

**President**  
Tom Floen

**VP**  
Stacy Doolittle

**Directors**  
Jane Jarlsberg  
Tomas Short  
David Fick

**General  
Manager**  
Sarah Johnson

**Legal Counsel**  
Jeff Hoskinson



## REGULAR MEETING AGENDA OF THE BOARD OF DIRECTORS

**Wednesday, November 19, 2025 at 5:00 p.m.**

MEETINGS ARE HELD IN PERSON AT 61750 CHOLLITA RD., JOSHUA TREE, CA 92252

REMOTE ACCESS IS AVAILABLE FOR THE CONVENIENCE OF THE PUBLIC

CLICK TO JOIN VIRTUALLY: [ZOOM LINK](#)

CALL TO JOIN BY PHONE: (669) 444-9171

MEETING ID: 872 8707 9239

PASSCODE: 61750

### MISSION, VISION, AND VALUES

#### Mission Statement

To provide, protect, and maintain Joshua Tree's water - our vital community resource.

#### Vision Statement

To achieve excellence in all District endeavors.

#### Values

The community of Joshua Tree has entrusted the Board of Directors and employees of Joshua Basin Water District with its most valuable natural resource, its groundwater. As stewards of the community water supply, we oversee this critical natural resource to ensure current and future water reliability. Dedicated to this purpose, we embrace these important values:

- **Integrity** – To consistently earn our customers’ trust by prioritizing the needs of the community... doing the right thing for the right reason.
- **Transparency** – To openly and honestly share information about our operations with the public.
- **Respect** – To treat the residents of Joshua Tree, and all those contacted in the course of business, with high esteem and regard.
- **Fiscal Responsibility** – To manage all resources as if they were our own, whether revenues, assets, or water supply, in a conscientious and appropriate manner.
- **Accountability** – To take responsibility for our decisions and actions in managing this essential resource.

### 1. CALL TO ORDER / PLEDGE OF ALLEGIANCE

### 2. DETERMINATION OF A QUORUM

Consideration of Board Member requests for remote participation.

### 3. APPROVAL OF AGENDA

### 4. PUBLIC COMMENT

This designated time is for members of the public to provide comments on any District related matter, whether appearing on the agenda or not. Under the provisions of the Brown Act, the Board is prohibited from taking action on items not listed on the agenda. At the discretion of the Board President, comments on a particular agenda item may be deferred until that item is heard. Please state your name and limit your comments to 3 minutes.

**5. CONSENT CALENDAR**

Consent calendar items are expected to be routine and non-controversial, to be acted upon by the Board at one time, without discussion. If a board member would like an item to be handled separately, it will be removed from the Consent Agenda for separate action.

Pg. 5-8

**A. DRAFT MINUTES – 11.05.25**

**6. ITEM(S) PULLED FROM CONSENT CALENDAR FOR DISCUSSION**

**7. DISCUSSION/ACTION CALENDAR**

Pg. 9-73

**A. 2024/25 ANNUAL FINANCIAL REPORT (AKA “AUDIT”)**

PRESENTED BY: DIRECTOR OF FINANCE, ANNE ROMAN, INTRODUCING JONATHAN ABADESCO, CPA

RECOMMENDED ACTION: REVIEW AND APPROVE.

Pg. 74-77

**B. PRELIMINARY DISCUSSIONS REGARDING POTENTIAL SEPTIC-TO-SEWER PROJECT IN JOSHUA TREE**

PRESENTED BY: GENERAL MANAGER, SARAH JOHNSON

RECOMMENDED ACTION: FOR INFORMATIONAL PURPOSES ONLY. NO ACTION IS TO BE TAKEN.

Pg. N/A

**C. PRESENTATION AND DISCUSSION RELATIVE TO SENATE BILL (SB) 707 (2025) BROWN ACT MODIFICATIONS**

PRESENTED BY: GENERAL COUNSEL, JEFF HOSKINSON

RECOMMENDED ACTION: INFORMATION AND DISCUSSION FOR POTENTIAL FUTURE ACTION.

**8. REPORTS AND COMMENTS**

For informational purposes only on subjects not covered by the agenda. The opinions of individual directors are not necessarily the opinions of the board or district staff. No action is to be taken. The Board may provide staff with requests for future agenda items. Director requests are located on pages following the agenda.

**A. DIRECTORS REPORTS**

**B. GENERAL MANAGER REPORT**

**9. ADJOURNMENT**

CALENDAR REMINDER - FUTURE DIRECTOR MEETINGS	DATE	TIME	ATTENDEE(S)
MWA – TAC MEETING	12.02.25	10:00 AM	JARLSBERG
ACWA FALL CONFERENCE	12.02.25 – 12.04.25	MULTIDAY	DOOLITTLE/SHORT/FICK
JBWD – BOARD MEETING	12.03.25	CANCELLED	
JBWD – SPECIAL MEETING/BOARD WORKSHOP	12.08.25	9:00 AM	ALL
CSDA – SB 707 BROWN ACT REVAMP WEBINAR	12.10.25	9:00 AM	JARLSBERG
MWA – MORONGO BASIN PIPELINE COMMISSION	12.10.25	10:00 AM	FLOEN
MWA – BOARD MEETING	12.11.25	9:30 AM	FICK
JBWD – BOARD MEETING	12.17.25	5:00 PM	ALL

### MEETING INFORMATION

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

Availability of agenda materials: Materials related to any item on this Agenda submitted to the District Board of Directors or Committee Members after distribution of the agenda packet are available for public inspection at the District’s office, 61750 Chollita Road, Joshua Tree, CA 92252, during normal business hours. All documents supporting this agenda are available on the District website [www.jbwd.com](http://www.jbwd.com), subject to the staff’s availability to post the documents before the meeting.

Reasonable Accommodation: Any person with a disability who requires accommodation to view the agenda or to participate in the public comment portion of the Board meeting, should direct such requests to Lisa Thompson, Executive Assistant, at 760-366-8438. Please allow three business days for your request to be processed. Requests must be received at least seventy-two (72) hours before the scheduled meeting.

Disruptive Conduct: If any meeting of the District is willfully disrupted by a person or by a group of persons so as to render the orderly conduct of the meeting impossible, a meeting may be recessed or the person or persons willfully disrupting the meeting may be ordered to leave the meeting. Disruptive conduct includes addressing the Board or Committee without first being recognized, not addressing the subject before the Board or Committee, repetitively addressing the same subject, failing to relinquish the podium when requested to do so, or otherwise preventing the Board or Committee from conducting its meeting in an orderly manner. Your cooperation is appreciated.

# MEETING MINUTES



## REGULAR MEETING OF THE BOARD OF DIRECTORS NOVEMBER 5, 2025, 5:00 PM

### 1. ALL TO ORDER

President Floen called the meeting to order at 5:00 p.m.

### 2. DETERMINATION OF A QUORUM & ATTENDANCE

**Board Members Present:** President Floen, Vice President Doolittle, Director Jarlsberg (Attended Remotely), Director Short, Director Fick

**Staff Present:** General Manager Johnson, Director of Finance Roman, Accounting Supervisor Rich, Director of Administration Shook, Executive Assistant Thompson

**Consultant(s) Present:** Legal Counsel, Jeff Hoskinson, Public Outreach Consultant, Kathleen Radnich

**Citizens Advisory Council Member(s) Present:** None

### 3. APPROVAL OF THE AGENDA

Director Short made a motion to approve the agenda and seconded by Director Fick approved by the following vote:

1 <sup>st</sup> / 2 <sup>nd</sup>	Short/Fick
Ayes:	Floen, Doolittle, Jarlsberg, Short, Fick
Noes:	None
Abstain:	None
Absent:	None

### 4. PUBLIC COMMENT - None

### 5. CONSENT CALENDAR

#### A. DRAFT MINUTES – 10.15.25

Vice President Doolittle made a motion to approve the 10.15.25 draft and seconded by Director Fick, approved by the following vote:

1st/ 2nd	Doolittle/Fick
Ayes:	Floen, Doolittle, Jarlsberg, Short, Fick
Noes:	None
Abstain:	None
Absent:	None

### 6. ITEMS PULLED FROM CONSENT CALENDAR FOR DISCUSSION - None

**7. DISCUSSION/ACTION CALENDAR**

**A. SEPTEMBER 2025 CHECK REGISTER**

PRESENTED BY: DIRECTOR OF FINANCE, ANNE ROMAN  
RECOMMENDED ACTION: APPROVE THE CHECK REGISTER.

Director Jarlsberg made a motion to approve the September 2025 Check Register, seconded by Director Short and approved by the following vote:

1<sup>st</sup> / 2<sup>nd</sup> Jarlsberg/Short  
Ayes: Floen, Doolittle, Jarlsberg, Short, Fick  
Noes: None  
Abstain: None  
Absent: None

**B. INDIRECT COST RATE ANALYSIS (PREV. COST ALLOCATION PLAN)**

PRESENTED BY: DIRECTOR OF FINANCE, ANNE ROMAN  
RECOMMENDED ACTION: REVIEW AND APPROVE.

Director of Finance Anne Roman presented the Indirect Cost Rate Analysis, noting that in the budget, it was previously referred to as the Cost Allocation Plan. Roman explained that NBS determined a cost allocation plan was unnecessary and instead conducted an indirect cost rate analysis. Roman introduced Nicole Kissam from NBS, who provided a brief overview of the analysis. Roman added that a fee study will be conducted, and overhead costs will be incorporated into those types of charges. Kissam noted that the indirect cost rate may be updated every two to three years using the most recent audit data.

Director Short made a motion to approve the Indirect Cost Rate Analysis, seconded by Director Jarlsberg and approved by the following vote:

1<sup>st</sup> / 2<sup>nd</sup> Short/Jarlsberg  
Ayes: Floen, Doolittle, Jarlsberg, Short, Fick  
Noes: None  
Abstain: None  
Absent: None

**C. CHROMIUM-6 COMPLIANCE STRATEGY AND CONTRACTING FOR LEGISLATIVE ADVOCACY PROFESSIONAL SERVICES**

PRESENTED BY: GENERAL MANAGER, SARAH JOHNSON, INTRODUCING JAIME ROJAS, PRESIDENT, ROJAS PUBLIC AFFAIRS  
RECOMMENDED ACTION: AUTHORIZE THE GENERAL MANAGER TO ENTER INTO AN AGREEMENT WITH ROJAS PUBLIC AFFAIRS (RPA) FOR STATE AND FEDERAL LEGISLATIVE ADVOCACY SERVICES AT A MONTHLY RATE RETAINER OF \$5,000.

General Manager Sarah Johnson reported that she has identified a firm to assist the District with legislative advocacy. Johnson introduced Jaime Rojas, President of Rojas Public Affairs, who highlighted the firm's experience in state, local, and federal advocacy.

Rojas explained that the firm will help the District identify key legislative allies, address policy issues, secure letters of support, connect with government agencies, plan and coordinate Legislative Days in Sacramento and Washington, D.C., pursue funding opportunities, and provide ongoing strategic guidance.

