone conferences with the construction inspector, progress reviews to ensure that the project is proceeding according to schedule, progress reviews with District staff, and related services. We will also coordinate with the biological, archaeological, and native American monitors (all of whom will be hired directly by the District).

We will respond to requests for information (RFIs) from the Contractor regarding the Contract Documents to **ensure that the improvements and related facilities are constructed in compliance with same.** We will also prepare "clarifications" when we discover further explanation or clarification of the Contract Documents is necessary. In addition, if the Contractors propose to alter the specified work, we will review the request for change (RFC) to determine whether the proposal is equivalent to the Contract requirements. The cost of said engineering review will be borne by the Contractor.

We will prepare and maintain logs for all written aspects of project records, including submittals, RFIs, RFCs, clarifications, contract change orders, payment requests, non-compliance reports, accounting reports, and inspections. Project progress and any changes during construction will be noted on a set of Contract Documents maintained in the field (by our Inspector) and in our office (by our Project Engineer). Problems or questions during construction will be resolved by our Project Engineer and Construction Inspector. If a problem occurs requiring a District decision, District staff will be consulted. Our Project Engineer will attempt to resolve complaints, concerns, and questions from the Contractor and other affected agencies.

Any extra work request received will be reviewed to determine if the request is warranted. If an extra work request is not warranted, we will review same with District staff and prepare a letter of rejection on the District's behalf. If an extra work request appears warranted, the request will be reviewed with our Construction Inspector and compared to field reports for confirmation of materials, equipment, and labor involved. Thereafter, we will review same with District staff prior to approving extra work and preparing change orders. As with submittals, RFIs, and RFCs, Krieger & Stewart will prepare and maintain a contract change order log.

Through telephone conferences, meetings, and presentations, **our Project Engineer will keep District staff informed** of project progress, problems that have occurred during construction, and any changes in work. Whenever possible, our Project Engineer will review required changes with District staff prior to making same. **Our primary focus will be to ensure that the facilities are constructed in compliance with the Contract Documents and to proactively provide recommendations to avoid/minimize project delays (for protection of the District).**

#### 5. Construction Inspection

An experienced inspection staff is an important element in providing construction engineering services. When assembling a project team, Krieger & Stewart assigns inspectors to a project who have significant experience in providing the specific construction engineering services required for that type of project.

Our Construction Inspector will inspect all facilities and prepare daily field reports and photographs which will be reviewed by our Project Engineer. Copies of the daily field reports and photographs will be regularly provided to the District.

During construction, the location of facilities (relative to the construction staking and locations established on the Construction Drawings) will be verified by our Construction Inspector.

During construction, our Construction Inspector will review all materials delivered to the sites to **ensure compliance with Contract Documents** and approved shop drawings.

#### 6. Construction Staking

We will review and establish typical staking procedures and preliminary staking schedules at the preconstruction meeting.

K&S will provide the following construction staking:

- Construction stakes for the 16" pipeline at 50 foot intervals, horizontal and vertical bends, fittings, and appurtenances
- Construction stakes for the boring and receiving pits
- Stakes at 200 foot intervals along the centerline of the proposed pipeline (to be used by project biologist to conduct preconstruction surveys and by Contractor for reference during potholing)
- Stakes along the easterly and westerly rights-of-way along Yucca Mesa Road and State Highway 62

Copies of grade sheets and staking diagrams (when necessary) will be provided to the Contractor and District within 24 hours following the completion of staking.

Our proposal includes providing all of the construction staking that the Contract Documents obligates the District to provide for the Contractor.

#### 7. Final Inspection and Project Acceptance

Prior to recommending that the District accept the project, we will provide a **comprehensive final inspection of the facilities with District staff** to ensure that the project is delivered to

the District as specified in the Contract Documents. At this time, we will prepare a construction deficiencies list (punchlist) of items requiring remedial work. District staff will be provided the opportunity to review and approve the final "punchlist" prior to transmitting same to the Contractor. We will confirm construction is complete, facilities operate as specified, and that all equipment has been properly adjusted and calibrated by equipment suppliers.

