JOSHUA BASIN WATER DISTRICT

REGULAR MEETING OF THE BOARD OF DIRECTORS

WEDNESDAY, DECEMBER 6, 2017 6:30 PM

61750 CHOLLITA ROAD, JOSHUA TREE, CA 92252

AGENDA

1. **CALL TO ORDER**

2. **PLEDGE OF ALLEGIANCE**

3. **DETERMINATION OF A QUORUM**

4. **APPROVAL OF AGENDA**

5. **PUBLIC COMMENT**
This is the time set aside for public comment on any District-related matter not appearing on the agenda. Government Code prohibits the Board from taking action on these items, but they may be referred for future consideration. Please state your name and limit your comments to 3 minutes.

6. **CONSENT CALENDAR**
Matters on the Consent Calendar are considered routine in nature and will be enacted in a single motion without discussion. Any Board member or member of the public may request that an item be removed from the Consent Calendar and acted on separately.

    A. Approve Draft Minutes of the November 14, 2017, Special Joint Workshop Meeting of the Board of Directors and the Citizens Advisory Committee

    B. Approve Draft Minutes of the November 15, 2017, Regular Meeting of the Board of Directors

7. **NOMINATION OF GAYLE AUSTIN TO THE CITIZENS ADVISORY COMMITTEE (CAC) –** Recommend that the Board appoint Gayle Austin to the Citizens Advisory Committee (CAC).

8. **REVIEW OF FISCAL YEAR ENDING 6/30/17 AUDITED FINANCIAL STATEMENT**- Recommend that the Board receive the report, ask questions and accept and file.

9. **UPDATED INFORMATION ON THE RATE STUDY** –Recommend that the Board receive for information and provide direction for an ongoing rate study.

10. **SOLAR FEASIBILITY GRANT APPLICATION AND RESOLUTION NO. 17-981**
Recommend that the Board approve the Resolution No. 17-981, which allows the District to apply for grant monies for a feasibility study.

11. **HAZARD MITIGATION PLAN AND EMERGENCY RESPONSE PLAN-**
Recommend that the Board direct the General Manager to ensure completion of the plans.

12. **DISTRICT GENERAL COUNSEL REPORT –Mr. Gil Granito**

13. **GENERAL MANAGER REPORT – GM Curt Sauer**

14. **DIRECTOR REPORTS ON MEETINGS ATTENDED, COMMENTS AND FUTURE AGENDA ITEMS –**

- Mojave Water Agency Board of Directors Meeting – November 16, 2017 – President Luckman
- Finance Committee – November 20, 2017- Vice President Johnson and Director Floen
- Water Resources and Operations Committee- November 20, 2017- was cancelled.
- Public Outreach Consultant – Kathleen Radnich

15. **FUTURE DIRECTOR MEETINGS AND TRAINING OPPORTUNITIES**

- Mojave Water Agency Technical Advisory Committee (TAC) Meeting – December 7, 2017, at 10:00 a.m.- President Luckman
- Mojave Water Agency Board of Directors Meeting – December 14, 2017, at 4:30 p.m.- Vice President Johnson (Please note meeting date and time change, beginning January 11, 2018, Board meetings will begin at 9:30 a.m.).
- Finance Committee Meeting – December 18, 2017, at 9:00 a.m.- Vice President Johnson and Director Floen (Please note meeting date change due to Christmas holiday).
- Water Resources and Operations Committee Meeting – December 18, 2017 at 10:00 a.m. President Luckman and Vice President Johnson (Please note meeting date change due to Christmas holiday).

16. **ADJOURNMENT**

INFORMATION

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

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

JOSHUA BASIN WATER DISTRICT
Minutes of the
SPECIAL JOINT WORKSHOP OF THE BOARD OF DIRECTORS
AND CITIZENS ADVISORY COMMITTEE
ON RESERVE FUNDING

November 14, 2017

1. CALL TO ORDER: 1:00 P.M.

2. PLEDGE OF ALLEGIANCE

3. DETERMINATION OF QUORUM

BOARD OF DIRECTORS:	Mickey Luckman	Present
	Bob Johnson	Present
	Geary Hund	Present
	Tom Floen	Present
	Rebecca Unger	Present
CAC MEMBERS:	Karen Tracy	Absent
	Karen Morton	Present
	Tom Kayne	Present
	Jeff Dongvillo	Present
	Shari Long	Absent
	Karen Sernka	Absent
STAFF PRESENT:	Curt Sauer, General Manager	
	Susan Greer, Assistant General Manager/Controller	
	Anne Roman, Accountant	
	Beverly Waszak, Executive Assistant	
CONSULTANTS PRESENT:	David Becker, CPA, Partner, James Marten & Company, LLP.	
	Kathleen Radnich, Public Outreach Consultant	
GUESTS	0	

4. APPROVAL OF AGENDA –

MSC/Johnson/Floen 5/0 to approve the Agenda of the Special Workshop Joint Meeting of the Board of Directors and the Citizens Advisory Committee of November 14, 2017.

Floen	Aye
Hund	Aye
Luckman	Aye
Johnson	Aye
Unger	Aye

5. PUBLIC COMMENT - None

PUBLIC COMMENT CLOSED

6. RESERVE FUNDING – David Becker, CPA, Partner, James Marta & Company, LLP gave a brief presentation and overview of how Reserve Funding works. Followed by a brief Q&A period. A copy of the presentation is attached to the minutes at the District.

7. ADJOURNMENT –

MSC Unger/Johnson 5/0 to adjourn the November 14, 2017, Special Workshop Meeting of the Board of Directors and the Citizens Advisory Committee at 3:26 p.m.

Floen	Aye
Hund	Aye
Luckman	Aye
Johnson	Aye
Unger	Aye

Respectfully submitted:

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Curt Sauer, General Manager

JOSHUA BASIN WATER DISTRICT

Minutes of November 15, 2017

REGULAR MEETING OF THE BOARD OF DIRECTORS

1. CALL TO ORDER: 6:30 PM

2. PLEDGE OF ALLEGIANCE

3. DETERMINATION OF QUORUM:

Mickey Luckman	Present
Bob Johnson	Present
Geary Hund	Present
Rebecca Unger	Present
Tom Floen	Present

STAFF PRESENT:

Susan Greer, Assistant General Manager
Randy Mayes, Interim Director of Water Resources & Ops.
Keith Faul, GIS Coordinator
Beverly Waszak, Executive Assistant

CONSULTANTS PRESENT:

Alex Handlers, Bartles Wells Associates
Gil Granito, Redwine & Sherrill
Kathleen Radnich, Public Outreach

GUESTS 5

4. APPROVAL OF AGENDA –

MSC/Johnson/Unger 5/0 to approve the Agenda of the Regular Meeting of the Board of Directors of November 15, 2017.

Floen	Aye
Hund	Aye
Luckman	Aye
Johnson	Aye
Unger	Aye

5. PUBLIC COMMENT - None

PUBLIC COMMENT CLOSED

6. CONSENT CALENDAR

A. Approve Draft Minutes of the November 1, 2017 Special Meeting of the Board of Directors

MSC/Johnson/Hund 5/0 to approve the Consent Calendar.

Floen	Aye
Hund	Aye
Luckman	Aye
Johnson	Aye
Unger	Aye

7. RATE STUDY – Alex Handlers, Bartles Wells Associates, updated the Board on the changes he made to the presentation. Q&A periods were given throughout the presentation.

PUBLIC COMMENTS –

Ed Vallerand, Joshua Tree stated that he didn't see the list of assumptions, as in growth and labor rates in the packet in order to understand how the rate increases will work.

Al Marquez, Joshua Tree commented that he didn't see anything about cost-cutting measures and is concerned about the ratepayers that are on fixed incomes.

Ed Vallerand, Joshua Tree also voiced his concern over the rate increases and how it will affect the low-income ratepayers.

PUBLIC COMMENT CLOSED

8. DISTRICT GENERAL COUNSEL REPORT – None

9. GENERAL MANAGER REPORT – None

10. DIRECTOR REPORTS ON MEETINGS ATTENDED, COMMENTS AND FUTURE AGENDA ITEMS.

Director Floen commented on the ASBCSD dinner that was hosted by MWA in Hesperia on November 13, 2017.

Director Hund stated that we need to be cognizant of fixed income ratepayers; however, we still have an incredible backlog to fix in the District.

Director Johnson asked District Counsel about Senate Bill AB401 and how it would affect the budget.

Mr. Gil Granito, District Counsel, in response to Director Johnson's inquiry as to the status of the proposed Statewide Low-income Rate Assistance Program, Mr. Granito indicated that AB 401 (10/9/15) provides that no later than January 1, 2018, the State Water Board, in collaboration with the State Board of Equalization must develop a plan for the funding and implementation of such a program for the Legislature's consideration shortly thereafter.

Director Unger agreed with the rest of the Board on being sensitive to the ratepayers that are on fixed incomes. She thanked the Citizens Advisory Committee (CAC) on the great job they have been doing on the rate study. She also directed ratepayers to look at their Newsletters as to how much the District has saved over the past few years.

Kathleen Radnich, Public Outreach Consultant, reported that the District will be closed November 23rd and 24th for Thanksgiving. Also, there are only two more Saturdays left at the Farmers Market with teaching about winterizing.

11. FUTURE DIRECTOR MEETINGS AND TRAINING OPPORTUNITIES

President Luckman gave a brief overview of upcoming meetings and training opportunities.

12. ADJOURNMENT –
MSC/Unger/Floen 5/0 to adjourn the Regular Meeting of the Board of Directors of November 15, 2017, at 8:13 p.m.

Floen	Aye
Hund	Aye
Luckman	Aye
Johnson	Aye
Unger	Aye

Respectfully submitted:

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Curt Sauer, General Manager

JOSHUA BASIN WATER DISTRICT
STAFF REPORT

Meeting of the Board of Directors December 6, 2017

Report to: President and Members of the Board

Prepared by: Curt Sauer

TOPIC: NOMINATION OF GAYLE AUSTIN TO CITIZENS ADVISORY COMMITTEE

RECOMMENDATION: Recommend that the Board appoint Gayle Austin to the Citizens Advisory Committee (CAC).

ANALYSIS: The purpose of the CAC is to review important issues and make recommendations to the Board. CAC guidelines recommend 6 to 12 members who are registered voters, residents, account holders or property owners within the District. We currently have six (6) members of the Community on the CAC.

Gayle first came to the area in 1959 when her father was stationed at 29 Palms. She attended school in the 29 Palms school district. Gayle returned to the area in 2012 with the vision of creating a home and business in Joshua Tree as well as becoming an active member of the community.

Gayle and her husband own a home in Joshua Tree. They also operate the commercial business called Ink and Steel, as well as a vacation rental.

Gayle has attended Board Meetings, and learned about the CAC during a District Tour. Since then, she has attended several CAC meetings and has expressed an interest in becoming an active member of the CAC. She has attended all the rate study meetings of the CAC, as well as several Board Meetings discussing the rate study.

Karen Tracey and I have met individually with Gayle and we support Gayle's nomination to the CAC.

JOSHUA BASIN WATER DISTRICT
MEETING AGENDA REPORT

Regular Meeting of the Board of Directors December 6, 2017

Report to: Board of Directors

Prepared by: Susan Greer

TOPIC: REVIEW OF FISCAL YEAR ENDING 6/30/17 AUDITED FINANCIAL STATEMENT

RECOMMENDATION:
Receive report, ask questions, accept and file.

ANALYSIS:
The audit for the year ending 6/30/17 is complete and Chris Brown, CPA, partner at the Fedak & Brown audit firm, will be at the Finance Committee meeting to present the results.

Note, the *result* we are looking for, the reason for the audit, is found at the top of page 2, in the "Opinion" section, which says that the financial statements are presented fairly in all material respects.

The quick-read, big picture information is included in the "Management Discussion and Analysis" section towards the front of the document. The first page of that section provides some good news; net position increased, meaning that we generated net revenues, revenues increased and expenses decreased compared to the prior year.

The District's audit is performed in compliance with GASB, the Governmental Accounting Standards Board. GASB is an independent organization that establishes accounting and financial reporting standards for US state and local governments. GASB develops and issues accounting standards intended to promote financial reporting that provides useful information to taxpayers, public officials, investors and others who use financial reports.

The audit requirements continue to grow, resulting in more and more effort for staff each year. Page 13 and 14 show the new GASB standards implemented *this year*. Adopted but not-yet implemented GASB standards are presented on pages 33-35, which shows new GASB compliance required of us in the future.

Page 39-40 includes the Report on Internal Controls and Compliance. This information indicates that the audit found no deficiency in internal controls or material weaknesses or significant deficiencies or instances of noncompliance, although the financial audit is not designed to evaluate such issues.

Note, Section 4.04.14 of the Administration Code addresses the requirement for the audit, which must be presented to the Board by the end of December.

4.04.14 Annual Independent Audit. It is the duty of the General Manager to submit a draft of the District's Annual Audit to the Board of Directors for its review and approval no later than the end of December of each year.

Literally hundreds of hours of staff effort go into this final product, and this provides an opportunity to recognize our Accountant, Anne Roman, for her outstanding management of the project. The audit takes months of effort and coordination, with our staff, the auditor and a few third parties. Anne works many extra hours to produce the audit within the required timeline, the auditors then review her work, resulting in their opinion. The District is fortunate to have Anne on staff, I am privileged to have her on my Finance Team, and I cannot say enough good things about Anne, her commitment, integrity and the quality of her work.

FISCAL IMPACT:

N/A

Joshua Basin Water District

Annual Financial Report

For the Fiscal Years Ended June 30, 2017 and 2016

Joshua Basin Water District

Board of Directors as of June 30, 2017

Name	Title	Elected/ Appointed	Current Term
Mickey Luckman	President	Elected	12/16-12/20
Robert Johnson	Vice President	Elected	12/16-12/20
Rebecca Unger	Director	Elected	12/14-12/18
Tom Floen	Director	Elected	12/16-12/18
Geary Hund	Director	Elected	12/16-12/20

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

Joshua Basin Water District

Annual Financial Report

For the Fiscal Years Ended June 30, 2017 and 2016

Joshua Basin Water District
Annual Financial Report
For the Fiscal Years Ended June 30, 2017 and 2016

Table of Contents

Financial Section

Independent Auditor's Report

Board of Directors
Joshua Basin Water District
Joshua Tree, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Joshua Basin Water District (District), which comprises the statement of net position as of June 30, 2017 and 2016, and the related statement of revenues, expenses and changes in net position for the fiscal years then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Joshua Basin Water District as of June 30, 2017 and 2016, and the respective changes in net position, and, where applicable, cash flows thereof for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 and the required supplementary information on pages 37 to 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance. This report can be found on pages 39 and 40.