Director Fick motioned to approve the Chromium-6 Compliance Strategy and Contracting for Legislative Advocacy Professional Service with Rojas Public Affairs, seconded by Director Jarlsberg and approved by the following vote:

1 <sup>st</sup> / 2 <sup>nd</sup>	Fick/Jarlsberg
Ayes:	Floen, Doolittle, Jarlsberg, Short, Fick
Noes:	None
Abstain:	None
Absent:	None

**D. PUBLIC OUTREACH REPORT**

PRESENTED BY: PUBLIC OUTREACH CONSULTANT, KATHLEEN RADNICH

RECOMMENDED ACTION: FOR INFORMATIONAL PURPOSES ONLY. NO ACTION IS TO BE TAKEN.

Public Outreach Consultant Kathleen Radnich reported on the following:

**Past Events**

- **August 18:** Semi-annual Morongo Basin First Responders meeting, which included a discussion on “Water for Emergencies.”
- **August 21:** Seed Swap Social.
- **September 19:** Native Gardening Plant Workshop, held in coordination with Joshua Tree National Park. Plants from the workshop will be available at the March 2026 plant sale.
- **October 2:** ADA Gardening Class, funded by Mojave Water Agency and conducted virtually.
- **October 18:** The Great ShakeOut. Radnich expressed appreciation and thanked President Floen for volunteering at the event.

**Upcoming Events**

- **January 23:** Docent meeting at 5:00 p.m.
- **January 30:** Native Plant Workshop.
- **February (TBD):** Possible District tours.
- **March (TBD):** Desert Gardening Class.
- **March 29:** Annual Plant Sale.
- **April 19:** Mojave Water Agency Landscape Tours.
- **May 26:** Water Education Day Festival with local agencies.

**Additional Updates**

- Radnich praised President Floen for his continued involvement in the Copper Mountain Mesa (CMM) community and his regular participation at the Farmers Market booth each Saturday.
- The Citizens Advisory Council (CAC) meets quarterly and currently has eight members. At the last meeting, David Carrillo was re-elected as Chairperson and Fred Jaross as Vice Chairperson for 2026.
- November 6: “Winterizing Your Property” virtual class at 6:00 p.m. Registration is available on the Mojave Water Agency website.
- September’s Farmers Market theme was “Water for Emergencies,” and November’s theme is “Winterizing Your Property.”
- Radnich announced she will not attend the Farmers Market on Saturday, December 27, 2025, or Saturday, January 3, 2026, due to the Christmas and New Year’s holidays.
- The 2026 Waterwise Landscape Calendars are due in by early December.

## 8. REPORTS AND COMMENTS

### President Floen

- Floen discussed the MWA recharge water and tracking of banked water.

### Vice President Doolittle

- Director Doolittle attended the ASBCSD meeting and dinner in October. Doolittle noted that although she had not registered for the dinner in advance, she was permitted to attend and informed that ASBCSD would send an invoice for the meal.
- Doolittle reported that at the ASBCSD meeting, speaker Heather Dyer discussed fish protection, local stormwater capture, and investments to secure additional water supplies.
- Doolittle requested that PowerPoint presentations be placed on a thumb drive for the board in advance of the meeting.
- Doolittle suggested that when there are audio issues with Zoom, participants could have the option to join the meeting by phone.
- Doolittle requested forming a legislative committee and to be placed on a future agenda for late December or January.

### Director Jarlsberg

- Jarlsberg will be attending the ACWA Region 9 event on November 13th & 14th in Irvine.
- Jarlsberg expressed interest in the CAC meetings and inquired about the current members and the total number of participants.

### Director Short

- Short attended the ASBCSD Membership Meeting and dinner on October 20th, hosted by the San Bernardino Valley Water Agency. Short reported that the discussion focused on the State Water Project and the importance of promoting diversity.

### Director Fick

- Fick reported that he attended the San Bernardino County Planning hearing on October 23rd concerning rezoning.

### General Manager Report

Johnson reported on the following:

- Johnson reported that the Well 15 motor is scheduled for delivery in November, and profiling work is expected to begin shortly after the holidays.
- Johnson reported that the RFP for the E21 Tank project has been completed and will be issued soon to solicit bids.
- Johnson reported that the newly purchased dump truck is currently being built.
- Johnson announced that several new employees have recently been hired.
- Johnson reported that since the last Board meeting, she has participated in at least 31 meetings, highlighting the following:
  - Cal Rural / MWA Grant Opportunity: Last week, Johnson met with Cal Rural, accompanied by Director of Administration David Shook. Cal Rural, on behalf of the Mojave Water Agency (MWA), is interviewing multiple districts to identify potential candidates for an upcoming grant opportunity.
  - Morongo Basin Coffee Group hosted by SB County: Johnson attended the Morongo Basin Coffee Group meeting, where she learned that her primary contact for Senator Rosilicie Ochoa Bogh has resigned. She will need to establish a working relationship with the incoming representative once identified.
  - CMC Seed Pitch Mentorship: Johnson shared that she was nominated to mentor a student from Copper Mountain College in their Seed Pitch competition. The student she mentored

was developing a project related to water conservation. She reported that the event went very well and expressed hope that the student was successful in the competition.

- MUSD CAC Meeting: Johnson attended the Morongo Unified School District Citizens Advisory Committee (CAC) meeting and discussed the potential for a future internship partnership. She hopes to receive feedback on the request.
- Water Workforce Recruitment Services: Johnson also met with representatives from Water Workforce, a firm that provides high-level recruitment services. She is considering engaging them as a headhunter for the Director of Operations position and will bring a recommendation to the Board if she pursues this option.

## **10. ADJOURNMENT**

On motion by Director Short, seconded by Director Fick and approved by the Board, the meeting was adjourned at 7:23 p.m.

Respectfully submitted,

---

Sarah Johnson, General Manager & Board Secretary



<b>AGENDA ITEM NO:</b>	7A
<b>MEETING DATE:</b>	11.19.25

## Staff Report

<b>PRESENTED BY:</b>	Anne Roman, Director of Finance
<b>TOPIC:</b>	<b>2024/25 ANNUAL FINANCIAL REPORT (AKA “AUDIT”)</b>
<b>RECOMMENDATION:</b>	Review and approve.

**SUMMARY:** The 2024/25 Annual Financial Report delivers positive results with no audit findings and minimal adjustments.

**ANALYSIS:** Attached is the 2024/2025 Annual Financial Report (aka “Audited Financial Statements” / “Audit”) provided by CJ Brown & Company, CPA’s. Jonathan Abadesco, CPA and partner at the firm will present the statements via Zoom. Jonathan has the unique experience of being the past AGM-Administration at our neighboring HDWD so he understands many of the special characteristics of a local government water district.

The audit results are positive, with no audit findings and only four adjusting journal entries. In the report, the Auditor expresses confidence that the statements “present fairly, in all material respects, the respective financial position of the Joshua Basin Water District...” (Annual Financial Report, Independent Auditor’s Report, original page 1).

Below are some highlights from the attached Annual Financial Report:

- **Net position *increased*** by 9.06% or \$4,629,212 to \$55,740,764, for multiple reasons. As with 2023/24, increased property tax revenues, continued higher capacity charge revenues, and record-high interest earnings, paired with under-budget expenditures due to a paused program resulted in a higher-than-expected increase to net position. *More analysis will be provided in a future meeting.* Spendable net position amounts to \$20,372,177.
  - “Over time, *increases or decreases* in the District’s net position are one indicator of whether its *financial health* is improving or deteriorating” (Audit, Management’s Discussion and Analysis, page 5). **In our case, net position is increasing/improving.**
- **Total Revenues *increased*** by 8.74% or \$992,723 to \$12,348,082, mainly due to increased property tax revenues received from the County and water consumption sales combined with scheduled rate increases. Water consumption sales increased \$633,448 to \$4,918,448 in 2024/25. **Reminder: The 2023 Rate Study intended to generate almost \$3 million in annual reserve revenue in 2024/25 to fund capital infrastructure projects such as pipeline replacement, pipeline equipment replacement (originally scheduled as early as**

**2028), and State-mandated Reports and Studies. Some of these programs have paused or seen cost reductions.**

- **Total Expenses *increased*** by 2.71% or \$225,487 to \$8,561,172 due to increases in general and administrative expenses, pumping, production, and treatment costs offset by a decrease in transmission and distribution costs.
- **Net Pension Liability** (for CalPERS) ***decreased*** \$52,092 to \$1,027,832. Pension liability changes for a variety of reasons as actuarial assumptions and market conditions change. Some changes may include earnings performance, inflation, mortality rates, etc. Although this figure will continuously change over time, the District continues to make annual Additional Discretionary Payments (ADP's) to help offset this liability and decrease interest incurred.
- **Prior Period Adjustments** (shown as "restated") occurred due to the implementation of GASB101 related to Compensated Absences. Also, new documentation for 2023 capital contributions made it possible to record the assets, resulting in a restatement.

Also attached is the **Management Report**, which would contain any findings/recommendations made by the Auditor to the Board. No such recommendations were made for 2024/25. Routine disclosure of adjusting entries made after the District has finalized its books at year end are included. Out of thousands of annual transactions, three entries were made to adjust reporting errors and one entry, related to complex GASB68 Pension liability calculations, was made by the Auditors at the District's request.

The annual State-required audit, a nine-month long task, is the single largest project for the Finance Department each year. The audit typically kicks off in the Spring with a multi-day concentrated review of the District's transaction records and continues in the Fall with a multi-day site visit for further review. The requirements seem to become more complex each year as new Government Accounting Standards Board (GASB) changes are implemented. Our Finance Staff prepares year-round but devotes substantial overtime during each summer "audit season." Huge credit goes to our devoted Finance team for their tireless efforts. Thank you! Thank you also to District staff for their cooperation and to our Auditors for their expertise and support!

Upon Board approval, these audited financial statements will be distributed to comply with all regulations, including submission to the State Controller, County of San Bernardino, LAFCO, USDA, US Bank, Municipal Finance Corporation, and the Electronic Municipal Market Access (EMMA) website to comply with CMM bond requirements.

**RECOMMENDED ACTION:**

Review and approve.

---

**FISCAL IMPACT:**

N/A



**Joshua Basin Water District**

**Annual Financial Report**

**Fiscal Years Ended June 30, 2025 and 2024**





# JOSHUA BASIN WATER DISTRICT

*Proudly providing water from an ancient  
source...well into the future*

## **Our Mission Statement**

*"To provide, protect, and maintain Joshua Tree's water –  
our vital community resource."*

### **Board of Directors as of June 30, 2025**

<b>Name</b>	<b>Title</b>	<b>Elected/ Appointed</b>	<b>Current Term</b>
Thomas Floen	President	Elected	12/24-12/28
Stacy Doolittle	Vice President	Elected	12/24-12/28
Jane Jarlsberg	Director	Elected	12/24-12/28
Tyler "Thomas" Short	Director	Elected	12/22-12/26
David Fick	Director	Elected	12/24-12/26

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

**Joshua Basin Water District**

**Annual Financial Report**

**Fiscal Years Ended**

**June 30, 2025 and 2024**

DRAFT

**Joshua Basin Water District  
Annual Financial Report  
For the Fiscal Years Ended June 30, 2025 and 2024**

**Table of Contents**

	<b><u>Page No.</u></b>
Table of Contents	i
<b>Financial Section</b>	
Independent Auditor’s Report	1-3
Management’s Discussion and Analysis	4-9
Basic Financial Statements:	
Statements of Net Position	10-11
Statements of Revenues, Expenses, and Changes in Net Position	12
Statements of Cash Flows	13-14
Notes to the Basic Financial Statements	15-39
<b>Required Supplementary Information</b>	
Schedules of the District’s Proportionate Share of Net Pension Liability	40-41
Schedules of the Pension Plan Contributions	42
<b>Report on Internal Controls and Compliance</b>	
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	43-44

**Financial Section**

DRAFT

## **Independent Auditor's Report**

Board of Directors  
Joshua Basin Water District  
Joshua Tree, California

### **Report on the Audit of the Financial Statements**

We have audited the accompanying financial statements of the Joshua Basin Water District (District), which comprises the statements of net position as of June 30, 2025 and 2024, and the related statements 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.