After all deficiencies are corrected, Krieger & Stewart will provide written notification to the District recommending acceptance of the project. We will also provide District staff with recommended substantial completion date (if different from the actual completion date) and actual completion date, prepare and file the Notice of Completion, and confirm that no stop notices have been filed prior to recommending final payments by the District.

#### 8. Record Drawings

Once the project has been completed, we will prepare and provide the District with a complete set of record drawings which will reflect the facilities as constructed. Field changes and changes resulting from contract change orders will be shown on the record drawings. All changes will be documented by the Contractor, Construction Inspector, and our Project Engineer. The final record drawings will incorporate all of these documented changes. The changes will either be made to the original mylars or new mylars will be printed with the original signatures retained (District's discretion).

Upon completion of the record drawings, we will provide the complete set of record drawing mylars, one full-size paper copy of same, and an electronic copy (CD) of same to the District.



## V. FEE ESTIMATE

### Fee Estimate

Our fee for providing construction phase engineering services for the Supply Pipeline Schedule A is estimated to be \$224,200. A tabulation of our fee estimate by project component is set forth in **Table V-1** included at the end of this section. A copy of our **2012 Fee Schedule** is also included at the end of this section, and our fee estimate is based on the rates specified therein. Our scope of services is subject to negotiation at the District's discretion.

Our estimated fee is based on the following understandings and assumptions:

1. The Project will have a construction period of 22 weeks summarized as follows:

Install Pipe and Pipe Testing	12 Weeks
Bore and Jack Casings (in the event the bore and jack work is not performed simultaneously with the pipe installation)	4 Weeks
Pavement and Pavement Overlay	4 Weeks
Cleanup	2 Weeks
Total:	22 Weeks

2. Review and processing of submittals are based on 25 submittals and an average review time of 3 hours per submittal (based on reviewing each submittal twice). Clerical hours are based on 1 hour per submittal.
3. Contract administration is based on 2 hour per week for the Project Manager, 12 hours per week for the Project Engineer, and 6 hours per week for clerical assistance during the 22 week construction period. Site visits by our Project Engineer will be limited to 4 site visits.

4. One full-time inspector (i.e. 8 hours per day, 5 days per week) will be provided during the 22 week construction period.
5. Krieger & Stewart will provide all of the inspection for the Supply Pipeline Schedule A and Leighton will provide all of the compaction testing under a separate contract with the District.
6. Reimbursable expenses include plots, copies, postage delivery, telephone, and mileage, are estimated at 5% of the total estimated fee.
7. Project is a prevailing wage project. As such, our Construction Inspector will be paid in accordance with the State of California's prevailing wage requirements (and our hourly inspection rates are based upon same).
8. The projects are not funded (in part or in whole) by any special financing mechanisms or outside entities that would require any specialized forms or reports (in processing Krieger & Stewart's invoices).
9. Contractor's certified payroll will be collected and provided to the District (as required), but will not be reviewed by Krieger & Stewart for compliance.

Our estimated fee for our services is based on our experience with similar projects; however, our actual fee will depend on the efficiency, competence, and diligence of the contractors performing the work. If at any time during construction, we determine that our man-hours are substantially deviating from the assumptions made during preparation of our fee estimate, we will immediately issue an advisory to the District, so that appropriate action can be taken.

**TABLE V-1  
JOSHUA BASIN WATER DISTRICT  
CONTRACT ADMINISTRATION AND INSPECTION SERVICES FOR WATER RECHARGE PROJECT  
ESTIMATED FEES FOR SUPPLY PIPELINE SCHEDULE A**