Fedak & Brown LLP
Cypress, California
December 6, 2017

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, 2017 and 2016. We encourage readers to consider the information presented here with additional information that we have furnished in the accompanying basic financial statements and related notes, which follow this section.

Financial Highlights

- In fiscal year 2017, the District's net position increased 1.55% or $567,145 to $37,114,993. In fiscal year 2016, the District's net position decreased 2.43% or $909,917 to $36,547,848.
- In fiscal year 2017, the District's total revenues increased 7.06% or $380,384 to $5,768,789. In fiscal year 2016, the District's total revenues increased 3.19% or $166,804 to $5,388,405.
- In fiscal year 2017, the District's total expenses decreased 11.63% or $736,780 to $5,596,458. In fiscal year 2016, the District's total expenses increased 19.35% or $1,026,802 to $6,333,238.

Using This Financial Report

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

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

Financial Analysis of the District

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

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

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 12 through 36.

Statements of Net Position

Condensed Statements of Net Position

	2017	2016	Change	2015	Change
Assets:					
Current assets	$ 10,808,287	9,838,989	969,298	9,535,632	303,357
Non-current assets	746,104	820,715	(74,611)	895,325	(74,610)
Capital assets, net	29,612,924	29,983,210	(370,286)	31,214,205	(1,230,995)
Total assets	41,167,315	40,642,914	524,401	41,645,162	(1,002,248)
Deferred outflows of resources	446,356	280,820	165,536	147,279	133,541
Liabilities:					
Current liabilities	1,003,659	737,788	265,871	664,184	73,604
Non-current liabilities	3,451,436	3,462,074	(10,638)	3,566,162	(104,088)
Total liabilities	4,455,095	4,199,862	255,233	4,230,346	(30,484)
Deferred inflows of resources	43,583	176,024	(132,441)	104,330	71,694
Net position:					
Net investment in capital assets	26,535,924	26,804,210	(268,286)	27,937,205	(1,132,995)
Unrestricted	10,579,069	9,743,638	835,431	9,520,560	223,078
Total net position	$ 37,114,993	36,547,848	567,145	37,457,765	(909,917)

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets plus deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources by $37,114,993 and $36,547,848 as of June 30, 2017 and 2016, respectively.

Compared to prior year, net position of the District increased 1.55% or $567,145. The District's total net position is made up of two components: (1) net investment of capital assets and (2) unrestricted net position.

By far the largest portion of the District's net position (71.50% and 73.34% as of June 30, 2017 and 2016, respectively) reflects the District's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are not available for future spending.

At the end of fiscal years 2017 and 2016, the District showed a positive balance in its unrestricted net position of $10,579,069 and $9,743,638, respectively, which may be utilized in future years. See note 15 for further information.

Statements of Revenues, Expenses and Changes in Net Position

Condensed Statements of Revenues, Expenses and Changes in Net Position

	2017	2016	Change	2015	Change
Revenue:					
Operating revenue	$ 5,036,700	4,614,735	421,965	4,471,015	143,720
Non-operating revenue	732,089	773,670	(41,581)	750,586	23,084
Total revenue	5,768,789	5,388,405	380,384	5,221,601	166,804
Expense:					
Operating expense	3,880,431	4,386,562	(506,131)	3,466,368	920,194
Depreciation	1,212,568	1,372,100	(159,532)	1,255,109	116,991
Non-operating expense	503,459	574,576	(71,117)	584,959	(10,383)
Total expense	5,596,458	6,333,238	(736,780)	5,306,436	1,026,802
Net income (loss) before capital contributions	172,331	(944,833)	1,117,164	(84,835)	(859,998)
Capital contributions	394,814	34,916	359,898	920,076	(885,160)
Change in net position	567,145	(909,917)	1,477,062	835,241	(1,745,158)
Net position, beginning of period	36,547,848	37,457,765	(909,917)	36,622,524	835,241
Net position, end of period	$ 37,114,993	36,547,848	567,145	37,457,765	(909,917)

Net position increased 1.55% or $567,145 to $37,114,993, as a result of ongoing operations. In fiscal year 2016, the District's net position decreased 2.43% or $909,917 to $36,547,848, as a result of ongoing operations.

Total revenues increased 7.06% or $380,384 to $5,768,789, primarily due to increases in water consumption sales of $221,530 and water service charges of $213,000. In fiscal year 2016, the District's total revenues increased 3.19% or $166,804 to $5,388,405, primarily due to increases in water service charges of $128,877, other charges for services of $11,322, property tax revenues of $39,397, investment earnings of $23,590 and other non-operating revenue of $44,628, which was offset by an $84,531 decrease in special assessments for debt service.

Total expenses decreased by 11.63% or $736,780 to $5,596,458, primarily due to decreases of $642,188 in pumping, production and treatment cost, $111,563 in transmission and distribution, that was offset by a $159,532 increase in depreciation expense. In fiscal year 2016, the District's total expenses increased by 19.35% or $1,026,802 to $6,333,238, primarily due to a $920,194 increase in water fund expenses and an $116,991 increase in depreciation.

Capital Asset Administration

Changes in capital asset for 2017, were as follows:

	Balance 2016	Additions	Transfers/ Deletions	Balance 2017
Capital assets:				
Non-depreciable assets	$ 774,844	814,529	(188,354)	1,401,019
Depreciable assets	54,290,614	216,107	(474,396)	54,032,325
Accumulated depreciation	(25,082,248)	(1,212,568)	474,396	(25,820,420)
Total capital assets, net	$ 29,983,210	(181,932)	(188,354)	29,612,924

Capital Asset Administration, continued

Changes in capital asset for 2016, were as follows:

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

At the end of fiscal year 2017 and 2016, the District's investment in capital assets amounted to $29,612,924 and 29,983,210 (net of accumulated depreciation), respectively. This investment in capital assets includes land, transmission and distribution systems, buildings, equipment, vehicles and construction-in-process. See note 7 to the basic financial statements for further detailed information on the District's capital assets.

Debt Administration

Changes in long-term debt for 2017, were as follows:

		Balance 2016	Additions	Transfers/ Deletions	Balance 2017
Long-term debt:					
Bonds payable	$	3,179,000	-	(102,000)	3,077,000
Total long-term debt	$	3,179,000	-	(102,000)	3,077,000

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

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

In 2017 and 2016, long-term debt decreased by $102,000 and $98,000, respectively, primarily due to principal payments. See further detailed information in Note 13.

Conditions Affecting Current Financial Position

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

Requests for Information

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

Basic Financial Statements

Joshua Basin Water District
Statements of Net Position
June 30, 2017 and 2016

		2017	2016
Current assets:			
Cash and cash equivalents (note 2)	$	9,016,902	8,203,685
Accrued interest receivable		26,309	14,599
Accounts receivable – water sales and services, net (note 3)		1,011,156	1,080,001
Property taxes receivable		24,190	27,145
Special assessments receivable		89,486	95,023
Grants receivable		339,570	150,000
Accounts receivable – other		74,539	91,798
Materials and supplies inventory		149,862	104,860
Prepaid expenses and other deposits		76,273	71,878
Total current assets		10,808,287	9,838,989
Non-current assets:			
Note receivable – Hi-Desert Medical Center (note 4)		746,104	820,715
Capital assets – not being depreciated (note 7)		1,401,019	774,844
Capital assets, net – being depreciated (note 7)		28,211,905	29,208,366
Total non-current assets		30,359,028	30,803,925
Total assets		41,167,315	40,642,914
Deferred outflows of resources:			
Deferred pension outflows (note 5 and 14)		446,356	280,820
Total deferred outflows of resources	$	446,356	280,820

Continued on next page

See accompanying notes to the basic financial statements

Joshua Basin Water District
Statements of Net Position, continued
June 30, 2017 and 2016

		2017	2016
Current liabilities:			
Accounts payable and accrued expenses	$	433,956	215,631
Accrued wages and related payables		38,232	65,548
Customer deposits and unearned revenue		344,438	268,792
Accrued interest payable		46,155	47,685
Long-term liabilities – due within one year:			
Compensated absences (note 8)		33,878	38,132
Bonds payable (note 13)		107,000	102,000
Total current liabilities		1,003,659	737,788
Non-current liabilities:			
Long-term liabilities – due in more than one year:			
Compensated absences (note 8)		101,634	114,395
Bonds payable (note 13)		2,970,000	3,077,000
Net pension liability (note 14)		379,802	270,679
Total non-current liabilities		3,451,436	3,462,074
Total liabilities		4,455,095	4,199,862
Deferred inflows of resources:			
Deferred pension inflows (note 12 and 14)		43,583	176,024
Total deferred inflows of resources		43,583	176,024
Net position: (note 15)			
Net investment in capital assets		26,535,924	26,804,210
Unrestricted		10,579,069	9,743,638
Total net position	$	37,114,993	36,547,848

See accompanying notes to the basic financial statements

Joshua Basin Water District
Statements of Revenues, Expenses and Changes in Net Position
For the Fiscal Years Ended June 30, 2017 and 2016

		2017	2016
Operating revenues:			
Water consumption sales	$	1,764,736	1,543,206
Water service charges		1,729,020	1,516,020
Standby service charges		1,222,964	1,214,103
HDMC operations revenue		132,896	200,352
Other charges for services		187,084	141,054
Total operating revenues		5,036,700	4,614,735
Operating expenses:			
Pumping, production and treatment		1,132,500	1,774,688
Transmission and distribution		730,983	842,546
Customer service		393,625	337,784
General and administrative		1,623,323	1,431,544
Total operating expenses		3,880,431	4,386,562
Operating income before depreciation expense		1,156,269	228,173
Depreciation expense		(1,212,568)	(1,372,100)
Operating loss		(56,299)	(1,143,927)
Non-operating revenue (expense):			
Property taxes		423,104	403,834
Special assessments for debt service		264,423	288,941
Investment earnings		55,700	39,282
Morongo Basin pipeline (note 10)		(219,898)	(219,426)
Interest expense		(139,205)	(143,765)
Debt administration charges		(10,392)	(10,442)
Property tax administration charge		(1,068)	(927)
HDMC project – District expense (note 9)		(132,896)	(200,016)
Other non-operating expenses, net		(11,138)	41,613
Total non-operating revenue, net		228,630	199,094
Net income (loss) before capital contributions		172,331	(944,833)
Capital contributions:			
Water capacity charges		68,222	19,446
Wastewater capacity charges		5,918	-
State capital grant		189,570	-
Capital contributions		99,924	-
Local capital grant – MWA		31,180	15,470
Total capital contributions		394,814	34,916
Change in net position		567,145	(909,917)
Net position, beginning of period		36,547,848	37,457,765
Net position, end of period	$	37,114,993	36,547,848

See accompanying notes to the basic financial statements

Joshua Basin Water District
Statements of Cash Flows
For the Fiscal Years Ended June 30, 2017 and 2016

		2017	2016
Cash flows from operating activities:			
Cash receipts from customers for water sales and services	$	5,198,450	4,540,369
Cash paid to employees for salaries and wages		(3,074,298)	(2,617,381)
Cash paid to vendors and suppliers for materials and services		(1,112,886)	(2,001,258)
Net cash provided by (used in) operating activities		1,011,266	(78,270)
Cash flows from non-capital financing activities:			
Property taxes		426,059	404,930
Net cash provided by non-capital financing activities		426,059	404,930
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets		(842,282)	(141,105)
HDMC project expense		(132,896)	(200,016)
Capital contributions		205,244	34,916
Payments received for note receivable		74,611	74,610
Grants		-	1,772,013
Special assessments for debt service		269,960	284,436
Principal paid on debt		(102,000)	(98,000)
Interest paid on debt		(140,735)	(145,235)
Net cash (used in) provided by capital and related financing activities		(668,098)	1,581,619
Cash flows from investing activities:			
Investment earnings		43,990	31,240
Net cash provided by investing activities		43,990	31,240
Net increase in cash and cash equivalents		813,217	1,939,519
Cash and cash equivalents, beginning of period		8,203,685	6,264,166
Cash and cash equivalents, end of period	$	9,016,902	8,203,685

Continued on next page

See accompanying notes to the basic financial statements

Joshua Basin Water District
Statement of Cash Flows, continued
For the Fiscal Years Ended June 30, 2017 and 2016

		2017	2016
Reconciliation of operating loss to net cash provided by (used in) operating activities:			
Operating loss	$	(56,299)	(1,143,927)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Depreciation		1,212,568	1,372,100
Morongo Basin pipeline		(219,898)	(219,426)
Debt administration charges		(10,392)	(10,442)
Property tax administration charge		(1,068)	(927)
Other non-operating expenses, net		(11,138)	41,613
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:			
(Increase) decrease in assets and deferred outflows of resources:			
Accounts receivable – water sales and services, net		68,845	(68,803)
Accounts receivable – other		17,259	(48,595)
Materials and supplies inventory		(45,002)	(5,680)
Prepaid expenses and other deposits		(4,395)	(1,322)
Deferred outflows of resources		(165,536)	(133,541)
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses		218,325	41,146
Accrued wages and related payables		(27,316)	(18,316)
Customer deposits and unearned revenue		75,646	43,032
Compensated absences		(17,015)	20,848
Net pension liability		109,123	(17,724)
Deferred inflows of resources		(132,441)	71,694
Total adjustments		1,067,565	1,065,657
Net cash provided by (used in) operating activities	$	1,011,266	(78,270)

See accompanying notes to the basic financial statements

Joshua Basin Water District
Notes to the Financial Statements
For the Fiscal Years Ended June 30, 2017 and 2016

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

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

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

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

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

B. Basis of Accounting and Measurement Focus

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

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

C. Financial Reporting

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

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

C. Financial Reporting, continued

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

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

Government Accounting Standards Board Statement No. 74

In June 2015, the GASB issued Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* effective for financial statements for periods beginning after June 15, 2016.