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, 2025 and 2024, 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.

### ***Basis for Opinions***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management 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, and for 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. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## Independent Auditor's Report, continued

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### *Emphasis-of-Matter*

As discussed in Note 12 to the financial statements, the District has adopted the provisions of *GASB Statement No. 101 – Compensated Absences*. As a result, District has restated its net position to reflect the effects of the change in accounting policy. Our opinion is not modified with respect to this matter.

## Independent Auditor's Report, continued

### ***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 4 through 9 and the required supplementary information on pages 40 through 42 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2025, 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 43 through 44.

**C.J. Brown & Company, CPA's**  
Cypress, California  
November 19, 2025

**Joshua Basin Water District**  
**Management's Discussion and Analysis**  
**For the Fiscal Years Ended June 30, 2025 and 2024**

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, 2025 and 2024. 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 2025, the District's net position increased 9.06% or \$4,629,212 to \$55,740,764 as a result of ongoing operations. In 2024, the District's net position increased 8.03% or \$3,799,688 to \$51,111,552 as a result of ongoing operations.
- Total revenues increased 8.74% or \$992,723 to \$12,348,082. In 2024, the District's total revenues increased 15.06% or \$1,485,920 to \$11,355,359.
- Operating revenues increased 8.02% or \$724,593 to \$9,757,601. In 2024, the District's operating revenues increased 8.97% or \$743,921 to \$9,033,008.
- Non-operating revenues increased 11.55% or \$268,130 to \$2,590,481. In 2024, the District's non-operating revenues increased 46.95% or \$741,999 to \$2,322,351.
- Total expenses increased 2.71% or \$225,487 to \$8,561,172. In 2024, the District's total expenses increased 2.54% or \$206,810 to \$8,335,685.
- Operating expenses increased 2.05% or \$129,078 to \$6,249,681. In 2024, the District's operating expenses increased 11.39% or \$644,375 to \$6,300,603.
- Non-operating expenses increased 16.14% or \$60,251 to \$433,539. In 2024, the District's non-operating expenses decreased 58.14% or \$518,380 to \$373,288.
- Capital contributions increased 7.99% or \$62,288 to \$842,302. In 2024, the District's capital contributions decreased 52.41% or \$859,175 to \$780,014.

**Using This Financial Report**

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

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

**Joshua Basin Water District**  
**Management's Discussion and Analysis, continued**  
**For the Fiscal Years Ended June 30, 2025 and 2024**

**Financial Analysis of the District**

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District in a way that helps answer this question.

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

These two statements report the District's *net position* and changes in it. You can think of the District's net position – assets and deferred outflows of resources less liabilities and 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 15 through 39.

**Statements of Net Position**

**Condensed Statements of Net Position**

	<u>2025</u>	<u>As restated 2024</u>	<u>Change</u>	<u>As restated 2023</u>	<u>Change</u>
<b>Assets:</b>					
Current assets	\$ 28,593,284	24,042,862	4,550,422	20,217,172	3,825,690
Non-current assets	149,221	223,831	(74,610)	298,442	(74,611)
Capital assets, net	32,279,345	32,794,371	(515,026)	32,835,099	(40,728)
<b>Total assets</b>	<u>61,021,850</u>	<u>57,061,064</u>	<u>3,960,786</u>	<u>53,350,713</u>	<u>3,710,351</u>
<b>Deferred outflows of resources</b>	<u>654,590</u>	<u>761,244</u>	<u>(106,654)</u>	<u>729,726</u>	<u>31,518</u>
<b>Liabilities:</b>					
Current liabilities	1,448,673	1,872,009	(423,336)	1,553,106	318,903
Non-current liabilities	4,487,003	4,838,747	(351,744)	5,215,469	(376,722)
<b>Total liabilities</b>	<u>5,935,676</u>	<u>6,710,756</u>	<u>(775,080)</u>	<u>6,768,575</u>	<u>(57,819)</u>
<b>Net position:</b>					
Net investment in capital assets	28,520,522	28,635,019	(114,497)	28,256,499	378,520
Restricted	6,049,624	5,496,441	553,183	952,082	4,544,359
Unrestricted	21,170,618	16,980,092	4,190,526	18,103,283	(1,123,191)
<b>Total net position</b>	<u>\$ 55,740,764</u>	<u>51,111,552</u>	<u>4,629,212</u>	<u>47,311,864</u>	<u>3,799,688</u>

**Joshua Basin Water District**  
**Management's Discussion and Analysis, continued**  
**For the Fiscal Years Ended June 30, 2025 and 2024**

**Statements of Net Position, continued**

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 exceeded liabilities and deferred inflows of resources by \$55,740,764 and \$51,111,552, as of June 30, 2025 and 2024, respectively.

Compared to prior year, net position of the District increased 9.06% or \$4,629,212. The District's total net position is made up of three components: (1) net investment of capital assets, (2) restricted net position and (2) unrestricted net position.

By far the largest portion of the District's net position (51.17% and 56.02% as of June 30, 2025 and 2024, respectively) reflects the District's net 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 2025 and 2024, the District showed a positive balance in its unrestricted net position of \$26,261,931 and \$21,524,533, respectively, which may be utilized in future years. See note 11 for further information.

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

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

	<u>2025</u>	<u>As restated 2024</u>	<u>Change</u>	<u>As restated 2023</u>	<u>Change</u>
<b>Revenue:</b>					
Operating revenue	\$ 9,757,601	9,033,008	724,593	8,289,087	743,921
Non-operating revenue	2,590,481	2,322,351	268,130	1,580,352	741,999
<b>Total revenue</b>	<u>12,348,082</u>	<u>11,355,359</u>	<u>992,723</u>	<u>9,869,439</u>	<u>1,485,920</u>
<b>Expense:</b>					
Operating expense	6,429,681	6,300,603	129,078	5,656,228	644,375
Depreciation and amortization	1,697,952	1,661,794	36,158	1,580,979	80,815
Non-operating expense	433,539	373,288	60,251	891,668	(518,380)
<b>Total expense</b>	<u>8,561,172</u>	<u>8,335,685</u>	<u>225,487</u>	<u>8,128,875</u>	<u>206,810</u>
<b>Net income before capital contributions</b>	<u>3,786,910</u>	<u>3,019,674</u>	<u>767,236</u>	<u>1,740,564</u>	<u>1,279,110</u>
<b>Capital contributions</b>	<u>842,302</u>	<u>780,014</u>	<u>62,288</u>	<u>1,639,189</u>	<u>(859,175)</u>
Change in net position	<u>4,629,212</u>	<u>3,799,688</u>	<u>829,524</u>	<u>3,379,753</u>	<u>419,935</u>
<b>Net position, beginning of year as restated (note 12)</b>	<u>51,111,552</u>	<u>47,311,864</u>	<u>3,799,688</u>	<u>43,932,111</u>	<u>3,379,753</u>
<b>Net position, end of year</b>	<u>\$ 55,740,764</u>	<u>51,111,552</u>	<u>4,629,212</u>	<u>47,311,864</u>	<u>3,799,688</u>

**Joshua Basin Water District**  
*Management's Discussion and Analysis, continued*  
**For the Fiscal Years Ended June 30, 2025 and 2024**

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

The statement of revenues, expenses, and changes in net position shows how the District's net position changed during the fiscal year. In the case of the District, net position increased 9.06% or \$4,629,212 to \$55,740,764, due to the change in net position of \$3,786,910 from ongoing operations and \$842,302 in capital contributions for the fiscal year ended June 30, 2025. For the fiscal year ended June 30, 2024, the District's net position increased 8.03% or \$3,799,688 to \$51,111,552, due to the change in net position of \$3,019,674 from ongoing operations and \$780,014 in capital contributions.

A closer examination of the sources of changes in net position reveal that:

The District's total revenues (before capital contributions) increased 8.74% or \$992,723. In 2024, the District's total revenues (before capital contributions) increased 15.06% or \$1,485,920.

In 2025, the District's operating revenues increased 8.02% or \$724,593 to \$9,757,601, due primarily to increases of \$633,448 in water consumption sales, and \$114,779 in water service charges; which were offset by a decrease of \$15,565 in standby service charges as compared to the prior year. In 2024, the District's operating revenues increased 8.97% or \$743,921 to \$9,033,008, due primarily to increases of \$589,348 in water consumption sales, and \$183,420 in water service charges; which were offset by a decrease of \$34,740 in other charges for services as compared to the prior year.

In 2025, the District's non-operating revenues increased 11.55% or \$268,130 to \$2,590,481, due primarily to increases of \$154,370 in investment returns, and \$100,159 in property taxes as compared to the prior year. In 2024, the District's non-operating revenues increased 46.95% or \$741,999 to \$2,322,351, due primarily to increases of \$611,316 in investment returns, and \$144,875 in property taxes as compared to the prior year.

The District's total expenses increased 2.71% or \$225,487. In 2024, the District's total expenses increased 2.54% or \$206,810.

In 2025, the District's operating expenses increased 2.05% or \$129,078 to \$6,249,681 due to increases of \$310,812 in general and administrative expenses, and \$160,640 in pumping, production and treatment; which were offset by a decrease of \$205,338 in transmission and distribution, and \$137,036 in customer service as compared to the prior year. In 2024, the District's operating expenses increased 11.39% or \$644,375 to \$6,300,603 due to increases of \$380,049 in transmission and distribution, and \$281,523 in customer service; which were offset by a decrease of \$32,991 in general and administrative expenses as compared to the prior year.

In 2025, the District's non-operating expenses increased 16.14% or \$60,251 to \$433,539, due primarily to an increase of \$102,835 in other non-operating revenues, which was offset by a decrease of \$29,955 in loss on disposition of assets as compared to the prior year. In 2024, the District's non-operating expenses decreased 58.14% or \$518,380 to \$373,288, due primarily to a decrease of \$340,412 in non-operating expenses (as a result of the non-cash pension actuarial adjustments based from the CalPERS Miscellaneous Risk Pool Defined Benefit Pension Plan as the June 30, 2022 measurement date), which was offset by a decrease of \$133,870 in loss on disposition of assets as compared to the prior year.

In 2025, the District's capital contributions increased 7.99% or \$62,288 to \$842,302, due primarily to decreases of \$203,781 in water capacity charges, and \$76,470 in wastewater capacity charges; which were offset by an increase of \$90,289 in state capital grant as compared to the prior year. In 2024, the District's capital contributions decreased 52.41% or \$859,175 to \$780,014, due primarily to decreases of \$203,781 in water capacity charges, and \$669,213 in local capital grant as compared to the prior year.