TASK / COMPONENT	PROJECT MANAGER (1)		PROJECT ENGINEER (2)		CONSTRUCTION INSPECTOR (3)		CLERICAL (4)		CADD SERVICES (5)		SURVEYING/ CONSTRUCTION STAKING (6)		TOTAL	
	HOURS	\$	HOURS	\$	HOURS	\$	HOURS	\$	HOURS	\$	HOURS	\$	\$	
1. PRECONSTRUCTION MEETING			6	948	6	630	4	332					1,910	
2. SUBMITTALS REVIEW			75	11,850			25	2,075					13,925	
3. PARTIAL AND FINAL PAYMENT REQUESTS	INCLUDED WITH CONTRACT ADMINISTRATION													
4. CONTRACT ADMINISTRATION	44	9,240	264	41,712			132	10,956					61,908	
5. CONSTRUCTION INSPECTION					880	92,400							92,400	
6. CONSTRUCTION STAKING			70	11,060							110	27,500	38,560	
7. FINAL INSPECTION AND PROJECT ACCEPTANCE	INCLUDED WITH CONTRACT ADMINISTRATION AND INSPECTION													
8. RECORD DRAWINGS			8	1,264	8	840			24	2,736			4,840	
SUBTOTAL:	44	9,240	423	66,834	894	93,870	161	13,363	24	2,736	110	27,500	213,543	
													REIMBURSABLES (ESTIMATED @ 5%):	10,677
													TOTAL:	224,220
													TOTAL (ROUNDED):	224,200
<b>BILLING RATES (2012 FEE SCHEDULE)</b>														
(1) PROJECT MANAGER	@	\$210	/Hr											
(2) PROJECT ENGINEER	@	\$158	/Hr											
(3) CONSTRUCTION INSPECTOR	@	\$105	/Hr											
(4) CLERICAL	@	\$83	/Hr											
(5) CADD OPERATOR	@	\$114	/Hr											
(6) 2-MAN SURVEY CREW	@	\$250	/Hr											



JOSHUA BASIN WATER DISTRICT  
AGENDA REPORT

Meeting of the Board of Directors

January 2, 2013

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



TOPIC:

CONSIDER EARLY PAYOFF OF ID#2 GENERAL OBLIGATION BONDS

RECOMMENDATION:

Authorize early payoff of ID #2 Bonds and withdrawal of \$225,000 from the LAIF Opportunity Fund, resulting in interest savings of approximately \$19,400

ANALYSIS:

There are five payments remaining on the 1974 ID#2 bonds, with the scheduled payoff date of 3/1/15. The District can pre-pay the bonds without penalty. The remaining principal balance due is \$330,000 and, if paid as scheduled, interest due on those payments would be \$25,250.

While we may pay off the bonds early, it requires advance notice so that our accrued interest due up to the payoff date can be calculated. We can initiate a payoff as soon as the Board authorizes, and the earlier it is done the more interest we will save.

The next payment due date is March 1, including \$8,250 in interest. Some of that interest will be saved with an early payoff, plus savings from the four remaining interest payments totaling \$17,000. If the Board approves the early payoff on December 12 and we notify USDA requesting a payoff date of 12/28, projected interest savings would be \$21,262. This savings will be offset partially by the LAIF interest that we will not earn on the additional principal balance that we will pull from our reserve funds now. That lost interest is projected at \$1,840, based on current LAIF rates. After consideration of the lost interest on our reserves, we will still save approximately \$19,422 by making the early payoff.

The ID#2 bonds are paid via the ID#2 tax rate which is an ad valorem property tax established by the District each year. The tax rate is payable by Joshua Tree property owners based on the value of their property and improvements. The rate established this year, \$0.0256 per \$100 of assessed value, is based upon the debt service payments that the District must make in the current fiscal year. Reducing the District's expense by avoiding future interest payments will allow us to pass those savings along to property owners as well over the next two years as we set the tax rates. After fiscal year 2014/2015, the ID#2 tax rate will *go away*.

Funding for the current portion of the payoff has already been collected from taxpayers. Funding for the additional \$225,000 principal payoff could appropriately come from the LAIF Opportunity Fund, with a current balance of \$2,000,000. The District will be reimbursed for the \$225,000 'advance' over the next two years as we collect property taxes and we will transfer those funds back into the opportunity fund. The opportunity fund should be whole again by the end of the 2014/2015 fiscal year, 6/30/15.

**STRATEGIC PLAN ITEM:**

N/A

**FISCAL IMPACT:**

Withdrawal of \$225,000 from the Opportunity Fund, to be reimbursed as future property tax payments are received. Interest savings of approximately \$19,400.