The objective of this Statement is to improve the usefulness or information about postemployment benefits other than pensions (other postemployment benefits of OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No.50, *Pension Disclosures.*

Government Accounting Standards Board Statement No. 77

In August 2015, the GASB issued Statement No. 77 – *Tax Abatement Disclosures,* effective for fiscal years beginning after December 15, 2015.

The objective of this Statement is to improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Financial statement users need information about certain limitations on a government's ability to raise resources. This includes limitations on revenue-raising capacity resulting from governmental programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens. Tax abatements are widely used by state and local governments, particularly to encourage economic development.

Government Accounting Standards Board Statement No. 78

In December 2015, the GASB issued Statement No. 78 – *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans,* effective for financial statements for periods beginning after December 15, 2015.

In December 2015, the GASB issued Statement No. 78 – *Pensions* The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions.* This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that meet certain criteria.

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

C. Financial Reporting, continued

Government Accounting Standards Board Statement No. 80

In January 2016, the GASB issued Statement No. 80 – *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14,* effective for financial statements for periods beginning after June 15, 2016.

The objective of this statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member.

Government Accounting Standards Board Statement No. 82

In March 2016, the GASB issued Statement No. 82 – *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73,* effective for financial statements for periods beginning after June 15, 2016.

This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

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

1. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in net position during the reporting period. Actual results could differ from those estimates.

2. Cash and Cash Equivalents

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

3. Investments and Investment Policy

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

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

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

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

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

4. Fair Value Measurements

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

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

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

5. Accounts Receivable and Allowance for Uncollectible Accounts

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

6. Property Taxes and Assessments

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

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

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

7. Materials and Supplies Inventory

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

8. Prepaid Expenses

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

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

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

9. Capital Assets

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

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

10. Deferred Outflows of Resources

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

11. Deferred Inflows of Resources

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

12. Compensated Absences

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

13. Pensions

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

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

- Valuation Date: June 30, 2015
- Measurement Date: June 30, 2016
- Measurement Period: July 1, 2015 to June 30, 2016

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

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

14. Net Position

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

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

15. Water Sales and Services

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

16. Capital Contributions

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

17. Budgetary Policies

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

(2) Cash and Cash Equivalents

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

		2017	2016
Cash on hand	$	2,100	2,100
Deposits held with financial institutions		218,665	270,931
Deposits held with California Local Agency Investment Fund		8,796,137	7,930,654
Total cash and investments	$	9,016,902	8,203,685

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

	2017	2016
Deposits in Local Agency Investment Fund	194 days	167 days

(2) Cash and Cash Equivalents, continued

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

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

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

Investment in State Investment Pool

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

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

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

Interest Rate Risk

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

(2) Cash and Cash Equivalents, continued

Custodial Credit Risk

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

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

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

Credit Risk

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

Concentration of Credit Risk

The District's investment policy contains various limitations on the amounts that can be invested in any one governmental agency or non-governmental issuer as stipulated by the California Government Code. The District's deposit portfolio with governmental agencies, LAIF, is 98% and 97% as of June 30, 2017 and 2016, respectively of the District's total depository and investment portfolio. There were no investments in any one non-governmental issuer that represent 5% or more of the District's total investments.

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

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

		2017	2016
Accounts receivable – water sales	$	483,329	366,908
Unbilled water sales receivables		322,060	351,981
Standby charges receivables		358,654	463,211
Allowance for doubtful accounts		(152,887)	(102,099)
Total accounts receivable, net	$	1,011,156	1,080,001

(4) Note Receivable – Hi-Desert Medical Center

On July 1, 2012, the District executed a note receivable with the Hi-Desert Medical Center for $1,119,156 for capacity charges due for sanitary sewer service to the Hi-Desert Medical Center Wastewater Treatment Plant. The note is to be repaid over a 15-year period ($74,610 principal per year) with interest charged at the quarterly LAIF interest earnings rate. As of June 30, 2017 and 2016, the note principal balance remaining was $746,104 and $820,715, respectively. At June 30, 2017 and 2016, accrued interest receivable on the note was $5,617 and $3,506, respectively and is included as part of the accrued interest receivable balance in the statements of net position.

(5) Deferred Outflows of Resources

Changes in deferred outflows of resources for 2017, were as follows:

	Balance 2016	Additions	Amortization	Balance 2017
Deferred outflows of resources:				
Deferred pension outflows	$ 280,820	464,050	(298,514)	446,356
Total deferred outflows of resources	$ 280,820	464,050	(298,514)	446,356

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

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

(6) Deferred Compensation Savings Plan

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

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District's general creditors. At June 30, 2017 and 2016, the market value of all plan assets held in trust by ICMA-RC was $517,047 and $440,908, respectively.

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

(7) Capital Assets

Changes in capital assets for the year ended June 30, 2017, were as follows:

	Balance 2016	Additions/ Transfers	Deletions/ Transfers	Balance 2017
Non-depreciable assets:				
Land and land rights	$ 516,019	-	-	516,019
Construction-in-process	258,825	814,529	(188,354)	885,000
Total non-depreciable assets	774,844	814,529	(188,354)	1,401,019
Depreciable assets:				
Transmission and distribution system	40,540,280	321,421	-	40,861,701
Recharge facilities	9,099,916	8,113	-	9,108,029
Structures and improvements	899,266	60,241	-	959,507
Vehicles and large equipment	1,575,481	69,407	(284,668)	1,360,220
Office furniture and equipment	1,136,500	20,684	(41,895)	1,115,289
Water rights	263,759	(263,759)	-	-
Wastewater system in development	22,419	-	-	22,419
Surveys and plans	752,993	-	(147,833)	605,160
Total depreciable assets	54,290,614	216,107	(474,396)	54,032,325
Accumulated depreciation:				
Transmission and distribution mains	(21,285,801)	(1,091,892)	-	(22,377,693)
Recharge facilities	(289,143)	(182,084)	-	(471,227)
Structures and improvements	(443,376)	(27,256)	-	(470,632)
Vehicles and large equipment	(1,004,176)	(115,347)	284,668	(834,855)
Office furniture and equipment	(1,061,444)	(18,885)	41,895	(1,038,434)
Water rights	(222,896)	222,896	-	-
Wastewater system in development	(22,419)	-	-	(22,419)
Surveys and plans	(752,993)	-	147,833	(605,160)
Total accumulated depreciation	(25,082,248)	(1,212,568)	474,396	(25,820,420)
Total depreciable assets, net	29,208,366	(996,461)	-	28,211,905
Total capital assets, net	$ 29,983,210	(181,932)	(188,354)	29,612,924

Major depreciable capital assets additions during the fiscal year ended 2017, include upgrades and extensions of the District's water transmission and distribution systems, purchases of structures and improvements, purchases of vehicles and large equipment, and purchases of office furniture and equipment. During the year, the District wrote-off discontinued projects amounting to $474,396 related to vehicles and large equipment, surveys and plans and office, furniture and equipment.

Also, the District determined the pumping equipment of $263,759 that was classified as water rights should be classified as part of the transmission and distribution system. As a result, depreciable assets and related accumulated depreciation of transmission and distribution system increased by $263,759 and $222,896, respectively.

(7) Capital Assets, continued

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

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

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

Construction-In-Process

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

(7) Capital Assets, continued

Construction-In-Process

At June 30, 2017 and 2016, the balance of construction-in-process was $885,000 and $258,825, respectively, as follows:

Construction-in-process consisted of the following projects:

Project Description		2017	2016
Chromium study	$	269,389	126,141
Well 14 Rehabilitation		504,876	-
Various other minor projects < $100,000		110,735	132,684
Total construction-in-process	$	885,000	258,825

(8) Compensated Absences

The changes to compensated absences for 2017, were as follows:

	Balance 2016	Earned	Taken	Balance 2017	Due within One Year	Due in more than one year
$	152,527	198,683	(215,698)	135,512	33,878	101,634

The changes to compensated absences for 2016, were as follows:

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

(9) Hi-Desert Medical Center Project

In fiscal year 2013, the District was engaged by the Hi-Desert Medical Center (HDMC) to construct, own and operate the HDMC's Wastewater Treatment Plant (Plant). Please see note 4 for more details of the District's agreement with HDMC. During the construction phase, HDMC made capital contributions to the District for the construction of the Wastewater Treatment Plant in the amount of $2,901,551. Upon completion, it was agreed that HDMC would continue to own the Plant, while the District would be contracted to operate and maintain the Plant. For the fiscal year ended June 30, 2017 and 2016, the District incurred $132,896 and $200,016, respectively, in reimbursable costs towards the project.

(10) Morongo Basin Pipeline Project

During the year ended June 30, 1991, the District executed an Agreement for construction, operation and financing of the Morongo Basin Pipeline project with the Mojave Water Agency (Agency). Pursuant to this Agreement, the Agency has constructed a pipeline to supply, on a wholesale basis, certain areas of San Bernardino County, including the Joshua Basin Water District, with water from the State Water Project. Voters within the area to be served by the pipeline project approved the issuance of $66,500,000 principal amount of general obligation bonds to finance the pipeline project. This resulted in the formation of Improvement District M of the Mojave Water Agency. In the Agreement, the District has agreed to make certain payments to the Agency to cover the District's share of fixed project costs, including debt service. The District makes annual payments under the Agreement for Improvement District M's general obligation bond sales of $12,000,000 principal amount in May 1991 (Series A) and $40,735,000 principal amount in 1993 (Series B).

(10) Morongo Basin Pipeline Project, continued

The District is obligated to pay 27% of the debt service on Improvement District M's general obligation bonds. Improvement District M bonds are general obligations of the Mojave Water Agency and are secured by and payable from the taxes levied upon the taxable property in Improvement District M. As part of the agreement, approximately 70% of the debt service will be derived from the levy of taxes on properties within Improvement District M, and 30% of the debt service on the bonds will be derived from payments to be made by the Mojave Water Agency participants.

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

Payments of fixed project costs to the Agency have been classified as non-operating expenses in the amount of $219,898 and $219,426 for the fiscal year ended June 30, 2017 and 2016, respectively.

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

On February 1991, the District and Hi-Desert Water District (Hi-Desert) 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 (JPA Agreement) by and between the District and Hi-Desert. 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 the District and (b) two members of the Board of Directors of Hi-Desert. 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 the District and Hi-Desert. The debts, liabilities and obligations of the Authority shall not constitute debts, liabilities or obligations of the District or Hi-Desert. The debts, liabilities and obligations of either the District or Hi-Desert shall not constitute debts, liabilities or obligations of the other agency.

On May 3, 2017, the District adopted resolution 17-975 terminating the Authority, and Hi-Desert adopted a similar resolution, number 17-06, on April 12, 2017. On May 15, 2017, the District filed with the California Secretary of State to terminate the JPA Agreement and the Authority.

(12) Deferred Inflows of Resources

Changes in deferred inflows of resources for 2017, were as follows:

		Balance 2015	Additions	Amortization	Balance 2016
Deferred inflows of resources:					
Deferred pension inflows	$	176,024	-	(132,441)	43,583
Total deferred inflows of resources	$	176,024	-	(132,441)	43,583

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

		Balance 2014	Additions	Amortization	Balance 2015
Deferred inflows of resources:					
Deferred pension inflows	$	104,330	143,273	(71,579)	176,024
Total deferred inflows of resources	$	104,330	143,273	(71,579)	176,024

(13) Long-Term Debt

Changes in long-term debt amounts 2017, were as follows:

	Balance 2016	Additions	Payments	Balance 2017	Current Portion
Long-term debt:					
Bonds payable:					
1996 Bonds	$ 3,179,000	-	(102,000)	3,077,000	107,000
Total bonds payable	$ 3,179,000	-	(102,000)	3,077,000	107,000

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

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

1996 Limited Obligation Improvement Bonds

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

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

Year	Principal	Interest	Total
2018	$ 107,000	136,057	243,057
2019	111,000	131,153	242,153
2020	116,000	126,045	242,045
2021	121,000	120,713	241,713
2022	127,000	115,133	242,133
2023-2027	722,000	482,940	1,204,940
2028-2032	899,000	301,296	1,200,296
2033-2036	874,000	80,775	954,775
Total	3,077,000	1,494,112	4,571,112
Current	(107,000)		
Long-term	$ 2,970,000		

(14) Defined Benefit Pension Plan

Plan Description

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

Benefits provided

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

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

The Plans' provision and benefits in effect at June 30, 2017 are summarized as follows:

	Miscellaneous Risk Pool	
	Classic	PEPRA
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates	7.00%	6.50%
Required employer contribution rates	9.558%	6.93%

Contributions

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

(14) Defined Benefit Pension Plan, continued

Contributions, continued

For the fiscal years ended June 30, 2017 and 2016, the contributions recognized as part of pension expense for the Plan was as follows:

		2017	2016
Contributions – employer	$	121,564	146,314

Net Pension Liability

As of June 30, 2017 and 2016, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

		2017	2016
Proportionate share of net pension liability	$	379,802	270,679

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2016 and 2015 (the measurement dates), and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 and 2014 (the valuation dates), rolled forward to June 30, 2016 and 2015, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the pension liability for the Plan as of the measurement date June 30, 2016 and 2015, were as follows:

	Miscellaneous
Proportion – June 30, 2014	0.00463%
Decrease in proportion	-0.00069%
Proportion – June 30, 2015	0.00394%
Increase in proportion	0.00045%
Proportion – June 30, 2016	0.00439%

Deferred Pension Outflows (Inflows) of Resources

For the fiscal years ended June 30, 2017 and 2016, the District recognized pension expense (credit) of $188,854 and $79,571, respectively.

As of June 30, 2017 and 2016, employer pension contributions reported as deferred outflows of resources related to contributions subsequent to the measurement date of $137,342 and $121,564 will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2018 and 2017, respectively.