**Joshua Basin Water District**  
**Management's Discussion and Analysis, continued**  
**For the Fiscal Years Ended June 30, 2025 and 2024**

**Capital Asset Administration**

Changes in capital assets for 2025, were as follows:

	<b>As restated Balance 2024</b>	<b>Additions</b>	<b>Transfers/ Deletions</b>	<b>Balance 2025</b>
Capital assets:				
Non-depreciable assets	\$ 1,603,307	857,614	(1,272,362)	1,188,559
Depreciable assets	63,953,416	1,642,913	(1,063,970)	64,532,359
Accumulated depreciation	<u>(32,762,352)</u>	<u>(1,697,952)</u>	<u>1,018,731</u>	<u>(33,441,573)</u>
Total capital assets, net	<u>\$ 32,794,371</u>	<u>802,575</u>	<u>(1,317,601)</u>	<u>32,279,345</u>

Changes in capital assets for 2024, were as follows:

	<b>As restated Balance 2023</b>	<b>Additions</b>	<b>Transfers/ Deletions</b>	<b>As restated Balance 2024</b>
Capital assets:				
Non-depreciable assets	\$ 1,711,579	1,708,577	(1,816,849)	1,603,307
Depreciable assets	62,801,904	1,816,470	(664,958)	63,953,416
Accumulated depreciation	<u>(31,678,384)</u>	<u>(1,661,794)</u>	<u>577,826</u>	<u>(32,762,352)</u>
Total capital assets, net	<u>\$ 32,835,099</u>	<u>1,863,253</u>	<u>(1,903,981)</u>	<u>32,794,371</u>

At the end of fiscal year 2025 and 2024, the District's capital assets amounted to \$32,279,345 and \$32,794,371 (net of accumulated depreciation), respectively. These capital assets include land, transmission and distribution systems, buildings, equipment, vehicles, and construction-in-process.

See note 6 to the basic financial statements for further detailed information on the District's capital assets.

**Debt Administration**

Changes in long-term debt for 2025, were as follows:

	<b>Balance 2024</b>	<b>Additions</b>	<b>Payments</b>	<b>Balance 2025</b>
Long-term debt:				
Bonds payable	\$ 1,872,000	-	(122,000)	1,750,000
Notes payable	2,189,151	-	(183,609)	2,005,542
Leases payable	7,541	-	(4,260)	3,281
Subscription payable	<u>90,660</u>	<u>-</u>	<u>(90,660)</u>	<u>-</u>
Total long-term debt	<u>\$ 4,159,352</u>	<u>-</u>	<u>(400,529)</u>	<u>3,758,823</u>

In 2025, long-term debt primarily decreased due to regular scheduled debt payments of \$400,529.

**Joshua Basin Water District**  
*Management's Discussion and Analysis, continued*  
**For the Fiscal Years Ended June 30, 2025 and 2024**

**Debt Administration, continued**

Changes in long-term debt for 2024, were as follows:

	<u>Balance</u> <u>2023</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>2024</u>
Long-term debt:				
Bonds payable	\$ 1,988,000	-	(116,000)	1,872,000
Notes payable	2,365,953	-	(176,802)	2,189,151
Leases payable	11,675	-	(4,134)	7,541
Subscription payable	<u>212,972</u>	<u>-</u>	<u>(122,312)</u>	<u>90,660</u>
Total long-term debt	<u>\$ 4,578,600</u>	<u>-</u>	<u>(419,248)</u>	<u>4,159,352</u>

In 2024, long-term debt primarily decreased due to regular scheduled debt payments of \$419,248.

See further detailed information in Note 9.

**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 Director of Finance, Anne Roman at Joshua Basin Water District, 61750 Chollita Road, Joshua Tree, California, 92252 or (760) 366-8438.

## **Basic Financial Statements**

DRAFT

**Joshua Basin Water District**  
**Statements of Net Position**  
**June 30, 2025 and 2024**

	<b>2025</b>	<b>As restated 2024</b>
<b>Current assets:</b>		
Cash and cash equivalents (note 2)	\$ 19,234,859	14,959,214
Cash and cash equivalents - restricted (note 2)	5,823,209	5,194,248
Accrued interest receivable	223,356	218,151
Accrued interest receivable - restricted (note 5)	6,467	9,333
Accounts receivable - water sales and services, net (note 3)	1,924,937	1,883,112
Property taxes receivable	15,769	13,298
Special assessments receivable – restricted	70,727	69,029
Grants receivable (note 4)	15,874	5,874
Accounts receivable - other	479,645	37,648
Water-in-storage inventory	-	322,500
Materials and supplies inventory	697,352	1,102,280
Prepaid expenses and other deposits	101,089	228,175
	<b>28,593,284</b>	<b>24,042,862</b>
<b>Non-current assets:</b>		
Note receivable - restricted (note 5)	149,221	223,831
Capital assets - not being depreciated (note 6)	1,188,559	1,603,307
Capital assets, net - being depreciated (note 6)	31,090,786	31,191,064
	<b>32,428,566</b>	<b>33,018,202</b>
	<b>61,021,850</b>	<b>57,061,064</b>
<b>Deferred outflows of resources:</b>		
Deferred pension outflows (note 10)	654,590	761,244
	<b>\$ 654,590</b>	<b>761,244</b>

*Continued on next page*

See accompanying notes to the basic financial statements

**Joshua Basin Water District**  
**Statements of Net Position, continued**  
**June 30, 2025 and 2024**

	<b>2025</b>	<b>As restated 2024</b>
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 261,170	481,352
Accrued wages and related payables	154,774	142,025
Customer deposits and unearned revenue	432,034	479,631
Accrued interest payable	87,377	97,523
Long-term liabilities - due within one year:		
Compensated absences (note 7)	192,359	270,949
Bonds payable (note 9)	127,000	122,000
Notes payable (note 9)	190,678	183,609
Leases payable	3,281	4,260
Subscription payable (note 9)	-	90,660
	<b>1,448,673</b>	<b>1,872,009</b>
<b>Non-current liabilities:</b>		
Long-term liabilities – due in more than one year:		
Compensated absences (note 7)	21,307	-
Bonds payable (note 9)	1,623,000	1,750,000
Notes payable (note 9)	1,814,864	2,005,542
Leases payable (note 9)	-	3,281
Net pension liability (note 10)	1,027,832	1,079,924
	<b>4,487,003</b>	<b>4,838,747</b>
	<b>5,935,676</b>	<b>6,710,756</b>
<b>Net position: (note 11)</b>		
Net investment in capital assets	28,520,522	28,635,019
Restricted	6,049,624	5,496,441
Unrestricted	21,170,618	16,980,092
	<b>\$ 55,740,764</b>	<b>51,111,552</b>

See accompanying notes to the basic financial statements

**Joshua Basin Water District**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**For the Fiscal Years Ended June 30, 2025 and 2024**

	<b>2025</b>	<b>As restated 2024</b>
<b>Operating revenues:</b>		
Water consumption sales	\$ 4,918,448	4,285,000
Water service charges	3,321,016	3,206,237
Standby service charges	1,215,356	1,230,921
Other charges for services	302,781	310,850
<b>Total operating revenues</b>	<b>9,757,601</b>	<b>9,033,008</b>
<b>Operating expenses:</b>		
Pumping, production, and treatment	2,067,773	1,907,133
Transmission and distribution	1,262,741	1,468,079
Customer service	680,244	817,280
General and administrative	2,418,923	2,108,111
<b>Total operating expenses</b>	<b>6,429,681</b>	<b>6,300,603</b>
Operating income before depreciation and amortization expense	3,327,920	2,732,405
Depreciation and amortization expense	(1,697,952)	(1,661,794)
<b>Operating income</b>	<b>1,629,968</b>	<b>1,070,611</b>
<b>Non-operating revenue (expense):</b>		
Property taxes	1,062,988	962,829
Special assessments for debt service	271,509	267,501
Investment returns	1,086,657	932,287
Interest expense	(156,001)	(179,051)
Debt administration charges	(32,995)	(25,651)
Property tax administration charge	(2,647)	(6,207)
HDMC operations revenue (note 5)	169,327	159,734
HDMC project – District expense (note 5)	(137,629)	(130,992)
Loss on disposition of assets	-	(29,955)
Other non-operating revenues (expenses), net	(104,267)	(1,432)
<b>Total non-operating revenue, net</b>	<b>2,156,942</b>	<b>1,949,063</b>
<b>Net income before capital contributions</b>	<b>3,786,910</b>	<b>3,019,674</b>
<b>Capital contributions:</b>		
Water capacity charges	363,188	442,339
Wastewater capacity charges	127,074	232,386
State capital grant	-	90,289
Local capital grant	26,040	15,000
<b>Total capital contributions</b>	<b>842,302</b>	<b>780,014</b>
<b>Change in net position</b>	<b>4,629,212</b>	<b>3,799,688</b>
<b>Net position, beginning of year, as restated</b>	<b>51,111,552</b>	<b>47,311,864</b>
<b>Net position, end of year</b>	<b>\$ 55,740,764</b>	<b>51,111,552</b>

See accompanying notes to the basic financial statements

**Joshua Basin Water District**  
**Statements of Cash Flows**  
**For the Fiscal Years Ended June 30, 2025 and 2024**

	<b>2025</b>	<b>2024</b>
<b>Cash flows from operating activities:</b>		
Cash receipts from customers for water sales and services	\$ 9,226,182	9,149,008
Cash paid to employees for salaries and wages	(2,408,895)	(1,879,615)
Cash paid to vendors and suppliers for materials and services	(3,376,426)	(5,182,574)
<b>Net cash provided by operating activities</b>	<b>3,440,861</b>	<b>2,086,819</b>
<b>Cash flows from non-capital financing activities:</b>		
Property taxes	1,024,875	928,375
Other non-operating expenses, net	(104,267)	(1,432)
<b>Net cash provided by non-capital financing activities</b>	<b>920,608</b>	<b>926,943</b>
<b>Cash flows from capital and related financing activities:</b>		
Acquisition and construction of capital assets	(1,182,926)	(1,644,447)
Loss on disposition of assets	-	(29,955)
HDMC project expense	31,698	28,742
Capital contributions	842,302	689,725
Payments received for note receivable	74,610	74,611
Proceeds from capital grants	(10,000)	90,289
Special assessments for debt service	269,811	264,869
Principal paid on long-term debt	(400,529)	(395,867)
Interest paid on long-term debt	(166,147)	(182,176)
<b>Net cash used in capital and related financing activities</b>	<b>(541,181)</b>	<b>(1,104,209)</b>
<b>Cash flows from investing activities:</b>		
Investment returns	1,084,318	845,609
<b>Net cash provided by investing activities</b>	<b>1,084,318</b>	<b>845,609</b>
<b>Net increase in cash and cash equivalents</b>	<b>4,904,606</b>	<b>2,755,162</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>20,153,462</b>	<b>17,398,300</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 25,058,068</b>	<b>20,153,462</b>
<b>Reconciliation of cash and cash equivalents to the statements of net position:</b>		
Cash and cash equivalents	\$ 19,234,859	14,959,214
Cash and cash equivalents - restricted	5,823,209	5,194,248
<b>Total cash and cash equivalents</b>	<b>\$ 25,058,068</b>	<b>20,153,462</b>