(14) Defined Benefit Pension Plan, continued

Deferred Pension Outflows (Inflows) of Resources, continued

As of June 30, 2017 and 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	2017 Deferred Outflows of Resources	2017 Deferred Inflows of Resources	2016 Deferred Outflows of Resources	2016 Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	$ 137,342		121,564	-
Differences between actual and expected experience	3,551		9,363	-
Changes in assumptions		(43,583)	-	(88,581)
Net differences between projected and actual earnings on plan investments	226,837		-	(44,407)
Differences between actual contribution and proportionate share of contribution	8,413		-	(43,036)
Net adjustment due to differences in proportions of net pension liability	70,213		149,893	
Total	$ 446,356	(43,583)	280,820	(176,024)

At June 30, 2017, the District recognized other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30,	Deferred Net Outflows/(Inflows) of Resources
2018	$ 63,280
2019	62,852
2020	75,777
2021	63,522
2022	-
Remaining	-

(14) Defined Benefit Pension Plan, continued

Actuarial Assumptions

The total pension liabilities were determined as of June 30, 2015, which were rolled forward to June 30, 2016, using the following actuarial assumptions:

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Discount rate	7.65%
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Investment Rate of Return	7.50 % Net of Pension Plan Investment and Administrative Expenses; includes inflation
Mortality Rate Table*	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

* The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 Experience Study report (based on CalPERS demographic data from 1997 to 2011) available online at https://www.calpers.ca.gov/docs /forms-publications/calpers-experience-study-2014.pdf.

Discount Rate

The discount rate used to measure the total pension liability was 7.65% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, the amortization and smoothing periods recently adopted by CalPERS were utilized. The crossover test was performed for a miscellaneous agent plan and a safety agent plan selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investments.

Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach.

Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

(14) Defined Benefit Pension Plan, continued

Discount Rate, continued

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

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

As of June 30, 2017, the target allocation and the long-term expected real rate of return by asset class were as follows:

Asset Class	New Strategic Allocation	Real Return Years 1-10*	Real Return Year 11+**
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	20.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	1.0%	-0.55%	-1.05%
Total	100.0%		

As of June 30, 2017, the target allocation and the long-term expected real rate of return by asset class were as follows:

Asset Class	New Strategic Allocation	Real Return Years 1-10*	Real Return Year 11+**
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	100.0%		

(14) Defined Benefit Pension Plan, continued

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

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

As of June 30, 2017, the District's net pension liability at the current discount rate, using a discount rate that is one-percentage point lower, and using a discount rate that is one-percentage point higher, are as follows:

	Discount Rate - 1% 6.65%	Current Discount Rate 7.65%	Discount Rate + 1% 8.65%
District's Net Pension Liability	$ 536,161	379,802	185,444

As of June 30, 2017, the District's net pension liability at the current discount rate, using a discount rate that is one-percentage point lower, and using a discount rate that is one-percentage point higher, are as follows:

	Discount Rate - 1% 6.65%	Current Discount Rate 7.65%	Discount Rate + 1% 8.65%
District's Net Pension Liability	$ 417,053	270,679	109,668

Pension Plan Fiduciary Net Position

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

Payable to the Pension Plan

At June 30, 2017 and 2016, the District reported no payables for the outstanding amount of contribution to the pension plan.

(15) Net Position

		2017	2016
Investment in capital assets, net of related debt:			
Capital assets, not being depreciated	$	1,401,019	774,844
Depreciable capital assets, net		28,211,905	29,208,366
Current:			
Bonds payable		(107,000)	(102,000)
Non-current:			
Bonds payable		(2,970,000)	(3,077,000)
Total net investment in capital assets		26,535,924	26,804,210
Non-spendable net position:			
Materials and supplies inventory		149,862	104,860
Prepaid expenses and other deposits		76,273	71,878
Total non-spendable net position		226,135	176,738
Spendable net assets are designated as follows:			
Capital replacement reserve		6,901,956	6,377,933
Rate stabilization reserve		3,450,978	3,188,967
Total spendable net position		10,352,934	9,566,900
Total unrestricted net position		10,579,069	9,743,638
Total net position		37,114,993	36,547,848

(16) 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, 2017, the District participated in the liability, property and worker' compensation programs of the ACWA/JPIA as follows:

- General and auto liability, public officials and employees' errors and omissions: Total risk financing self-insurance limits of $5,000,000, combined single limit at $5,000,000 per occurrence. The JPIA purchases additional excess coverage layers up to $60 million per occurrence total for general, auto and public officials liability, which increases the limits on the insurance coverage noted above.

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

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

(16) Risk Management, continued

- Property loss, including boiler and machinery coverage is paid at the replacement cost for buildings, fixed equipment and personal property on file of $18,621,226 subject to a $2,500 deductible per occurrence. Repairs or replacement must be completed within two years; otherwise loss is valued on an actual cash value basis. Mobile equipment and vehicles are valued based on actual cash value at time of loss, subject to a $1,000 deductible per occurrence. ACWA JPIA has purchased excess coverage up to $150 million.
- Workers' compensation insurance up to California statutory limits for all work related injuries/illnesses covered by California law. The ACWA/JPIA is self-insured up to $2,000,000 and excess insurance coverage has been purchased.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the fiscal years ended June 30, 2017, 2016 and 2015. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There was no IBNR claims payable as of June 30, 2017, 2016 and 2015.

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

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2017, that has effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 75

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

This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2017. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 81

In March 2016, the GASB issued Statement No. 81 – *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively.

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

Governmental Accounting Standards Board Statement No. 83

In November 2016, the GASB issued Statement No. 83 – *Certain Asset Retirement Obligations.* This Statement (1) addresses accounting and financial reporting for certain asset retirement obligations (AROs), (2) establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs, (3) requires that recognition occur when the liability is both incurred and reasonably estimable, (4) requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred, (5) requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually, and (6) and requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets.

The provisions of this Statement are effective for reporting periods beginning after June 15, 2018. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 84

In January 2017, the GASB issued Statement No. 84 – *Fiduciary Activities.* The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

The provisions of this Statement are effective for reporting periods beginning after December 15, 2018. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 85

In March 2017, the GASB issued Statement No. 85 – *Omnibus 2017.* The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).

The provisions of this Statement are effective for reporting periods beginning after June 15, 2017. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

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

Governmental Accounting Standards Board Statement No. 86

In May 2017, the GASB issued Statement No. 86 – *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The provisions of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 87

In June 2017, the GASB issued Statement No. 87 – *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The provisions of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

(18) 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.

(19) Subsequent Events

Events occurring after June 30, 2017, have been evaluated for possible adjustment to the financial statements or disclosure as of December 6, 2017, which is the date the financial statements were available to be issued. The District is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

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Required Supplementary Information

Joshua Basin Water District
Schedule of the District's Proportionate Share of the Net Pension Liability
As of June 30, 2017
Last Ten Years*

	Measurement Dates		
	6/30/2016	6/30/2015	6/30/2014
District's Proportion of the Net Pension Liability	0.00439%	0.00394%	0.00463%
District's Proportionate Share of the Net Pension Liability	$ 379,802	270,679	288,403
District's Covered-Employee Payroll	$ 1,344,686	1,384,706	1,385,362
District's proportionate share of the net pension liability as a as a Percentage of its Covered-Employee Payroll	28.24%	19.55%	20.82%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	87.12%	89.37%	83.03%
Plan's Proportionate Share of Aggregate Employer Contributions	72,122	63,158	38,155

Notes:

Changes in Benefit Terms – There were no changes in benefit terms for the measurement date June 30, 2017.

Changes of Assumptions – There were no changes of assumption for the measurement date June 30, 2017.

* The District has presented information for those years for which information is available until a full 10-year trend is compiled.

Joshua Basin Water District
Schedule of Pension Plan Contributions
As of June 30, 2017
Last Ten Years*

Description		Measurement Dates		
		6/30/2016	6/30/2015	6/30/2014
Actuarially Determined Contribution	$	145,219	143,957	138,973
Contributions in Relation to the Actuarially Determined Contribution		(121,564)	(146,314)	(138,973)
Contribution Deficiency (Excess)	$	23,655	(2,357)	-
Covered Payroll	$	1,344,686	1,384,706	1,385,362
Contribution's as a percentage of Covered-employee Payroll		10.80%	10.40%	10.03%

Note:

* The District has presented information for those years for which information is available until a full 10-year trend is compiled.

Report on Internal Controls and Compliance

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

Board of Directors
Joshua Basin Water District
Joshua Tree, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Joshua Basin Water District (District) as of and for the fiscal years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated December 6, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Purpose of this Report

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

Fedak & Brown LLP
Cypress, California
December 6, 2017

Joshua Basin Water District

Management Report

June 30, 2017

Joshua Basin Water District

Management Report

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CONFIDENTIAL

Board of Directors
Joshua Basin Water District
Joshua Tree, California

Dear Members of the Board:

In planning and performing our audit of the financial statements of Joshua Basin Water District (District) as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

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

Summary of Current Year Comments and Recommendations

Disclosure of Audit Adjustments and Reclassifications

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

Management's Response

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

Summary of Comments and Recommendations Made in the Previous Year

Disclosure of Audit Adjustments and Reclassifications

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

Management's Response

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

* * * * * * * * * * *

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

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

Fedak & Brown LLP
Cypress, California
December 6, 2017

APPENDIX

Joshua Basin Water District

Audit/Finance Committee Letter

June 30, 2017

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, 2017 and have issued our report thereon dated December 6, 2017. Generally accepted auditing standards require that we provide the Governing Board and management with the following information related to our audit of the District's basic financial statements.

Auditor's Responsibility under United States Generally Accepted Auditing Standards

As stated in our Audit Engagement Letter dated March 1, 2017, our responsibility, as described by professional standards, is to express an opinion about whether the basic financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with United States generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of its responsibilities.

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

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

Planned Scope and Timing of the Audit

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

Qualitative Aspects of Accounting Practices

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

We noted no transactions entered into by the District during fiscal year 2017 for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Management's Judgments, Accounting Estimates and Financial Disclosures

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

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

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

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

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

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

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

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

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

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

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 December 6, 2017.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Restriction on Use

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

Conclusion

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

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

Fedak & Brown LLP
Cypress, California
December 6, 2017

Joshua Basin Water District
Schedule of GASB 68 Adjustments
June 30, 2017

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

GASB 68 Entry No. 1
To adjust deferred outflows and inflows to agree with balances per 2015 audited financial statements.

200-22360	NET PENSION LIABILITY	$ 121,564.00	
100-13600	DEFERRED OUTFLOWS OF RESOURCES		121,564.00

GASB 68 Entry No. 2
To reclassify 2016 contributions to Deferred Outflows of Resources at June 30, 2016.

100-13600	DEFERRED OUTFLOWS OF RESOURCES	137,342.00	
551-01230	RETIREMENT: PERS Classic 2%@55		137,342.00

GASB 68 Entry No. 4
To record changes in pension liability during FY14/15 at June 30, 2016.

551-01230	RETIREMENT: PERS Classic 2%@55		114,332.00
200-22360	NET PENSION LIABILITY		230,687.00
100-13600	DEFERRED OUTFLOWS OF RESOURCES		90,825.00
100-13600	DEFERRED OUTFLOWS OF RESOURCES	367,048.00	
200-23050	DEFERRED INFLOWS OF RESOURCES		36,958.00
200-23050	DEFERRED INFLOWS OF RESOURCES	105,754.00	

GASB 68 Entry No. 5
To record changes in the deferred outflows and deferred inflows (amortization) during FY15/16 at June 30, 2016.

100-13600	DEFERRED OUTFLOWS OF RESOURCES		23,526.00
100-13600	DEFERRED OUTFLOWS OF RESOURCES		65,981.00
200-23050	DEFERRED INFLOWS OF RESOURCES	31,636.00	
200-23050	DEFERRED INFLOWS OF RESOURCES		4,949.00
551-01230	RETIREMENT: PERS Classic 2%@55	62,820.00	

Joshua Basin Water District

Water Rate Study

Summary of Financial Projections & Rates

Revised Draft 12/01/17

BARTLE WELLS ASSOCIATES
INDEPENDENT PUBLIC FINANCE ADVISORS

Scenario 1: Best Management Practice, Deferred Cr-6

		2017/18	2018/19	2019/20	2020/21	2021/22
Key Assumptions						
Capital Improvement Projects		$700,000	$2,500,000	$2,500,000	$2,500,000	$2,500,000
Meter Replacement Program		$0	$500,000	$500,000	$500,000	$500,000
Annual Project Funding		$237,000	$250,000	$250,000	$250,000	$250,000
Recharge Water Purchases		$287,000	$597,000	$627,000	$658,000	$691,000
Recharge (Acre-Feet)		*500*	*1,000*	*1,000*	*1,000*	*1,000*
Rate Increases						
Effective Date of Rate Increase		Mar-1	Jan-1	Jan-1	Jan-1	Jan-1
Rate Revenue Increase %		**40%**	**30%**	**20%**	**10%**	**5%**
Cumulative Increase %			*82%*	*118%*	*140%*	*152%*
Bill Impacts						
Low Use (3 hcf)	$34.78	$44.69	$57.39	$68.38	$74.97	$78.53
Median Use (6 hcf)	44.28	59.19	76.91	92.37	101.70	106.75
Typical Residential Bill (9 hcf)	54.78	75.69	99.11	119.64	132.09	138.85
Higher Use (20 hcf)	98.28	146.19	194.01	236.23	262.02	276.05

Scenarios 2: Phased Approach, Deferred Cr-6

		2017/18	2018/19	2019/20	2020/21	2021/22
Key Assumptions						
Capital Improvement Projects		$700,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000
Meter Replacement Program		$0	$500,000	$500,000	$500,000	$500,000
Annual Project Funding		$237,000	$250,000	$250,000	$250,000	$250,000
Recharge Water Purchases		$287,000	$418,000	$502,000	$592,000	$691,000
Recharge (Acre-Feet)		*500*	*700*	*800*	*900*	*1,000*
Rate Increases						
Effective Date of Rate Increase		Mar-1	Jan-1	Jan-1	Jan-1	Jan-1
Rate Revenue Increase %		**18%**	**16%**	**14%**	**12%**	**10%**
Cumulative Increase %			*37%*	*56%*	*75%*	*92%*
Bill Impacts						
Low Use (3 hcf)	$34.78	$38.06	$43.90	$49.58	$55.13	$59.95
Median Use (6 hcf)	44.28	49.86	58.00	65.83	73.53	80.05
Typical Residential Bill (9 hcf)	54.78	63.06	73.90	84.28	94.53	103.15
Higher Use (20 hcf)	98.28	118.46	141.20	162.93	184.53	202.85

Scenario 3: $5.0 Million Debt for High-Priority Capital Improvements

		2017/18	2018/19	2019/20	2020/21	2021/22
Key Assumptions						
2018 Debt Funding for Capital Projects		$700,000	$5,000,000	$0	$1,000,000	$1,000,000
Meter Replacement Program		$0	$500,000	$500,000	$500,000	$500,000
Annual Project Funding		$237,000	$250,000	$250,000	$250,000	$250,000
Recharge Water Purchases		$287,000	$418,000	$502,000	$592,000	$691,000
Recharge (Acre-Feet)		*500*	*700*	*800*	*900*	*1,000*
New Debt Service		$0	$325,000	$325,000	$325,000	$325,000
Rate Increases						
Effective Date of Rate Increase		Mar-1	Jan-1	Jan-1	Jan-1	Jan-1
Rate Revenue Increase %		**18%**	**16%**	**14%**	**12%**	**10%**
Cumulative Increase %			*37%*	*56%*	*75%*	*92%*
Bill Impacts						
Low Use (3 hcf)	$34.78	$38.06	$43.90	$49.58	$55.13	$59.95
Median Use (6 hcf)	44.28	49.86	58.00	65.83	73.53	80.05
Typical Residential Bill (9 hcf)	54.78	63.06	73.90	84.28	94.53	103.15
Higher Use (20 hcf)	98.28	118.46	141.20	162.93	184.53	202.85

Summary of Preliminary Draft Financial Scenarios

	First 5 Years					Future Projections (to be re-evaluated in future years)				
	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Scenario 1: Best Management Practice, Deferred Cr-6										
Key Assumptions										
Capital Improvement Projects	$700,000	$2,500,000	$2,500,000	$2,500,000	$2,500,000	$2,500,000	$2,600,000	$2,700,000	$2,800,000	$2,900,000
Meter Replacement Program	$0	$500,000	$500,000	$500,000	$500,000	$500,000	$0	$0	$0	$0
Annual Project Funding	$237,000	$250,000	$250,000	$250,000	$250,000	$250,000	$258,000	$266,000	$274,000	$282,000
Recharge Water Purchases	$287,000	$597,000	$627,000	$658,000	$691,000	$726,000	$762,000	$800,000	$840,000	$882,000
Recharge (Acre-Feet)	*500*	*1,000*	*1,000*	*1,000*	*1,000*	*1,000*	*1,000*	*1,000*	*1,000*	*1,000*
Chrome 6 Operating Costs	$0	$0	$0	$0	$0	$500,000	$800,000	$832,000	$865,000	$900,000
Chrome 6 Debt Service	$0	$0	$0	$0	$0	$0	$275,000	$275,000	$275,000	$275,000
Rate Increases & Bill Impacts										
Effective Date of Rate Increase	Mar-1	Jan-1	Jan-1	Jan-1	Jan-1	Jan-1	Jan-1	Jan-1	Jan-1	Jan-1
Rate Revenue Increase %	**40%**	**30%**	**20%**	**10%**	**5%**	8%	8%	4%	4%	4%
Cumulative Increase %		*82%*	*118%*	*140%*	*152%*	*172%*	*194%*	*206%*	*218%*	*231%*
Scenario 2: Phased Approach, Deferred Cr-6										
Key Assumptions										
Capital Improvement Projects	$700,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$1,500,000	$2,000,000	$2,400,000	$2,700,000
Meter Replacement Program	$0	$500,000	$500,000	$500,000	$500,000	$500,000	$0	$0	$0	$0
Annual Project Funding	$237,000	$250,000	$250,000	$250,000	$250,000	$250,000	$258,000	$266,000	$274,000	$282,000
Recharge Water Purchases	$287,000	$418,000	$502,000	$592,000	$691,000	$726,000	$762,000	$800,000	$840,000	$882,000
Recharge (Acre-Feet)	*500*	*700*	*800*	*900*	*1,000*	*1,000*	*1,000*	*1,000*	*1,000*	*1,000*
Chrome 6 Operating Costs	$0	$0	$0	$0	$0	$400,000	$800,000	$832,000	$865,000	$900,000
Chrome 6 Debt Service	$0	$0	$0	$0	$0	$0	$275,000	$275,000	$275,000	$275,000
Rate Increases & Bill Impacts										
Effective Date of Rate Increase	Mar-1	Jan-1	Jan-1	Jan-1	Jan-1	Jan-1	Jan-1	Jan-1	Jan-1	Jan-1
Rate Revenue Increase %	**18%**	**16%**	**14%**	**12%**	**10%**	16%	14%	12%	6%	6%
Cumulative Increase %		*37%*	*56%*	*75%*	*92%*	*123%*	*154%*	*185%*	*202%*	*220%*
Scenario 3: $5.0 Million Debt for High-Priority Capital Improvements										
Key Assumptions										
Capital Improvement Projects	$700,000	$5,000,000	$0	$1,000,000	$1,000,000	$1,000,000	$1,200,000	$1,700,000	$2,200,000	$2,500,000
Meter Replacement Program	$0	$500,000	$500,000	$500,000	$500,000	$500,000	$0	$0	$0	$0
Annual Project Funding	$237,000	$250,000	$250,000	$250,000	$250,000	$250,000	$258,000	$266,000	$274,000	$282,000
Recharge Water Purchases	$287,000	$418,000	$502,000	$592,000	$691,000	$726,000	$762,000	$800,000	$840,000	$882,000
Recharge (Acre-Feet)	*500*	*700*	*800*	*900*	*1,000*	*1,000*	*1,000*	*1,000*	*1,000*	*1,000*
Chrome 6 Operating Costs	$0	$0	$0	$0	$0	$500,000	$800,000	$832,000	$865,000	$900,000
Chrome 6 Debt Service	$0	$0	$0	$0	$0	$0	$275,000	$275,000	$275,000	$275,000
New Debt Service	$0	$325,000	$325,000	$325,000	$325,000	$325,000	$325,000	$325,000	$325,000	$325,000
Rate Increases & Bill Impacts										
Effective Date of Rate Increase	Mar-1	Jan-1	Jan-1	Jan-1	Jan-1	Jan-1	Jan-1	Jan-1	Jan-1	Jan-1
Rate Revenue Increase %	**18%**	**16%**	**14%**	**12%**	**10%**	16%	14%	12%	6%	6%
Cumulative Increase %		*37%*	*56%*	*75%*	*92%*	*123%*	*154%*	*185%*	*202%*	*220%*

Joshua Basin Water District

Financial & Rate Projections

Scenario 1

Best Management Practice

With Deferred Chrome 6 Treatment

No Debt

40% Fixed Rate Revenue Recovery

Steeper Water Rate Tiers

Table 1A — Cash Flow Projections: Best Management Practice — Years 0 - 5

#		1	2	3	4	5
		Projected 2017/18	Projected 2018/19	Projected 2019/20	Projected 2020/21	Projected 2021/22
1	Effective Date of Rate Adjustment	Mar-1	Jan-1	Jan-1	Jan-1	Jan-1
2	Rate Revenue Adjustment %	40%	30%	20%	10%	5%
4	Growth: New EDUs	10	10	10	10	10
5	Growth in Billable EDUs %	0.2%	0.2%	0.2%	0.2%	0.2%
6	Wtr Demand Elasticity (Response to Rate Incr)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
7	Change in Water Use After Rate Increase	-8.0%	-6.0%	-4.0%	-2.0%	-1.0%
8	Water Purchases from MWA (AF)	500	1,000	1,000	1,000	1,000
9	MWA Rate per AF	$569	$597	$627	$658	$691
10	Interest Earnings Rate	1.0%	1.5%	2.0%	2.0%	2.0%
11	Annual Cost Escalator		4.0%	4.0%	4.0%	4.0%
12	**Beginning Fund Reserves**	$7,151,000	$6,910,000	$5,203,000	$4,440,000	$4,299,000
13	**REVENUES**					
14	Basic Monthly Fees	1,770,000	2,404,000	2,996,000	3,439,000	3,700,000
15	Water Usage Charges	2,038,000	2,618,000	3,108,000	3,469,000	3,677,000
16	Locked Meter Charges	303,000	363,000	440,000	496,000	528,000
17	Standby Revenue	1,140,000	1,139,000	1,138,000	1,137,000	1,136,000
18	Property Taxes	428,000	437,000	446,000	455,000	464,000
19	Private Fire Svc & Special Services	137,000	140,000	143,000	146,000	149,000
20	Water Capacity & Meter Install Fees	53,000	53,000	54,000	55,000	56,000
21	Interest Earnings	50,000	104,000	104,000	89,000	86,000
22	HDMC WWTP Reimbs (+22%)	200,000	207,000	216,000	224,000	233,000
23	Other Revenues	12,000	20,000	20,000	20,000	20,000
24	Total Revenues	6,131,000	7,485,000	8,665,000	9,530,000	10,049,000
25	SRF Grants	100,000			200,000	10,000,000
26	SRF Loans				1,510,000	
27	Debt Proceeds					
28	**EXPENSES**					
29	**Operating & Maintenance**					
30	Production	1,324,000	1,377,000	1,432,000	1,489,000	1,549,000
31	Recharge Water Purchases from MWA	287,000	597,000	627,000	658,000	691,000
32	Distribution	1,000,000	1,040,000	1,082,000	1,125,000	1,170,000
33	Customer Service	489,000	509,000	529,000	550,000	572,000
34	Administration	1,048,000	1,090,000	1,134,000	1,179,000	1,226,000
35	Engineering	237,000	246,000	256,000	266,000	277,000
36	Finance	533,000	554,000	576,000	599,000	623,000
37	Personnel & Legal	134,000	139,000	145,000	151,000	157,000
38	HDMC WWTP Operations (reimburseable)	163,000	170,000	177,000	184,000	191,000
39	Chrome 6 Operations	0	0	0	0	0
40	Subtotal	5,215,000	5,722,000	5,958,000	6,201,000	6,456,000
41	**Debt Service**					
43	Future Chrome 6 SRF Loan Repayment	-	-	-	-	-
44	Subtotal	0	0	0	0	0
45	**Capital/Non-Operating**					
46	Capital Improvements	700,000	2,500,000	2,500,000	2,500,000	2,500,000
47	Meter Replacement Program	0	500,000	500,000	500,000	500,000
48	Annual Project Funding	237,000	250,000	250,000	250,000	250,000
49	Chromium 6 Project (grant & loan funded)	100,000	0	0	1,710,000	10,000,000
50	Morongo Basin Pipeline Debt Reimbs	220,000	220,000	220,000	220,000	0
51	Subtotal	1,257,000	3,470,000	3,470,000	5,180,000	13,250,000
52	Total Expenses	6,472,000	9,192,000	9,428,000	11,381,000	19,706,000
53	**Revenues Less Expenses**	(241,000)	(1,707,000)	(763,000)	(141,000)	343,000
54	**Ending Fund Reserves**	6,910,000	5,203,000	4,440,000	4,299,000	4,642,000
55	Min Fund Rsrv Target (50% O&M + $1M)	3,607,500	3,861,000	3,979,000	4,100,500	4,228,000
56	Debt Service Coverage	-	-	-	-	-
57	Annual pay-go funding generated for CIP	696,000	1,543,000	2,487,000	3,109,000	3,593,000

	Table 1A	Cash Flow Projections: Best Management Practice				Year 6 - 10	
		6	7	8	9	10	
		Projected 2022/23	Projected 2023/24	Projected 2024/25	Projected 2025/26	Projected 2026/27	Esc Factor
1	Effective Date of Rate Adjustment	Jan-1	Jan-1	Jan-1	Jan-1	Jan-1	
2	Rate Revenue Adjustment %	8%	8%	4%	4%	4%	
4	Growth: New EDUs	10	10	10	10	10	
5	Growth in Billable EDUs %	0.2%	0.2%	0.2%	0.2%	0.2%	
6	Wtr Demand Elasticity (Response to Rate Incr)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	
7	Change in Annual Water Consumption	-1.6%	-1.6%	-0.8%	-0.8%	-0.8%	
8	Water Purchases from MWA (AF)	1,000	1,000	1,000	1,000	1,000	
9	MWA Rate per AF	$726	$762	$800	$840	$882	5.0%
10	Interest Earnings Rate	2.0%	2.0%	2.0%	2.0%	2.0%	
11	Annual Cost Escalator	4.0%	4.0%	4.0%	4.0%	4.0%	
12	**Beginning Fund Reserves**	$4,642,000	$4,716,000	$4,964,000	$5,307,000	$5,594,000	
13	**REVENUES**						
14	Basic Monthly Fees	3,950,000	4,275,000	4,537,000	4,728,000	4,927,000	
15	Water Usage Charges	3,861,000	4,103,000	4,301,000	4,438,000	4,578,000	
16	Locked Meter Charges	562,000	607,000	643,000	669,000	696,000	
17	Standby Revenue	1,135,000	1,134,000	1,133,000	1,132,000	1,131,000	
18	Property Taxes	473,000	482,000	492,000	502,000	512,000	2.0%
19	Private Fire Svc & Special Services	152,000	155,000	158,000	161,000	164,000	2.0%
20	Water Capacity & Meter Install Fees	57,000	57,000	58,000	59,000	60,000	
21	Interest Earnings	93,000	94,000	99,000	106,000	112,000	
22	HDMC WWTP Reimbs (+22%)	243,000	253,000	262,000	273,000	284,000	
23	Other Revenues	20,000	20,000	20,000	20,000	20,000	
24	Total Revenues	10,546,000	11,180,000	11,703,000	12,088,000	12,484,000	
25	SRF Grants						
26	SRF Planning & Construction Loan	4,000,000					
27	Debt Proceeds						
28	**EXPENSES**						
29	**Operating & Maintenance**						
30	Production	1,611,000	1,675,000	1,742,000	1,812,000	1,884,000	
31	Recharge Water Purchases from MWA	726,000	762,000	800,000	840,000	882,000	
32	Distribution	1,217,000	1,266,000	1,317,000	1,370,000	1,425,000	
33	Customer Service	595,000	619,000	644,000	670,000	697,000	
34	Administration	1,275,000	1,326,000	1,379,000	1,434,000	1,491,000	
35	Engineering	288,000	300,000	312,000	324,000	337,000	
36	Finance	648,000	674,000	701,000	729,000	758,000	
37	Personnel & Legal	163,000	170,000	177,000	184,000	191,000	
38	HDMC WWTP Operations (reimburseable)	199,000	207,000	215,000	224,000	233,000	
39	Chrome 6 Operations	500,000	800,000	832,000	865,000	900,000	
40	Subtotal	7,222,000	7,799,000	8,119,000	8,452,000	8,798,000	
41	**Debt Service**						
43	Future Chrome 6 SRF Loan Repayment	-	275,000	275,000	275,000	275,000	
44	Subtotal	0	275,000	275,000	275,000	275,000	
45	**Capital/Non-Operating**						
46	Capital Improvements (Pipes/Wells/Boosters)	2,500,000	2,600,000	2,700,000	2,800,000	2,900,000	
47	Meter Replacement Program	500,000	0	0	0	0	
48	Annual Project Funding	250,000	258,000	266,000	274,000	282,000	3.0%
49	Chromium 6 Project (grant & loan funded)	4,000,000	0	0	0	0	
50	Morongo Basin Pipeline Debt Reimbs	0	0	0	0	0	
51	Subtotal	7,250,000	2,858,000	2,966,000	3,074,000	3,182,000	
52	Total Expenses	14,472,000	10,932,000	11,360,000	11,801,000	12,255,000	
53	**Revenues Less Expenses**	74,000	248,000	343,000	287,000	229,000	
54	**Ending Fund Reserves**	4,716,000	4,964,000	5,307,000	5,594,000	5,823,000	
55	Min Fund Rsrv Target (50% O&M+Debt + $1M)	4,611,000	5,037,000	5,197,000	5,363,500	5,536,500	
56	Debt Service Coverage	-	12.29	13.03	13.22	13.40	
57	Annual pay-go funding generated for CIP	3,324,000	3,106,000	3,309,000	3,361,000	3,411,000	