*Continued on next page*

See accompanying notes to the basic financial statements

**Joshua Basin Water District**  
**Statements of Cash Flows, continued**  
**For the Fiscal Years Ended June 30, 2025 and 2024**

	<b>2025</b>	<b>2024</b>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
<b>Operating income</b>	\$ <u>1,629,968</u>	<u>1,070,611</u>
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>		
Depreciation	1,697,952	1,661,794
<b>Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:</b>		
(Increase) decrease in assets:		
Accounts receivable – water sales and services, net	(41,825)	(126,880)
Accounts receivable – other	(441,997)	207,246
Water-in-storage inventory	322,500	(322,500)
Materials and supplies inventory	404,928	(742,654)
Prepaid expenses and other deposits	127,086	6,166
(Increase) decrease in deferred outflows of resources:		
Deferred pension outflows	106,654	(31,518)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(220,182)	68,906
Accrued wages and related payables	12,749	16,082
Customer deposits and unearned revenue	(47,597)	35,634
Compensated absences	(57,283)	67,654
Net pension liability	(52,092)	176,278
<b>Total adjustments</b>	<u>1,810,893</u>	<u>1,016,208</u>
<b>Net cash provided by operating activities</b>	<u>\$ 3,440,861</u>	<u>2,086,819</u>
<b>Non-cash investing, capital, and financing transactions:</b>		
Changes in fair value of funds deposited with LAIF	<u>\$ 23,339</u>	<u>(73,146)</u>

See accompanying notes to the basic financial statements

**Joshua Basin Water District**  
**Notes to the Financial Statements**  
**For the Fiscal Years Ended June 30, 2025 and 2024**

**(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 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 five-member Board of Directors who are elected by qualified voters in the District. The District conducts general meetings of the Board of Directors twice per month, held on the first and third Wednesday's of the month, at the District's administration office.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Standards Board Statement 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 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, deferred outflows, liabilities, and deferred inflows 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 receives value without directly giving value in exchange.

**C. Financial Reporting**

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

**Joshua Basin Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2025 and 2024**

**(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.

In June 2022, the GASB issued Statement No. 101 – *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave.

Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

In December 2023, the GASB issued Statement No. 102 – *Certain Risk Disclosures*. The primary objective of this Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact to have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

**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, deferred outflows of resources, liabilities, and deferred inflows of resources, and disclosures of contingent assets, deferred outflows of resources, liabilities, and deferred inflows of resources, 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 at the time of purchase 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.

**Joshua Basin Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2025 and 2024**

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

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

**3. Investments and Investment Policy, continued**

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 as certificates-of-deposit, California Local Agency Investment Fund (LAIF), and the California Asset Management Program (CAMP). The District’s investment policy does contain specific provisions intended to limit its exposure to interest rate risk, credit risk, custodial risk, and concentration of credit risk.

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

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

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

**5. Property Taxes and Assessments**

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

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

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

**6. Water-in-Storage Inventory**

Water-in-storage inventory consists of purchase water supplies available to the District. Water-in-storage is valued using the first-in-first-out (FIFO) methodology.

**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 “First-In, First-Out” (FIFO) method. Inventory items are charged to expense at the time that individual items are withdrawn from inventory or consumed.

**Joshua Basin Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2025 and 2024**

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

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

**8. Prepaid Expenses**

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

**9. Capital Assets**

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at \$5,000. Donated assets are recorded at estimated fair market value at the date of donation. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized.

Lease asset are measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs.

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

Lease assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

Subscription assets are amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying Information Technology (IT) asset.

**10. Deferred Outflows of Resources**

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

**11. Compensated Absences**

The District's policy is to permit employees to accumulate up to two times their annual vacation accrual rate with amounts exceeding the limit being forfeited. Upon termination of employment, employees are paid all unused vacation, floating holiday, and management/administrative leave. The accrual for sick leave does not have a cap and upon termination, sick leave may be converted to CalPERS service credit, based on eligibility. Sick leave not converted is forfeited.

**12. Lease Payable**

Lease liability are measured at the present value of lease payments expected to be made during the lease term.

**13. Subscription Payable**

Subscription liability are measured at the present value of subscription payments expected to be made during the subscription term.

**Joshua Basin Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2025 and 2024**

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

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

**14. 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 dates: June 30, 2023 and 2022
- Measurement dates: June 30, 2024 and 2023
- Measurement periods: July 1, 2022 to June 30, 2023 and July 1, 2023 to June 30, 2024

**15. Deferred Inflows of Resources**

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

**16. Water Sales and Services**

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

**17. 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.

**18. Net Position**

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

- *Net investment in capital assets* – 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* – 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* – 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 components of net position.

**19. Budgetary Policies**

The District adopts an 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.

**Joshua Basin Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2025 and 2024**

**(2) Cash and Cash Equivalents**

Cash and cash equivalents as of June 30 are classified in the Statements of Net Position as follows:

	<b>2025</b>	<b>2024</b>
Cash and cash equivalents	\$ 19,234,859	14,959,214
Cash and cash equivalents – restricted	5,823,209	5,194,248
Total cash and investments	\$ 25,058,068	20,153,462

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

	<b>2025</b>	<b>2024</b>
Cash on hand	\$ 2,300	2,300
Deposits held with financial institutions	215,172	369,163
California Local Agency Investment Fund:		
Unrestricted	16,592,493	14,587,751
Restricted	2,907,433	5,194,248
California Asset Management Program		
Unrestricted	2,424,894	-
Restricted	2,915,776	-
Total cash and investments	\$ 25,058,068	20,153,462

As of June 30, the District’s authorized deposit had the following maturities:

	<b>2025</b>	<b>2024</b>
California Local Agency Investment Fund	248 days	217 days

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

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

<b>Authorized Investment Type</b>	<b>Maximum Maturity</b>	<b>Maximum Percentage Of Portfolio</b>	<b>Maximum Investment in One Issuer</b>
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State Obligations – CA and Others	5 years	None	None
CA Local Agency Obligations	5 years	None	None
U.S. Agency Obligations	5 years	None	None
Negotiable Certificates of Deposit	5 years	30%	None
Collateralize Bank Deposits	5 years	None	None
Corporate debt – Short and Long Term	5 years	None	None
Commercial Paper – Pooled Funds		40% of the	
Commercial Paper – Non-Pooled Funds	270 days	District's money	10%
Repurchase agreements	1 year	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

**Joshua Basin Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2025 and 2024**

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

***Investment in State Investment Pool***

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

The pool portfolio is invested in a manner that meets the maturity, quality, diversification, and liquidity requirements set forth by GASB 79 for external investment pools that elect to measure, for financial reporting purposes, investments at amortized cost. LAIF does not have any legally binding guarantees of share values. LAIF does not impose liquidity fees or redemption gates on participant withdrawals.

***California Asset Management Program***

The District is a voluntary participant in the California Asset Management Program (CAMP), a California Joint Powers Authority that falls under California Code Section 53601(p), which is directed by a Board of Trustees that is made up of experienced local government finance directors and treasurers.

CAMP's cash reserve portfolio aims to follow GASB 79 liquidity, maturity, quality and diversification requirements to help protect the portfolio and its shareholders during adverse market conditions. CAMP's daily liquidity, stable net asset value investment option stresses daily liquidity and safety of principal as two of its objectives.

***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 flow 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. Investment in CAMP offers securities with maturities ranging from 60 days to one year.

***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. As of June 30, 2025, the District's investment in LAIF is unrated and investment in CAMP is rated AAAf<sup>2</sup> by Fitch ratings and AAAM<sup>1</sup> by S&P Global.

**Joshua Basin Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2025 and 2024**

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

***Custodial Credit Risk***

The custodial credit risk for *deposits* is the risk that, in the event of 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 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.

***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 78% and 99% as of June 30, 2025 and 2024, 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**

The balance at June 30 consists of the following:

		<b>2025</b>	<b>2024</b>
Accounts receivable – water sales	\$	1,167,693	1,073,362
Unbilled water sales receivables		767,076	776,076
Standby charges receivables		293,528	278,272
Property liens		140,602	128,621
Allowance for doubtful accounts		(443,962)	(373,219)
Total accounts receivable, net	\$	1,924,937	1,883,112

**Joshua Basin Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2025 and 2024**

**(4) Grants Receivable**

***Integrated Regional Water Management Plan***

The balance at June 30 consists of the following:

		2025	2024
Prop 1 DWR grant – retention	\$	5,874	5,874
Total grants receivable	\$	15,874	5,874

On June 18, 2018, the Coachella Valley Water District and the State of California, Department of Water Resources (DWR), entered into a grant agreement to assist in financing projects associated with the Integrated Regional Water Management Plan (IRWMP) pursuant to Chapter 7 of Division 26.7 of the California Water Code. The maximum amount payable by the State under this grant agreement is not to exceed \$2,636,488. The grant agreement consists of twelve separate IRWMP projects for various local sponsors with different allocation amounts – one of which being Joshua Basin Water District for \$130,000. The District has utilized grant revenue for the Saddleback Pipeline Project. As of June 30, 2025, all projects associated with the grant agreement are completed, and the remaining retention balance awaiting release from the State amounted to \$5,874.

**(5) 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 payment per year) with interest charged at the quarterly LAIF interest earnings rate. As of June 30, 2025 and 2024, the remaining principal balance was \$149,221 and \$223,831, respectively. At June 30, 2025 and 2024, accrued interest receivable on the note was \$6,467 and \$9,333, respectively, and is included as part of the accrued interest receivable balance - restricted in the statements of net position.

***Hi-Desert Medical Center Project***

In fiscal year 2013, the District was engaged by the Hi-Desert Medical Center (HDMC) to construct and operate the HDMC’s Wastewater Treatment Plant (Plant). Please see note 6 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 years ended June 30, 2025 and 2024, the District received \$169,327 and \$159,734, respectively, in reimbursement revenue from HDMC. For the fiscal years ended June 30, 2025 and 2024, the District incurred \$137,629 and \$130,992, respectively, in reimbursable costs towards the project.

**Joshua Basin Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2025 and 2024**

**(6) Capital Assets**

Changes in capital assets for the year ended June 30, 2025, were as follows:

	<u>Balance 2024</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2025</u>
Non-depreciable assets:				
Land and land rights	\$ 734,027	-	-	734,027
Construction-in-process	869,280	857,614	(1,272,362)	454,532
Total non-depreciable assets	<u>1,603,307</u>	<u>857,614</u>	<u>(1,272,362)</u>	<u>1,188,559</u>
Depreciable assets:				
Transmission and distribution system	48,265,353	1,463,776	(620,342)	49,108,787
Recharge facilities	9,108,029	-	-	9,108,029
Structures and improvements	1,457,015	32,948	-	1,489,963
Vehicles and large equipment	4,025,394	145,162	(67,635)	4,102,921
Office furniture and equipment	679,704	-	-	679,704
Wastewater system	22,419	-	-	22,419
Subscription asset	374,966	-	(374,966)	-
Leased equipment	20,536	1,027	(1,027)	20,536
Total depreciable assets	<u>63,953,416</u>	<u>1,642,913</u>	<u>(1,063,970)</u>	<u>64,532,359</u>
Accumulated depreciation:				
Transmission and distribution system	(27,514,115)	(1,058,910)	576,132	(27,996,893)
Recharge facilities	(1,746,412)	(182,171)	-	(1,928,583)
Structures and improvements	(691,461)	(34,932)	-	(726,393)
Vehicles and large equipment	(1,952,183)	(279,264)	-	(2,231,447)
Office furniture and equipment	(561,003)	(25,014)	67,633	(518,384)
Wastewater system	(22,419)	-	-	(22,419)
Subscription asset	(261,412)	(113,554)	374,966	-
Leased equipment	(13,348)	(4,107)	-	(17,455)
Total accumulated depreciation	<u>(32,762,352)</u>	<u>(1,697,952)</u>	<u>1,018,731</u>	<u>(33,441,573)</u>
Total depreciable assets, net	<u>31,191,064</u>	<u>(55,039)</u>	<u>(45,239)</u>	<u>31,090,786</u>
<b>Total capital assets, net</b>	<b>\$ <u>32,794,371</u></b>	<b><u>802,575</u></b>	<b><u>(1,317,601)</u></b>	<b><u>32,279,345</u></b>

Major depreciable capital asset additions during the fiscal year ended 2025, include upgrades and extensions of the District's water transmission and distribution systems of \$1,463,776, purchases of vehicles and large equipment of \$145,162, and structures and improvements of \$32,948. During the year, the District's deletions included: transmission and distribution replacements of \$620,342, subscription asset of \$374,966, and vehicles and large equipment of \$67,635.

**Joshua Basin Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2025 and 2024**

**(6) Capital Assets, continued**

Changes in capital assets for the year ended June 30, 2024, were as follows:

	<u>As Restated Balance 2023</u>	<u>Additions/</u>	<u>Deletions/ Transfers</u>	<u>As Restated Balance 2024</u>
Non-depreciable assets:				
Land and land rights	\$ 734,027	-	-	734,027
Construction-in-process	977,552	1,708,577	(1,816,849)	869,280
Total non-depreciable assets	<u>1,711,579</u>	<u>1,708,577</u>	<u>(1,816,849)</u>	<u>1,603,307</u>
Depreciable assets:				
Transmission and distribution system	47,187,827	1,377,054	(299,528)	48,265,353
Recharge facilities	9,108,029	-	-	9,108,029
Structures and improvements	1,404,351	52,664	-	1,457,015
Vehicles and large equipment	3,982,403	366,959	(323,968)	4,025,394
Office furniture and equipment	690,063	19,793	(30,152)	679,704
Wastewater system	22,419	-	-	22,419
Studies and reports	-	-	-	-
Subscription asset	374,966	-	-	374,966
Leased equipment	31,846	-	(11,310)	20,536
Total depreciable assets	<u>62,801,904</u>	<u>1,816,470</u>	<u>(664,958)</u>	<u>63,953,416</u>
Accumulated depreciation:				
Transmission and distribution system	(26,807,204)	(1,006,439)	299,528	(27,514,115)
Recharge facilities	(1,564,243)	(182,169)	-	(1,746,412)
Structures and improvements	(658,912)	(32,549)	-	(691,461)
Vehicles and large equipment	(1,922,227)	(281,019)	251,063	(1,952,183)
Office furniture and equipment	(548,102)	(28,825)	15,924	(561,003)
Wastewater system	(22,419)	-	-	(22,419)
Studies and reports	-	-	-	-
Subscription asset	(136,423)	(124,989)	-	(261,412)
Leased equipment	(18,855)	(5,804)	11,311	(13,348)
Total accumulated depreciation	<u>(31,678,384)</u>	<u>(1,661,794)</u>	<u>577,826</u>	<u>(32,762,352)</u>
Total depreciable assets, net	<u>31,123,520</u>	<u>154,676</u>	<u>(87,132)</u>	<u>31,191,064</u>
<b>Total capital assets, net</b>	<b>\$ <u>32,835,099</u></b>	<b><u>1,863,253</u></b>	<b><u>(1,903,981)</u></b>	<b><u>32,794,371</u></b>

Major depreciable capital asset additions during the fiscal year ended 2024, include upgrades and extensions of the District's water transmission and distribution systems of \$1,377,054, purchases of vehicles and large equipment of \$366,959, structures and improvements of \$52,664, and office furniture and equipment of \$19,793. During the year, the District's deletions included: vehicles and large equipment of \$323,968, transmission and distribution replacements of \$299,528, office furniture and equipment disposals of \$30,152, and leased equipment of \$11,310.

***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.

As of June 30, 2025 and 2024, the balance of construction-in-process was \$454,532 and \$869,280, respectively.

**Joshua Basin Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2025 and 2024**

**(6) Capital Assets, continued**

Construction-in-process consisted of the following projects:

<u>Project Description</u>	<u>2025</u>	<u>2024</u>
Belmont Design/Survey	\$ 234,290	219,047
E2-1 Reservoir Upgrade	119,617	113,061
Well 15 Repair/Rehabilitation	75,760	-
Well 14 Upgrade	-	70,034
D1-1 Booster Station Upgrade	-	445,335
Various other minor projects < \$50,000	24,865	21,803
Total construction-in-process	<u>\$ 454,532</u>	<u>869,280</u>

**(7) Compensated Absences**

The District recognizes liability for compensated absences in accordance with GASB Statement No. 101, “Compensated Absences”. Compensated absences include unpaid vacation leave, sick leave and compensating time off which is accrued as earned, which are expected to be settled through paid time off or cash payments upon termination or retirement. As of June 30, 2025 and 2024, the liability for compensated absences was calculated based on employees’ pay rates at the fiscal year-end and historical usage data, considering employment policies. The liability represents amounts that are more likely than not be used or paid out.

Compensated absences as of June 30 are classified in the accompanying financial statements as follows:

	<u>2025</u>	<u>2024</u>
Current	\$ 192,359	270,949
Non-current	21,307	-
Total	<u>\$ 213,666</u>	<u>270,949</u>

The total liability for compensated absences amounted to \$213,666 and \$270,949, respectively.

The net change in the compensated absences liability for the fiscal year ended June 30, 2025 and 2024 was \$(57,283) and \$67,654, respectively, reflecting a net (decrease) increase due to changes in employee leave balances, pay rates, and usage patterns. The liability is reported in government-wide financial statements and business-type fund financial statements.

**(8) Deferred Compensation Savings Plan**

For the benefit of its employees, the District participates in a 457 Deferred Compensation Program (Program). The purpose of the Program is to provide deferred compensation for public employees that elect to participate. 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, 2025 and 2024, the market value of all plan assets held in trust by MissionSquare was \$1,490,088 and \$1,226,230, 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 statements of net position.

**Joshua Basin Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2025 and 2024**

**(9) Long-Term Debt**

Changes in long-term debt amounts for 2025 were as follows:

	<u>Balance 2024</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 2025</u>	<u>Current Portion</u>	<u>Long Term Portion</u>
Bonds payable:						
1996 Bond	\$ 1,872,000	-	(122,000)	1,750,000	127,000	1,623,000
Note payable:						
Installment Sale #18-012	2,189,151	-	(183,609)	2,005,542	190,678	1,814,864
Leases payable:						
Xerox C8170	7,541	-	(4,260)	3,281	3,281	-
Subscription payable						
Nobel Geoviewer	90,660	-	(90,660)	-	-	-
Total long-term debt	<u>\$ 4,159,352</u>	<u>-</u>	<u>(400,529)</u>	<u>3,758,823</u>	<u>320,959</u>	<u>3,437,864</u>

Changes in long-term debt amounts for 2024 were as follows:

	<u>Balance 2023</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 2024</u>	<u>Current Portion</u>	<u>Long Term Portion</u>
Bonds payable:						
1996 Bond	\$ 1,988,000	-	(116,000)	1,872,000	122,000	1,750,000
Note payable:						
Installment Sale #18-012	2,365,953	-	(176,802)	2,189,151	183,609	2,005,542
Leases payable						
Xerox C8170	11,675	-	(4,134)	7,541	4,260	3,281
Subscription payable						
Tyler Incode	34,292	-	(34,292)	-	-	-
Nobel Geoviewer	178,680	-	(88,020)	90,660	90,660	-
Total long-term debt	<u>\$ 4,578,600</u>	<u>-</u>	<u>(419,248)</u>	<u>4,159,352</u>	<u>400,529</u>	<u>3,758,823</u>

***1996 Limited Obligation Improvement Bond***

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 and secured solely by special assessments on property parcels and amounts are collected and paid 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 an interest of 4.5% per annum. Principal and interest are payable on March 2<sup>nd</sup> and September 2<sup>nd</sup> of each year.

**Joshua Basin Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2025 and 2024**

**(9) Long-Term Debt, continued**

***1996 Limited Obligation Improvement Bond, continued***

Future principal and interest obligations on the bonds as of June 30, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 127,000	78,750	205,750
2027	132,000	73,035	205,035
2028	138,000	67,095	205,095
2029	145,000	60,885	205,885
2030	151,000	54,360	205,360
2031-2035	862,000	163,665	1,025,665
2036	195,000	8,775	203,775
Total	1,750,000	506,565	2,256,565
Current	(127,000)		
Long-term	\$ 1,623,000		

***2018 Installment Sale Agreement #18-012***

On September 1, 2018, the District entered into an agreement with the Municipal Finance Corporation (“Corporation”) whereas the District purchases the 2018 Project (“Project”) from the Corporation. The Project refers to any additions, betterments, extensions, or improvements to the Water System designated by the Board of the District as the Project, of which is to be paid by the proceeds of any contract.

The agreement provides for a total funding of \$3,010,000 for the Capital Infrastructure Replacement Program (“CIRP”) as well as the initial project associated with the CIRP – the replacement of approximately 23,500 feet of existing watermains with poly-vinyl chloride watermains, called the Saddleback Project. A substantial portion of startup costs are for purchase of large pipelaying and asphalt equipment that will be utilized over a 10-year period to complete additional CIRP pipeline replacement projects. Funding may also cover new appurtenances related to the new watermains, as well as other related expenditures.

Future principal and interest obligations on the agreement as of June 30, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 190,678	77,213	267,891
2027	198,019	69,872	267,891
2028	205,642	62,249	267,891
2029	213,560	54,331	267,891
2030	221,782	46,109	267,891
2031-2034	975,861	95,880	1,071,741
Total	2,005,542	405,654	2,411,196
Current	(190,678)		
Long-term	\$ 1,814,864		

**Joshua Basin Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2025 and 2024**

**(9) Long-Term Debt, continued**

***Xerox Financial Services, LLC – C8170***

On April 8, 2021, the District entered into an agreement with Xerox Financial Services, LLC for the purpose of acquiring a Xerox copier for its Administrative Office. Terms of the agreement commenced in April 2021 and matures in March 2026. As of June 30, 2025 and 2024, rental payments amounted to \$4,428 and \$3,894, respectively.

Following the guidelines of *GASB Statement No. 87*, the District recorded a right-to-use asset and a lease payable at present value using an interest rate of 3%. The right-to-use asset is amortized on a straight-line basis over the term of the lease.