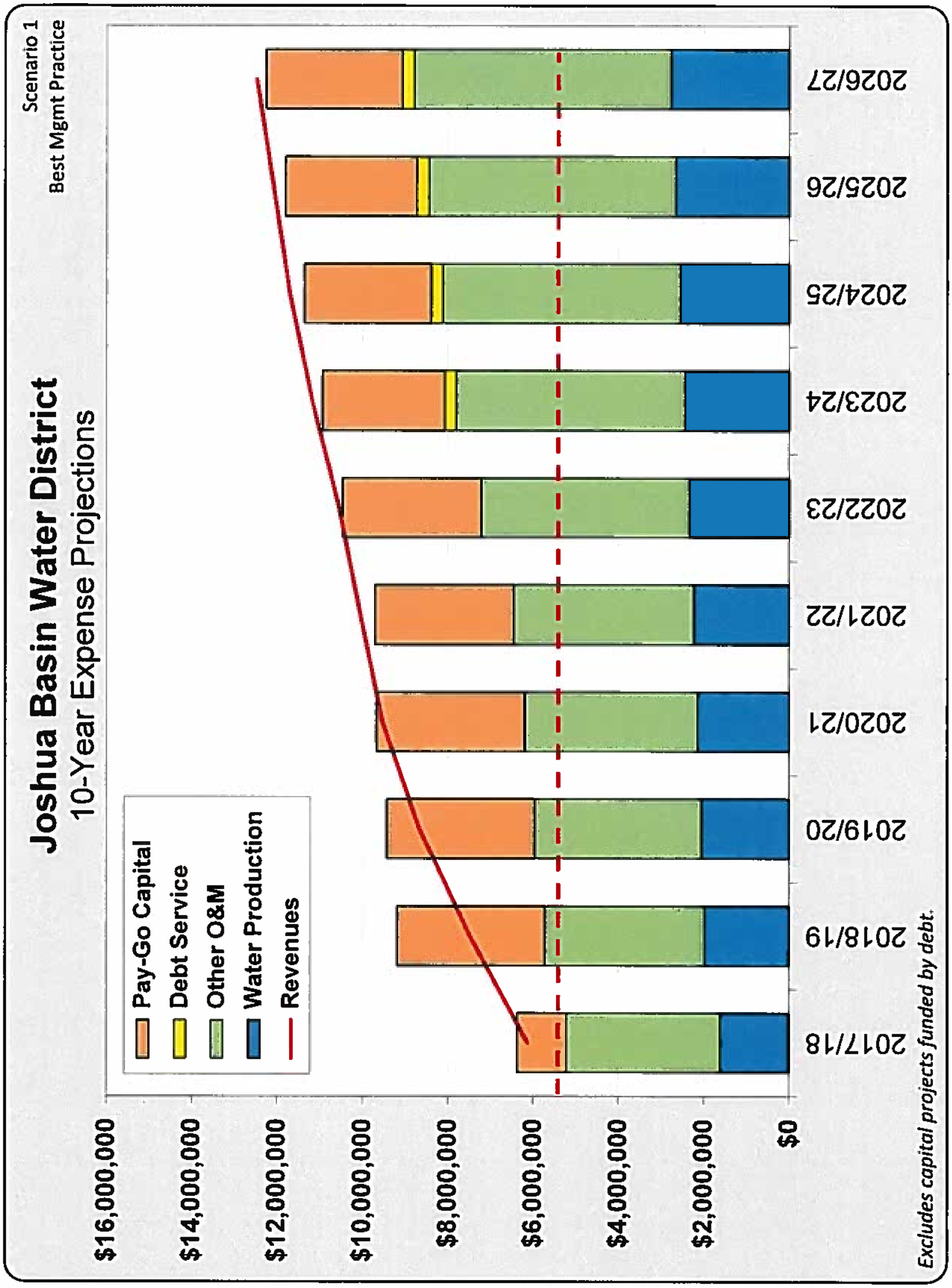
Joshua Basin Water District
10-Year Expense Projections
Scenario 1
Best Mgmt Practice
Pay-Go Capital
Debt Service
Other O&M
Water Production
Revenues
$16,000,000
$14,000,000
$12,000,000
$10,000,000
$8,000,000
$6,000,000
$4,000,000
$2,000,000
$0
2017/18
2018/19
2019/20
2020/21
2021/22
2022/23
2023/24
2024/25
2025/26
2026/27
Excludes capital projects funded by debt.

Table 2A
Joshua Basin Water District
Projected Water Rates

Scenario 1
Best Management Practice, No Debt
40% Fixed Rate Recovery with Steeper Tiers

Effective			Current	2018	2019	2020	2021	2022
				Projected Water Rates				
BASIC MONTHLY FEE								
Meter Size	Accounts	Capacity	Monthly Rate					
3/4" & 1"	4,503	30 gpm	$25.78	$31.19	$39.21	$46.03	$50.07	$52.25
1-1/2"	28	100 gpm	85.93	103.97	130.70	153.43	166.90	174.17
2"	18	160 gpm	137.49	166.35	209.12	245.49	267.04	278.67
3"	7	300 gpm	257.79	311.90	392.10	460.30	500.70	522.50
MONTHLY WATER FLOW CHARGES								
For 3/4" and 1" Meters			Rate Per Unit ($/hcf)					
Tier 1	0 - 5 units		$3.00	$4.50	$6.06	$7.45	$8.30	$8.76
Tier 2	5.01 - 10 units		3.50	5.50	7.40	9.09	10.13	10.70
Tier 3	10.01 - 20 units		4.00	6.50	8.75	10.75	11.98	12.65
Tier 4	20.01 + units		4.50	7.50	10.10	12.41	13.82	14.59
1 unit = one hundred cubic feet = 748 gallons								
For 1-1/2", 2" and 3" Meters			Rate Per Unit ($/hcf)					
Unit rate for all water use			$3.79	$5.50	$7.15	$8.58	$9.44	$9.91
1 unit = one hundred cubic feet = 748 gallons								
PRIVATE FIRE PROTECTION CHARGES								
Svc Size	Accounts	Capacity	Monthly Rate					
2"	1	160 gpm	$12.62	$16.64	$20.91	$24.55	$26.70	$27.87
3"	0	300 gpm	25.25	31.20	39.21	46.03	50.06	52.26
4"	6	500 gpm	50.50	52.00	65.34	76.72	83.44	87.09
6"	4	1,000 gpm	75.76	104.00	130.69	153.44	166.88	174.19
8"	7	1,600 gpm	113.62	166.40	209.10	245.50	267.00	278.70

Table 3A
Joshua Basin Water District
Bill Impacts (3/4" & 1" Meter)

Scenario 1
Best Management Practice, No Debt
40% Fixed Rate Recovery with Steeper Tiers

Projected Rate Impacts

Level of Use	Monthly Use	% of Bills at or Below	Current	2018	2019	2020	2021	2022	5-Year Impact	Avg Annual Impact
				Projected Monthly Water Bills						
LOW	3 hcf	30%	$34.78	$44.69	$57.39	$68.38	$74.97	$78.53		
			Increase $	9.91	12.70	10.99	6.59	3.56	43.75	8.75
			Increase %	28.5%	28.4%	19.1%	9.6%	4.7%	125.8%	17.7%
MEDIAN	6 hcf	55%	$44.28	$59.19	$76.91	$92.37	$101.70	$106.75		
			Increase $	14.91	17.72	15.46	9.33	5.05	62.47	12.49
			Increase %	33.7%	29.9%	20.1%	10.1%	5.0%	141.1%	19.2%
AVERAGE	9 hcf	73%	$54.78	$75.69	$99.11	$119.64	$132.09	$138.85		
			Increase $	20.91	23.42	20.53	12.45	6.76	84.07	16.81
			Increase %	38.2%	30.9%	20.7%	10.4%	5.1%	153.5%	20.4%
MOD-HIGH	20 hcf	90%	$98.28	$146.19	$194.01	$236.23	$262.02	$276.05		
			Increase $	47.91	47.82	42.22	25.79	14.03	177.77	35.55
			Increase %	48.7%	32.7%	21.8%	10.9%	5.4%	180.9%	22.9%
HIGH	30 hcf	95%	$188.28	$296.19	$396.01	$484.43	$538.42	$567.85		
			Increase $	107.91	99.82	88.42	53.99	29.43	379.57	75.91
			Increase %	57.3%	33.7%	22.3%	11.1%	5.5%	201.6%	24.7%

Joshua Basin Water District

Financial & Rate Projections

Scenario 2

Phased Approach

With Deferred Chrome 6 Treatment

No Debt

40% Fixed Rate Revenue Recovery

Steeper Water Rate Tiers

	Table 1B	Cash Flow Projections: Phased Approach				Years 0 - 5
		1	2	3	4	5
		Projected 2017/18	Projected 2018/19	Projected 2019/20	Projected 2020/21	Projected 2021/22
1	Effective Date of Rate Adjustment	Mar-1	Jan-1	Jan-1	Jan-1	Jan-1
2	Rate Revenue Adjustment %	**18%**	**16%**	**14%**	**12%**	**10%**
4	Growth: New EDUs	10	10	10	10	10
5	Growth in Billable EDUs %	0.2%	0.2%	0.2%	0.2%	0.2%
6	Wtr Demand Elasticity (Response to Rate Incr)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
7	Change in Water Use After Rate Increase	-3.6%	-3.2%	-2.8%	-2.4%	-2.0%
8	Water Purchases from MWA (AF)	500	700	800	900	1,000
9	MWA Rate per AF	$569	$597	$627	$658	$691
10	Interest Earnings Rate	1.0%	1.5%	2.0%	2.0%	2.0%
11	Annual Cost Escalator		4.0%	4.0%	4.0%	4.0%
12	**Beginning Fund Reserves**	$7,151,000	$6,592,000	$5,594,000	$4,923,000	$4,532,000
13	**REVENUES**					
14	Basic Monthly Fees	1,606,000	1,903,000	2,192,000	2,480,000	2,757,000
15	Water Usage Charges	1,913,000	2,219,000	2,475,000	2,725,000	2,960,000
16	Locked Meter Charges	274,000	298,000	336,000	374,000	410,000
17	Standby Revenue	1,140,000	1,139,000	1,138,000	1,137,000	1,136,000
18	Property Taxes	428,000	437,000	446,000	455,000	464,000
19	Private Fire Svc & Special Services	137,000	140,000	143,000	146,000	149,000
20	Water Capacity & Meter Install Fees	53,000	53,000	54,000	55,000	56,000
21	Interest Earnings	50,000	99,000	112,000	98,000	91,000
22	HDMC WWTP Reimbs (+22%)	200,000	207,000	216,000	224,000	233,000
23	Other Revenues	12,000	20,000	20,000	20,000	20,000
24	Total Revenues	5,813,000	6,515,000	7,132,000	7,714,000	8,276,000
25	SRF Grants	100,000			200,000	10,000,000
26	SRF Loans				1,510,000	
28	**EXPENSES**					
29	**Operating & Maintenance**					
30	Production	1,324,000	1,377,000	1,432,000	1,489,000	1,549,000
31	Recharge Water Purchases from MWA	287,000	418,000	502,000	592,000	691,000
32	Distribution	1,000,000	1,040,000	1,082,000	1,125,000	1,170,000
33	Customer Service	489,000	509,000	529,000	550,000	572,000
34	Administration	1,048,000	1,090,000	1,134,000	1,179,000	1,226,000
35	Engineering	237,000	246,000	256,000	266,000	277,000
36	Finance	533,000	554,000	576,000	599,000	623,000
37	Personnel & Legal	134,000	139,000	145,000	151,000	157,000
38	HDMC WWTP Operations (reimburseable)	163,000	170,000	177,000	184,000	191,000
39	Chrome 6 Operations	0	0	0	0	0
40	Subtotal	5,215,000	5,543,000	5,833,000	6,135,000	6,456,000
41	**Debt Service**					
42	Debt Service for Capital Improvements	-	-	-	-	-
43	Chrome 6 SRF Loan Repayment	-	-	-	-	-
44	Subtotal	0	0	0	0	0
45	**Capital/Non-Operating**					
46	Capital Improvements	700,000	1,000,000	1,000,000	1,000,000	1,000,000
47	Meter Replacement Program	0	500,000	500,000	500,000	500,000
48	Annual Project Funding	237,000	250,000	250,000	250,000	250,000
49	Chromium 6 Project (grant & loan funded)	100,000	0	0	1,710,000	10,000,000
50	Morongo Basin Pipeline Debt Reimbs	220,000	220,000	220,000	220,000	0
51	Subtotal	1,257,000	1,970,000	1,970,000	3,680,000	11,750,000
52	Total Expenses	6,472,000	7,513,000	7,803,000	9,815,000	18,206,000
53	**Revenues Less Expenses**	(559,000)	(998,000)	(671,000)	(391,000)	70,000
54	**Ending Fund Reserves**	6,592,000	5,594,000	4,923,000	4,532,000	4,602,000
55	Min Fund Rsrv Target (50% O&M + $1M)	3,607,500	3,771,500	3,916,500	4,067,500	4,228,000
56	Debt Service Coverage	-	-	-	-	-
57	Pay-go funding generated for CIP/Other	378,000	752,000	1,079,000	1,359,000	1,820,000