Annual lease payments are as follows:

Year	Principal	Interest	Total
2026	\$ 3,281	41	3,322
Total	3,281	41	3,322
Current	(3,281)		
Long-term	\$ -		

***Tyler Technologies – Tyler Incode Subscription***

On February 7, 2022, the District entered into an agreement with Tyler Technologies (Tyler) for the purpose of providing the District access to Tyler’s proprietary software, Tyler Incode. Terms of the agreement commenced in April 2022 and matures in March 2025. As of June 30, 2025 and 2024, rental payments amounted to \$0 and \$34,292, respectively.

Following the guidelines of *GASB Statement No. 96*, the District recorded a right-to-use asset and a subscription payable at present value using an interest rate of 3%. The right-to-use asset is amortized on a straight-line basis over the term of the subscription. The subscription was fully paid in February 2024.

***Nobel Systems, Inc. – GeoViewer Subscription***

On April 22, 2022, the District entered into an agreement with Nobel Systems, Inc. (Nobel) for the purpose of providing the District access to Nobel’s GeoViewer system to provide maintenance and management of the District’s Geographic Information System (GIS) and update other databases that have been integrated with the GIS Database. Terms of the agreement commenced in July 2022 and matures in June 2025. As of June 30, 2025 and 2024, rental payments amounted to \$90,660 and \$88,020, respectively.

Following the guidelines of *GASB Statement No. 96*, the District recorded a right-to-use asset and a subscription payable at present value using an interest rate of 3%. The right-to-use asset is amortized on a straight-line basis over the term of the subscription. The subscription was fully paid in June 2025.

**Joshua Basin Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2025 and 2024**

**(10) Defined Benefit Pension Plan**

***Plan Description***

All qualified permanent and probationary employees are eligible to participate in the District’s separate Miscellaneous Risk Pool, cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees’ Retirement System (CalPERS). Benefit provisions under the Plan is established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on CalPERS website or may be obtained from their executive office: 400 P Street, Sacramento, CA 95814.

***Benefits Provided***

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. 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 as of June 30, 2025 and 2024, are summarized as follows:

	<b>Miscellaneous Risk Pool</b>	
	<b>Classic</b>	<b>PEPRA</b>
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%
2025:		
Required employee contribution rates	6.93%	8.25%
Required employer contribution rates	13.31%	8.18%
2024:		
Required employee contribution rates	7.00%	8.25%
Required employer contribution rates	13.26%	8.00%

**Joshua Basin Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2025 and 2024**

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

***Contributions***

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

For the fiscal years ended June 30, the contributions to the Plan were as follows:

	<u>2025</u>	<u>2024</u>
Contributions – employer	\$ 339,023	321,984

***Net Pension Liability***

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

	<u>2025</u>	<u>2024</u>
Proportionate share of net pension liability	\$ 1,027,832	1,079,924

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability for the miscellaneous risk pool. As of June 30, 2025 and 2024, the net pension liability of the Plan is measured as of June 30, 2024 and 2023 (the measurement dates), respectively, 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, 2023 and 2022 (the valuation dates), respectively, rolled forward to June 30, 2024 and 2023, respectively, 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 change in the proportionate share of the net pension liability for the Plan as of the fiscal year ended June 30, was as follows:

	<u>Miscellaneous</u>
Proportion – June 30, 2022	0.00782%
Decrease in proportion	<u>0.00083%</u>
Proportion – June 30, 2023	0.00866%
Increase in proportion	<u>-0.00018%</u>
Proportion – June 30, 2024	<u>0.00848%</u>

For the fiscal years ended June 30, 2025 and 2024, the District recognized pension expense of \$54,562 and \$144,760, respectively.

**Joshua Basin Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2025 and 2024**

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

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

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

<u>Description</u>	<u>2025</u>		<u>2024</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to the measurement date	\$ 339,023	-	321,984	-
Differences between actual and expected experience	85,398	-	46,610	-
Changes in assumptions	26,417	-	65,200	-
Net difference between projected and actual earnings on plan investments	59,171	-	174,849	-
Differences between actual contribution and proportionate share of contribution	39,767	-	11,526	-
Net adjustment due to differences in proportions of net pension liability	104,814	-	141,075	-
Total	<u>\$ 654,590</u>	<u>-</u>	<u>761,244</u>	<u>-</u>

As of June 30, 2025 and 2024, employer pension contributions reported as deferred outflows of resources related to contributions subsequent to the measurement dates of \$339,023 and \$321,984, respectively, will be recognized as a reduction of the net pension liability in the fiscal years ended June 30, 2025 and 2025, respectively.

As of June 30, 2025, other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Deferred Net Outflows/(Inflows) of Resources</u>
2025	\$ 134,360
2026	177,926
2027	23,558
2028	(20,277)
2029	-
Remaining	-

**Joshua Basin Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2025 and 2024**

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

***Actuarial Assumptions***

The total pension liabilities in the June 30, 2023 and 2022, actuarial valuations were determined using the following actuarial assumptions and methods:

Valuation dates	June 30, 2023 and 2022
Measurement dates	June 30, 2024 and 2023
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Discount rate	6.90%
Inflation	2.30%
Salary increases	Varies by entry age and service
Mortality Rate Table*	Derived using CalPERS' Membership Data for all Funds
Period upon which actuarial experience survey assumptions were based	1997 – 2015
Post retirement benefit increase	Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on purchasing power applies

\* The mortality table was developed based on CalPERS specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more details, please refer to the 2021 experience study that can be found on the CalPERS website.

***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 40 through 42 for the Required Supplementary Information.

***Discount Rate***

The discount rate used to measure the total pension liability for PERF C was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return.

**Joshua Basin Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2025 and 2024**

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

As of June 30, 2025, the table below reflects the expected real rates of return by asset class.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return 1-10<sup>1,2</sup></u>
Global Equity - Cap-weighted	30.00%	4.54%
Global Equity Non-Cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	-5.00%	-0.59%

<sup>1</sup> An expected inflation of 2.30% used for this period.

<sup>2</sup> Figures are based on the 2021-22 Asset Liability Management Study.

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

The following tables present the District's proportionate share of the net position liability for the Plan, calculated using the discount rate for 6.90%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (5.90%) or one-percentage-point higher (7.90%) than the current discount rate.

As of June 30, 2025, 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:

	<u>Discount Rate - 1% 5.90%</u>	<u>Current Discount Rate 6.90%</u>	<u>Discount Rate + 1% 7.90%</u>
District's net pension liability \$	2,140,966	1,027,832	111,558

As of June 30, 2024, 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:

	<u>Discount Rate - 1% 5.90%</u>	<u>Current Discount Rate 6.90%</u>	<u>Discount Rate + 1% 7.90%</u>
District's net pension liability \$	2,064,208	1,079,924	269,774

**Joshua Basin Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2025 and 2024**

**(11) Net Position**

Calculation of net position as of June 30, were as follows:

	<b>2025</b>	<b>2024</b>
<b>Net investment in capital assets:</b>		
Capital assets, not being depreciated	\$ 1,188,559	1,603,307
Depreciable capital assets, net	31,090,786	31,191,064
Current:		
Bonds payable	(127,000)	(122,000)
Notes payable	(190,678)	(183,609)
Leases payable	(3,281)	(4,260)
Subscription payable	-	(90,660)
Non-current:		
Bonds payable	(1,623,000)	(1,750,000)
Notes payable	(1,814,864)	(2,005,542)
Leases payable	-	(3,281)
<b>Total net investment in capital assets</b>	<b>28,520,522</b>	<b>28,635,019</b>
<b>Restricted net position:</b>		
Cash and cash equivalents – restricted	5,823,209	5,194,248
Accrued interest receivable – restricted	6,467	9,333
Special assessments receivable – restricted	70,727	69,029
Note receivable – Hi-Desert Medical Center, restricted	149,221	223,831
<b>Total restricted net position</b>	<b>6,049,624</b>	<b>5,496,441</b>
<b>Unrestricted net position</b>		
<b>Non-spendable net position:</b>		
Water-in-storage inventory	-	322,500
Materials and supplies inventory	697,352	1,102,280
Prepaid expenses and other deposits	101,089	228,175
<b>Total non-spendable net position</b>	<b>798,441</b>	<b>1,652,955</b>
<b>Spendable net assets are designated as follows:</b>		
Unrestricted	20,372,177	15,327,137
<b>Total spendable net position</b>	<b>20,372,177</b>	<b>15,327,137</b>
<b>Total unrestricted net position</b>	<b>21,170,618</b>	<b>16,980,092</b>
<b>Total net position</b>	<b>\$ 55,740,764</b>	<b>51,111,552</b>

**(12) Prior Period Adjustment**

*Capital contributions*

In fiscal year 2025, the District determined that capital contributions received in the prior year should have been recorded in fiscal year 2023. As a result, the District adjusted its capital asset and capital contributions in the amount of \$669,213, which restated beginning balances as of July 1, 2023.

**Joshua Basin Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2025 and 2024**

**(12) Prior Period Adjustment, continued**

***Compensated absences***

In fiscal year 2025, the District implemented *GASB Statement No. 101, Compensated Absences*. The nature, justification, and an explanation of the change are included in note 1.C. As a result of the implementation, the District recorded a prior period adjustment of \$66,621, to restate beginning balances as of July 1, 2024. The adjustment to net position is as follows:

Net position at July 1, 2022, as previously stated		\$ <u>43,932,111</u>
Changes in net position, June 30, 2023, as previously stated	\$ 2,710,540	
Effect of adjustment to record capital contributions	<u>669,213</u>	
Changes in net position, June 30, 2023, as restated		<u>3,379,753</u>
Net position at July 1, 2023, as restated		47,311,864
Changes in net position, June 30, 2024, as previously stated	3,866,309	
Effect of adjustment to implement GASB 101	<u>(66,621)</u>	
Changes in net position, June 30, 2024, as restated		<u>3,799,688</u>
Net position at July 1, 2024, as restated		<u>\$ <u>51,111,552</u></u>

**(13) Certain Risk Disclosures**

The District relies on two groundwater basins for 100% of its potable water supply. The District voluntarily conducts groundwater recharge, aiming each year to replenish an amount equal to what is extracted, provided that budget and water supplies are available. This recharge water is purchased through the State Water Project. Groundwater testing has consistently shown hexavalent chromium (Cr-6) concentrations averaging 22 parts per billion (ppb) across all five of the District’s five active production wells, exceeding California’s notification level of 10 ppb. This concentration of supply source creates vulnerability to regulatory enforcement or operational restrictions.

***Associated Events***

Effective October 1, 2024, the California State Water Resources Control Board (SWRCB), under the California Health and Safety Code Section 116365, established new maximum contaminant levels that Water District’s should adhere by October 1, 2027. Installation of treatment facilities to comply with the new regulatory mandate is estimated to cost \$60 million in capital costs, and \$1 million annually in operating costs.