Table 1B **Cash Flow Projections: Phased Approach** **Year 6 - 10**

		6	7	8	9	10	
		Projected 2022/23	**Projected 2023/24**	**Projected 2024/25**	**Projected 2025/26**	**Projected 2026/27**	**Esc Factor**
1	Effective Date of Rate Adjustment	Jan-1	Jan-1	Jan-1	Jan-1	Jan-1	
2	Rate Revenue Adjustment %	**16%**	**14%**	**12%**	6%	6%	
4	Growth: New EDUs	10	10	10	10	10	
5	Growth in Billable EDUs %	0.2%	0.2%	0.2%	0.2%	0.2%	
6	Wtr Demand Elasticity (Response to Rate Incr)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	
7	Change in Annual Water Consumption	-3.2%	-2.8%	-2.4%	-1.2%	-1.2%	
8	Water Purchases from MWA (AF)	1,000	1,000	1,000	1,000	1,000	
9	MWA Rate per AF	$726	$762	$800	$840	$882	5.0%
10	Interest Earnings Rate	2.0%	2.0%	2.0%	2.0%	2.0%	
11	Annual Cost Escalator	4.0%	4.0%	4.0%	4.0%	4.0%	
12	**Beginning Fund Reserves**	$4,602,000	$4,744,000	$4,871,000	$5,102,000	$5,330,000	
13	**REVENUES**						
14	Basic Monthly Fees	3,126,000	3,600,000	4,074,000	4,443,000	4,719,000	
15	Water Usage Charges	3,253,000	3,630,000	3,996,000	4,282,000	4,484,000	
16	Locked Meter Charges	463,000	533,000	601,000	655,000	694,000	
17	Standby Revenue	1,135,000	1,134,000	1,133,000	1,132,000	1,131,000	
18	Property Taxes	473,000	482,000	492,000	502,000	512,000	2.0%
19	Private Fire Svc & Special Services	152,000	155,000	158,000	161,000	164,000	2.0%
20	Water Capacity & Meter Install Fees	57,000	57,000	58,000	59,000	60,000	
21	Interest Earnings	92,000	95,000	97,000	102,000	107,000	
22	HDMC WWTP Reimbs (+22%)	243,000	253,000	262,000	273,000	284,000	
23	Other Revenues	20,000	20,000	20,000	20,000	20,000	
24	Total Revenues	9,014,000	9,959,000	10,891,000	11,629,000	12,175,000	
25	Grants						
26	SRF Planning & Construction Loan	4,000,000					
28	**EXPENSES**						
29	**Operating & Maintenance**						
30	Production	1,611,000	1,675,000	1,742,000	1,812,000	1,884,000	
31	Recharge Water Purchases from MWA	726,000	762,000	800,000	840,000	882,000	
32	Distribution	1,217,000	1,266,000	1,317,000	1,370,000	1,425,000	
33	Customer Service	595,000	619,000	644,000	670,000	697,000	
34	Administration	1,275,000	1,326,000	1,379,000	1,434,000	1,491,000	
35	Engineering	288,000	300,000	312,000	324,000	337,000	
36	Finance	648,000	674,000	701,000	729,000	758,000	
37	Personnel & Legal	163,000	170,000	177,000	184,000	191,000	
38	HDMC WWTP Operations (reimburseable)	199,000	207,000	215,000	224,000	233,000	
39	Chrome 6 Operations	400,000	800,000	832,000	865,000	900,000	
40	Subtotal	7,122,000	7,799,000	8,119,000	8,452,000	8,798,000	
41	**Debt Service**						
42	Debt Service for Capital Improvements	-	-	-	-	-	
43	Chrome 6 SRF Loan Repayment	-	275,000	275,000	275,000	275,000	
44	Subtotal	0	275,000	275,000	275,000	275,000	
45	**Capital/Non-Operating**						
46	Capital Improvements (Pipes/Wells/Boosters)	1,000,000	1,500,000	2,000,000	2,400,000	2,700,000	
47	Meter Replacement Program	500,000	0	0	0	0	
48	Annual Project Funding	250,000	258,000	266,000	274,000	282,000	3.0%
49	Chromium 6 Project (grant & loan funded)	4,000,000	0	0	0	0	
50	Morongo Basin Pipeline Debt Reimbs	0	0	0	0	0	
51	Subtotal	5,750,000	1,758,000	2,266,000	2,674,000	2,982,000	
52	Total Expenses	12,872,000	9,832,000	10,660,000	11,401,000	12,055,000	
53	**Revenues Less Expenses**	142,000	127,000	231,000	228,000	120,000	
54	**Ending Fund Reserves**	4,744,000	4,871,000	5,102,000	5,330,000	5,450,000	
55	Min Fund Rsrv Target (50% O&M + $1M)	4,561,000	4,899,500	5,059,500	5,226,000	5,399,000	
56	Debt Service Coverage	-	7.85	10.08	11.55	12.28	
57	Pay-go funding generated for CIP/Other	1,892,000	1,885,000	2,497,000	2,902,000	3,102,000	

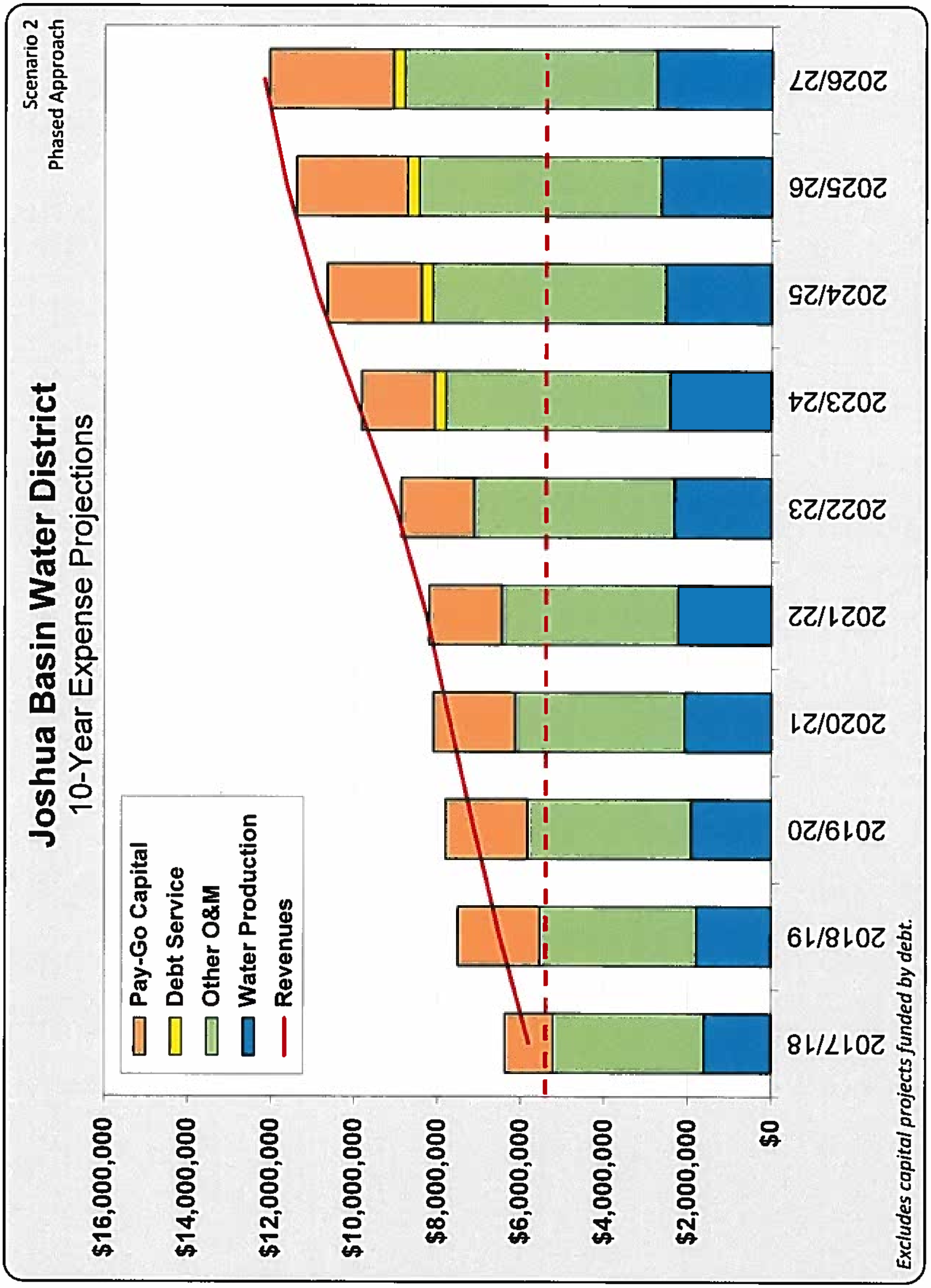
Joshua Basin Water District
10-Year Expense Projections
Scenario 2
Phased Approach
Pay-Go Capital
Debt Service
Other O&M
Water Production
Revenues
$16,000,000
$14,000,000
$12,000,000
$10,000,000
$8,000,000
$6,000,000
$4,000,000
$2,000,000
$0
2017/18
2018/19
2019/20
2020/21
2021/22
2022/23
2023/24
2024/25
2025/26
2026/27
Excludes capital projects funded by debt.

Table 2B
Joshua Basin Water District
Projected Water Rates

Scenario 2
Phased Approach, No Debt
40% Fixed Rate Recovery with Steeper Tiers

Effective			Current	2018	2019	2020	2021	2022
				Projected Water Rates				
BASIC MONTHLY FEE								
Meter Size	Accounts	Capacity	Monthly Rate					
3/4" & 1"	4,503	30 gpm	$25.78	$26.96	$30.70	$34.43	$38.03	$41.35
1-1/2"	28	100 gpm	85.93	89.87	102.33	114.77	126.77	137.83
2"	18	160 gpm	137.49	143.79	163.73	183.63	202.83	220.53
3"	7	300 gpm	257.79	269.60	307.00	344.30	380.30	413.50
MONTHLY WATER FLOW CHARGES								
For 3/4" and 1" Meters			Rate Per Unit ($/hcf)					
Tier 1	0 - 5 units		$3.00	$3.70	$4.40	$5.05	$5.70	$6.20
Tier 2	5.01 - 10 units		3.50	4.40	5.30	6.15	7.00	7.70
Tier 3	10.01 - 20 units		4.00	5.10	6.20	7.25	8.30	9.20
Tier 4	20.01 + units		4.50	5.80	7.10	8.35	9.60	10.70
1 unit = one hundred cubic feet = 748 gallons								
For 1-1/2", 2" and 3" Meters			Rate Per Unit ($/hcf)					
Unit rate for all water use			$3.79	$4.60	$5.40	$6.20	$7.00	$7.70
1 unit = one hundred cubic feet = 748 gallons								
PRIVATE FIRE PROTECTION CHARGES								
Svc Size	Accounts	Capacity	Monthly Rate					
2"	1	160 gpm	$12.62	$14.38	$16.37	$18.36	$20.28	$22.05
3"	0	300 gpm	25.25	26.96	30.69	34.43	38.03	41.34
4"	6	500 gpm	50.50	44.94	51.16	57.38	63.38	68.91
6"	4	1,000 gpm	75.76	89.88	102.31	114.75	126.75	137.81
8"	7	1,600 gpm	113.62	143.80	163.70	183.60	202.80	220.50

Table 3B

Joshua Basin Water District

Bill Impacts (3/4" & 1" Meter)

Scenario 2

Phased Approach, No Debt

40% Fixed Rate Recovery with Steeper Tiers

Projected Rate Impacts										
Level of Use	Monthly Use	% of Bills at or Below	Current	Projected Monthly Water Bills 2018	2019	2020	2021	2022	5-Year Impact	Avg Annual Impact
LOW	3 hcf	30%	$34.78	$38.06	$43.90	$49.58	$55.13	$59.95		
			Increase $	3.28	5.84	5.68	5.55	4.82	25.17	5.03
			Increase %	9.4%	15.3%	12.9%	11.2%	8.7%	72.4%	11.5%
MEDIAN	6 hcf	55%	$44.28	$49.86	$58.00	$65.83	$73.53	$80.05		
			Increase $	5.58	8.14	7.83	7.70	6.52	35.77	7.15
			Increase %	12.6%	16.3%	13.5%	11.7%	8.9%	80.8%	12.6%
AVERAGE	9 hcf	73%	$54.78	$63.06	$73.90	$84.28	$94.53	$103.15		
			Increase $	8.28	10.84	10.38	10.25	8.62	48.37	9.67
			Increase %	15.1%	17.2%	14.0%	12.2%	9.1%	88.3%	13.5%
MOD-HIGH	20 hcf	90%	$98.28	$118.46	$141.20	$162.93	$184.53	$202.85		
			Increase $	20.18	22.74	21.73	21.60	18.32	104.57	20.91
			Increase %	20.5%	19.2%	15.4%	13.3%	9.9%	106.4%	15.6%
HIGH	30 hcf	95%	$188.28	$234.46	$283.20	$329.93	$376.53	$416.85		
			Increase $	46.18	48.74	46.73	46.60	40.32	228.57	45.71
			Increase %	24.5%	20.8%	16.5%	14.1%	10.7%	121.4%	17.2%

Note: Impacts shown above assume no additional future conservation, which would result in a reduction in billed water use.

Joshua Basin Water District

Financial & Rate Projections

Scenario 3

$5.0 Million Debt for Capital Improvements

With Deferred Chrome 6 Treatment

40% Fixed Rate Revenue Recovery

Steeper Water Rate Tiers

Table 1C — Cash Flow Projections: With $5 Million Debt — Years 0 - 5

		1	2	3	4	5
		Projected 2017/18	Projected 2018/19	Projected 2019/20	Projected 2020/21	Projected 2021/22
1	Effective Date of Rate Adjustment	Mar-1	Jan-1	Jan-1	Jan-1	Jan-1
2	Rate Revenue Adjustment %	**18%**	**16%**	**14%**	**12%**	**10%**
4	Growth: New EDUs	10	10	10	10	10
5	Growth in Billable EDUs %	0.2%	0.2%	0.2%	0.2%	0.2%
6	Wtr Demand Elasticity (Response to Rate Incr)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
7	Change in Water Use After Rate Increase	-3.6%	-3.2%	-2.8%	-2.4%	-2.0%
8	Water Purchases from MWA (AF)	500	700	800	900	1,000
9	MWA Rate per AF	$569	$597	$627	$658	$691
10	Interest Earnings Rate	1.0%	1.5%	2.0%	2.0%	2.0%
11	Annual Cost Escalator	4.0%	4.0%	4.0%	4.0%	4.0%
12	**Beginning Fund Reserves**	$7,151,000	$6,592,000	$6,269,000	$6,286,000	$5,598,000
13	**REVENUES**					
14	Basic Monthly Fees	1,606,000	1,903,000	2,192,000	2,480,000	2,757,000
15	Water Usage Charges	1,913,000	2,219,000	2,475,000	2,725,000	2,960,000
16	Locked Meter Charges	274,000	298,000	336,000	374,000	410,000
17	Standby Revenue	1,140,000	1,139,000	1,138,000	1,137,000	1,136,000
18	Property Taxes	428,000	437,000	446,000	455,000	464,000
19	Private Fire Svc & Special Services	137,000	140,000	143,000	146,000	149,000
20	Water Capacity & Meter Install Fees	53,000	53,000	54,000	55,000	56,000
21	Interest Earnings	50,000	99,000	125,000	126,000	112,000
22	HDMC WWTP Reimbs (+22%)	200,000	207,000	216,000	224,000	233,000
23	Other Revenues	12,000	20,000	20,000	20,000	20,000
24	Total Revenues	5,813,000	6,515,000	7,145,000	7,742,000	8,297,000
25	SRF Grants	100,000			200,000	10,000,000
26	SRF Loans				1,510,000	
27	Debt Proceeds		5,000,000			
28	**EXPENSES**					
29	**Operating & Maintenance**					
30	Production	1,324,000	1,377,000	1,432,000	1,489,000	1,549,000
31	Recharge Water Purchases from MWA	287,000	418,000	502,000	592,000	691,000
32	Distribution	1,000,000	1,040,000	1,082,000	1,125,000	1,170,000
33	Customer Service	489,000	509,000	529,000	550,000	572,000
34	Administration	1,048,000	1,090,000	1,134,000	1,179,000	1,226,000
35	Engineering	237,000	246,000	256,000	266,000	277,000
36	Finance	533,000	554,000	576,000	599,000	623,000
37	Personnel & Legal	134,000	139,000	145,000	151,000	157,000
38	HDMC WWTP Operations (reimburseable)	163,000	170,000	177,000	184,000	191,000
39	Chrome 6 Operations	0	0	0	0	0
40	Subtotal	5,215,000	5,543,000	5,833,000	6,135,000	6,456,000
41	**Debt Service**					
42	Projected Debt Service	-	325,000	325,000	325,000	325,000
43	Chrome 6 SRF Loan Repayment	-	-	-	-	-
44	Subtotal	0	325,000	325,000	325,000	325,000
45	**Capital/Non-Operating**					
46	Capital Improvements	700,000	5,000,000	0	1,000,000	1,000,000
47	Meter Replacement Program	0	500,000	500,000	500,000	500,000
48	Annual Project Funding	237,000	250,000	250,000	250,000	250,000
49	Chromium 6 Project (grant & loan funded)	100,000	0	0	1,710,000	10,000,000
50	Morongo Basin Pipeline Debt Reimbs	220,000	220,000	220,000	220,000	0
51	Subtotal	1,257,000	5,970,000	970,000	3,680,000	11,750,000
52	Total Expenses	6,472,000	11,838,000	7,128,000	10,140,000	18,531,000
53	**Revenues Less Expenses**	(559,000)	(323,000)	17,000	(688,000)	(234,000)
54	**Ending Fund Reserves**	6,592,000	6,269,000	6,286,000	5,598,000	5,364,000
55	Min Fund Rsrv Target (50% O&M + $1M)	3,608,000	3,772,000	3,917,000	4,068,000	4,228,000
56	Debt Service Coverage	-	2.99	4.04	4.94	5.66
57	Pay-go funding generated for CIP/Other	378,000	427,000	767,000	1,062,000	1,516,000

Table 1C — Cash Flow Projections: With $5 Million Debt — Year 6 - 10

		6 Projected 2022/23	7 Projected 2023/24	8 Projected 2024/25	9 Projected 2025/26	10 Projected 2026/27	Esc Factor
1	Effective Date of Rate Adjustment	Jan-1	Jan-1	Jan-1	Jan-1	Jan-1	
2	Rate Revenue Adjustment %	**16%**	**14%**	**12%**	**6%**	**6%**	
4	Growth: New EDUs	10	10	10	10	10	
5	Growth in Billable EDUs %	0.2%	0.2%	0.2%	0.2%	0.2%	
6	Wtr Demand Elasticity (Response to Rate Incr)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	
7	Change in Annual Water Consumption	-3.2%	-2.8%	-2.4%	-1.2%	-1.2%	
8	Water Purchases from MWA (AF)	1,000	1,000	1,000	1,000	1,000	
9	MWA Rate per AF	$726	$762	$800	$840	$882	5.0%
10	Interest Earnings Rate	2.0%	2.0%	2.0%	2.0%	2.0%	
11	Annual Cost Escalator	4.0%	4.0%	4.0%	4.0%	4.0%	
12	**Beginning Fund Reserves**	$5,364,000	$5,096,000	$5,205,000	$5,418,000	$5,527,000	
13	**REVENUES**						
14	Basic Monthly Fees	3,126,000	3,600,000	4,074,000	4,443,000	4,719,000	
15	Water Usage Charges	3,253,000	3,630,000	3,996,000	4,282,000	4,484,000	
16	Locked Meter Charges	463,000	533,000	601,000	655,000	694,000	
17	Standby Revenue	1,135,000	1,134,000	1,133,000	1,132,000	1,131,000	
18	Property Taxes	473,000	482,000	492,000	502,000	512,000	2.0%
19	Private Fire Svc & Special Services	152,000	155,000	158,000	161,000	164,000	2.0%
20	Water Capacity & Meter Install Fees	57,000	57,000	58,000	59,000	60,000	
21	Interest Earnings	107,000	102,000	104,000	108,000	111,000	
22	HDMC WWTP Reimbs (+22%)	243,000	253,000	262,000	273,000	284,000	
23	Other Revenues	20,000	20,000	20,000	20,000	20,000	
24	Total Revenues	9,029,000	9,966,000	10,898,000	11,635,000	12,179,000	
25	Grants						
26	SRF Planning & Construction Loan	4,000,000					
27	Debt Proceeds						
28	**EXPENSES**						
29	**Operating & Maintenance**						
30	Production	1,611,000	1,675,000	1,742,000	1,812,000	1,884,000	
31	Recharge Water Purchases from MWA	726,000	762,000	800,000	840,000	882,000	
32	Distribution	1,217,000	1,266,000	1,317,000	1,370,000	1,425,000	
33	Customer Service	595,000	619,000	644,000	670,000	697,000	
34	Administration	1,275,000	1,326,000	1,379,000	1,434,000	1,491,000	
35	Engineering	288,000	300,000	312,000	324,000	337,000	
36	Finance	648,000	674,000	701,000	729,000	758,000	
37	Personnel & Legal	163,000	170,000	177,000	184,000	191,000	
38	HDMC WWTP Operations (reimburseable)	199,000	207,000	215,000	224,000	233,000	
39	Chrome 6 Operations	500,000	800,000	832,000	865,000	900,000	
40	Subtotal	7,222,000	7,799,000	8,119,000	8,452,000	8,798,000	
41	**Debt Service**						
42	Projected Debt Service	325,000	325,000	325,000	325,000	325,000	
43	Chrome 6 SRF Loan Repayment	-	275,000	275,000	275,000	275,000	
44	Subtotal	325,000	600,000	600,000	600,000	600,000	
45	**Capital/Non-Operating**						
46	Capital Improvements (Pipes/Wells/Boosters)	1,000,000	1,200,000	1,700,000	2,200,000	2,500,000	
47	Meter Replacement Program	500,000	0	0	0	0	
48	Annual Project Funding	250,000	258,000	266,000	274,000	282,000	3.0%
49	Chromium 6 Project (grant & loan funded)	4,000,000	0	0	0	0	
50	Morongo Basin Pipeline Debt Reimbs	0	0	0	0	0	
51	Subtotal	5,750,000	1,458,000	1,966,000	2,474,000	2,782,000	
52	Total Expenses	13,297,000	9,857,000	10,685,000	11,526,000	12,180,000	
53	**Revenues Less Expenses**	(268,000)	109,000	213,000	109,000	(1,000)	
54	**Ending Fund Reserves**	5,096,000	5,205,000	5,418,000	5,527,000	5,526,000	
55	Min Fund Rsrv Target (50% O&M + $1M)	4,611,000	4,900,000	5,060,000	5,226,000	5,399,000	
56	Debt Service Coverage	5.56	3.61	4.63	5.31	5.64	
57	Pay-go funding generated for CIP/Other	1,482,000	1,567,000	2,179,000	2,583,000	2,781,000	

JOSHUA BASIN WATER DISTRICT
STAFF REPORT

Meeting of the Board of Directors December 6, 2017

Report to: President and Members of the Board

Prepared by: Curt Sauer

TOPIC: RESOLUTION NO. 17-981 TO APPROVE THE DISTRICT'S APPLICATION TO THE CALIFORNIA ENERGY COMMISSION FOR A FEASIBILITY STUDY TO ANALYZE A POTENTIAL SOLAR PROJECT

RECOMMENDATION: Recommend that the Board approve the Resolution No. 17-981, which allows the District to apply for grant monies for a feasibility study.

ANALYSIS: At the November 1, 2017 Board meeting Director Hund presented a proposal to investigate the feasibility of constructing a solar project for the purpose of offsetting our electrical consumption costs. The Board approved the concept and directed the General Manager to move forward on a grant for a feasibility study.

This resolution authorizes the General Manager to apply for the grant and if successful in receiving the grant monies, to conduct said feasibility study.

End of Report

RESOLUTION NO. 17-981

RESOLUTION OF THE BOARD OF DIRECTORS
OF THE JOSHUA BASIN WATER DISTRICT
ADOPTING CALIFORNIA ENERGY COMMISSION ENERGY PARTNERSHIP PROGRAM

WHEREAS, the California Energy Commission's Energy Partnership Program provides technical assistance in identifying energy efficiency improvements;

WHEREAS, the Joshua Basin Water District Board of Directors authorizes Joshua Basin Water District to apply for technical assistance from the California Energy Commission;

WHEREAS, the Joshua Basin Water District Board of Directors recognizes that the California Energy Commission has limited funds for technical assistance and that primary consideration will be given to those that are committed to implementing the recommended projects identified through the Energy Partnership Program;

NOW, THEREFORE, BE IT RESOLVED, that Joshua Basin Water District Board of Directors will seek funding, if necessary, to implement the recommended feasible energy efficiency projects identified through the Energy Partnership Program;

BE IF FURTHER RESOLVED, that Curt Sauer, General Manager is hereby authorized and empowered to execute in the name of Joshua Basin Water District all necessary documents to implement and carry out the purposes of this Resolution.

ADOPTED, SIGNED AND APPROVED THIS 6th day of December 2017.

Mickey Luckman ____
Tom Floen ____
Geary Hund ____
Bob Johnson ____
Rebecca Unger ____

____
Mickey Luckman, President, Board of Directors

ATTEST:

____
Curt Sauer, Board Secretary

JOSHUA BASIN WATER DISTRICT
STAFF REPORT

Meeting of the Board of Directors December 6, 2017

Report to: President and Members of the Board

Prepared by: Curt Sauer

TOPIC: RECEIVE INFORMATION ON DEVELOPING A HAZARD MITIGATION PLAN AND AN EMERGENCY RESPONSE PLAN

RECOMMENDATION: Recommend that the Board direct the General Manager to ensure completion of the plans.

ANALYSIS:

As part of the District's efforts to be prepared for catastrophic events, the District needs to revise its existing Emergency Response Plan (ERP), as well as completing a Hazard Mitigation Plan (HMP).

We are in the process of updating the Emergency Response Plan, utilizing a Cal Rural Water Association template. However, a full-fledged ERP is required in order to meet the state of California, Standardized Emergency Management System (SEMS) and Federal National Incident Management System (NIMS) reporting criteria.

More importantly, the District needs to complete an HMP in order to be eligible to compete for and receive mitigation grant funding from the State and FEMA. Title 44 CFR, Section 201.6 defines these requirements.

The District intends to retain the services of Mr. Gary Sturdivan to lead the HMP process. Mr. Sturdivan has 24 years experience working in California Water Utilities, and an extensive knowledge of how State and Federal Emergency Management systems function, including successful grant writing for mitigation funding.

The HMP process requires a working group, inclusive of staff, local citizens, and interaction with State and Federal offices of Emergency Management. The initial HMP draft will take about 5 months to complete. It is then reviewed and approved at the State level, before being sent to FEMA for federal approval. The entire process may take up to 18 to24 months, as State and Federal staffing to review these plans is currently minimal, and both agency staff, frequently responds to declared disasters.

Having an approved HMP will enable the District to apply for grants from FEMA mitigation funding. For example, FEMA takes 25 percent of the cost of each federally declared disaster and puts that money in a mitigation fund in the state. During the fires of northern California this year, there were three federal disasters declared.

The Districts mitigation measures would be identified in our HMP and would be eligible to compete for those monies in the State. For example, making all our reservoirs earthquake resistant, with seismic valves and tie downs etc., could be 75 percent funded by these grant monies.

The cost to the District will be $14,000. This includes writing the HMP, conducting public meetings as required and responding to State OES or FEMA comments during the review process.

The potential for grant monies in 2 to 5 years is in the millions of dollars.