***Actions Taken***

Prior to issuance of these financial statements, the District executed the following mitigating actions:

- Collaboration with the US Water Alliance, a nonprofit organization that provides programs and resources to assist communities in addressing important water challenges.
- Retaining an engineering firm, via US Water Alliance, to complete an Alternatives Analysis.
- Submitted a compliance plan to the SWRCB in July 2025 and continues to work closely with SWRCB to achieve compliance.
- Retained a Municipal Advisory firm to advise on future financing needs.
- Making efforts towards contracting a legislative advocate and grant writer to assist with earmark and grant seeking.
- Piloting treatment options are expected to begin this fiscal year.

These actions are expected to eliminate the substantial risk of service disruption and material financial impact associated with the compliance order.

**Joshua Basin Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2025 and 2024**

**(14) 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, 2025, the District participated in the liability, property, and workers' 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 up to \$55 million per occurrence for general, auto, and public officials' liability, which increases the limits on the insurance coverage noted above.
- Cyber liability coverage protects the District from risks relating to information technology infrastructure and activities by first and third parties. The limit is \$3,000,000 per loss/\$5,000,000 program annual aggregate. The retention is based on total insurable value – the District's retention is \$100,000 per loss.
- Employee dishonesty coverage up to \$1,000,000 per loss includes public employee theft, depositors forgery or alteration, and computer and funds transfer fraud, subject to a \$1,000 deductible per loss. JPIA pools for the first \$100,000; excess coverage is purchased through Fidelity & Deposit.
- Property loss, including boiler and machinery coverage is paid at the replacement cost for buildings, personal property, fixed equipment, and unscheduled vehicles on premise of \$28,381,139 subject to a \$5,000 deductible per occurrence. Repairs or replacement must be completed within two years, otherwise loss is valued on an actual cash value basis. Boiler and Machinery Accidental Breakdown based on actual cash value at the time of loss, subject to a \$25,000 deductible per occurrence. Mobile equipment and vehicles are valued based on actual cash value at time of loss, subject to a \$5,000 deductible per occurrence. Flood loss subject to a deductible of \$100,000. Earthquake loss up to 5% per unit of insurance and subject to \$75,000 minimum. 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, and employer's liability limit of \$4 million. The ACWA JPIA is self-insured up to \$2 million and excess insurance coverage has been purchased.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the fiscal years ended June 30, 2025, 2024, and 2023. 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, 2025, 2024, and 2023.

**Joshua Basin Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2025 and 2024**

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

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2025 that have effective dates that may impact future financial presentations.

***Governmental Accounting Standards Board Statement No. 103***

In April 2024, the GASB issued Statement No. 103 – *Financial Reporting Model Improvements*. The primary objective of this Statement is to improve key components of the financial reporting model to enhance effectiveness in providing information that is essential for decision making and assessing a government’s accountability. Also, this Statement: (1) continues the requirement that the basic financial statements be preceded by management’s discussion and analysis (MD&A), which is presented as required supplementary information (RSI); (2) describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence; (3) requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses; (4) requires governments to present each major component unit separately in the reporting entity’s statement of net position and statement of activities if it does not reduce the readability of the statements; and (5) requires governments to present budgetary comparison information using a single method of communication—RSI.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

***Governmental Accounting Standards Board Statement No. 104***

In September 2024, the GASB issued Statement No. 104 – *Disclosure of Certain Capital Assets*. The primary objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement establishes requirements for certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. Also, this Statement establishes requirements for capital assets held for sale, including additional disclosures for those capital assets. The requirements of this Statement apply to the financial statements of all state and local governments.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

**(16) Commitments and Contingencies**

***Grant Awards***

Grant funds received by the District are subject to audit by grantor agencies. Such audit could lead to requests for reimbursements to 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.

**Joshua Basin Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2025 and 2024**

**(17) Subsequent Events**

Events occurring after June 30, 2025, have been evaluated for possible adjustment to the financial statements or disclosure as of November 19, 2025, which is the date the financial statements were available to be issued.

DRAFT

## **Required Supplementary Information**

DRAFT

**Joshua Basin Water District**  
**Schedules of the District's Proportionate Share of Net Pension Liability**  
**As of June 30, 2025**  
**Last Ten Years**

<b>Description</b>	<b>Measurement Dates</b>									
	<b>6/30/2024</b>	<b>6/30/2023</b>	<b>6/30/2022</b>	<b>6/30/2021</b>	<b>6/30/2020</b>	<b>6/30/2019</b>	<b>6/30/2018</b>	<b>6/30/2017</b>	<b>6/30/2016</b>	<b>6/30/2015</b>
District's proportion of the net pension liability	0.00848%	0.00866%	0.00782%	0.00151%	0.00618%	0.00550%	0.00490%	0.00495%	0.00439%	0.00394%
District's proportionate share of the net pension liability	\$ 1,027,832	1,079,924	903,646	81,517	672,436	563,855	472,046	490,750	379,802	270,679
District's covered payroll	\$ 2,131,986	1,662,790	1,824,500	1,963,492	1,950,376	1,743,402	1,467,121	1,462,157	1,344,686	1,384,706
District's proportionate share of the net pension liability as a percentage of its covered payroll	48.21%	64.95%	49.53%	4.15%	34.48%	32.34%	32.17%	33.56%	28.24%	19.55%
Plan's proportionate share of fiduciary net position as a percentage of total pension liability	78.08%	76.21%	76.68%	88.29%	75.10%	75.26%	75.26%	73.31%	74.06%	78.40%

**Notes to the Schedules of the District's Proportionate Share of Net Pension Liability**

***Changes in Benefit Terms***

Public agencies can make changes to their plan provisions, and such changes occur on an ongoing basis. A summary of the plan provisions that were used for a specific plan can be found in the plan's annual valuation report.

***Change of Assumptions and Methods***

In fiscal year 2024 and 2023, there were no changes to actuarial assumptions or methods.

In fiscal year 2022, the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term.

The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.

In fiscal year 2021, there were no changes to actuarial assumptions or methods. The CalPERS Board of Administration adopted a new amortization policy effective with the June 30, 2019, actuarial valuation. The new policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount. In addition, the new policy does not utilize a five-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains/losses. The new policy also does not utilize a five-year ramp-down on investment gains/losses.

**Joshua Basin Water District**  
**Schedules of the District's Proportionate Share of Net Pension Liability, continued**  
**As of June 30, 2025**  
**Last Ten Years**

**Notes to the Schedules of the District's Proportionate Share of Net Pension Liability**

*Change of Assumptions and Methods, continued*

These changes will apply only to new UAL bases established on or after June 30, 2019. In fiscal year 2020, no changes have occurred to the actuarial assumptions in relation to financial reporting. In fiscal year 2020, CalPERS implemented a new actuarial valuation software system for the June 30, 2018 valuation. This new system has refined and improved calculation methodology.

In December 2017, the CalPERS Board adopted new mortality assumptions for plans participating in the PERF. The new mortality table was developed from the December 2017 experience study and includes 15 years of projected ongoing mortality improvement using 90% of scale MP 2016 published by the Society of Actuaries. The inflation assumption is reduced from 2.75% to 2.50%.

The assumptions for individual salary increases and overall payroll growth are reduced from 3.00% to 2.75%. These changes will be implemented in two steps commencing in the June 30, 2017 funding valuation. However, for financial reporting purposes, these assumption changes are fully reflected in the results for fiscal year 2018.

In fiscal year 2017, the financial reporting discount rate for the PERF C was lowered from 7.65% to 7.15%. In December 2016, the CalPERS Board approved lowering the funding discount rate used in the PERF C from 7.50% to 7.00%, which is to be phased in over a three-year period (7.50% to 7.375%, 7.375% to 7.25%, and 7.25% to 7.00%) beginning with the June 30, 2016, valuation reports. The funding discount rate includes a 15 basis-point reduction for administrative expenses, and the remaining decrease is consistent with the change in the financial reporting discount rate.

In fiscal year 2015, the financial reporting discount rate was increased from 7.50% to 7.65% resulting from eliminating the 15 basis-point reduction for administrative expenses. The funding discount rate remained at 7.50% during this period, and remained adjusted for administrative expenses.

**Joshua Basin Water District  
Schedules of Pension Plan Contributions  
As of June 30, 2025  
Last Ten Years**

<b>Description</b>	<b>Fiscal years ended</b>									
	<b>6/30/2025</b>	<b>6/30/2024</b>	<b>6/30/2023</b>	<b>6/30/2022</b>	<b>6/30/2021</b>	<b>6/30/2020</b>	<b>6/30/2019</b>	<b>6/30/2018</b>	<b>6/30/2017</b>	<b>6/30/2016</b>
Actuarially determined contribution	\$ 259,365	274,238	285,375	270,609	243,362	189,373	170,464	144,890	145,219	143,957
Contributions in relation to the actuarially determined contribution	<u>(339,023)</u>	<u>(321,984)</u>	<u>(262,145)</u>	<u>(238,632)</u>	<u>(226,625)</u>	<u>(188,604)</u>	<u>(159,828)</u>	<u>(137,342)</u>	<u>(121,564)</u>	<u>(146,314)</u>
Contribution deficiency (excess)	\$ <u>(79,658)</u>	<u>(47,746)</u>	<u>23,230</u>	<u>31,977</u>	<u>16,737</u>	<u>769</u>	<u>10,636</u>	<u>7,548</u>	<u>23,655</u>	<u>(2,357)</u>
District's covered payroll	\$ 2,351,729	2,131,986	1,662,790	1,824,500	1,963,492	1,950,376	1,743,402	1,467,121	1,462,157	1,344,686
Contributions as a percentage of covered payroll	<u>11.03%</u>	<u>12.86%</u>	<u>17.16%</u>	<u>14.83%</u>	<u>12.39%</u>	<u>9.71%</u>	<u>9.78%</u>	<u>9.88%</u>	<u>9.93%</u>	<u>10.71%</u>

DRAFT

# **Report on Internal Controls and Compliance**

DRAFT

**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 business-type activities of Joshua Basin Water District (District) as of and for the fiscal years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprises the District’s basic financial statements, and have issued our report thereon dated November 19, 2025.

**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 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. 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 entity’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 entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**C.J. Brown & Company, CPAs**  
Cypress, California  
November 19, 2025

DRAFT

**Joshua Basin Water District**

**Management Report**

**June 30, 2025**

DRAFT

**Joshua Basin Water District**

**Management Report**

**Table of Contents**

<u>Item</u>	<u>Page No.</u>
General Introduction	1
Current Year Comment and Recommendation	1-2
Prior Year Comments and Recommendations	2
<b>Appendix:</b>	
Audit/Finance Committee Letter	1-4
Schedule of Audit Adjusting Journal Entries	5

DRAFT

**CONFIDENTIAL**

Board of Directors  
Joshua Basin Water District  
Joshua Tree, California

**Dear Members of the Board:**

In planning and performing our audit of the financial statements of the business-type activities of Joshua Basin Water District (District) as of and for the year ended June 30, 2025, 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, we considered the District's 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 over financial reporting, 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 reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider 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:

**Current Year Comment and Recommendation**

**Disclosure of 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.

**Current Year Comment and Recommendation, continued**

Disclosure of Adjustments and Reclassifications, continued

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 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 journal entries that were made and to provide the Board of Directors with a better understanding of the scope of the audit.

***Management's Response***

We have reviewed and approved all of the adjusting 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.

**Prior Year Comments and Recommendations**

Disclosure of 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 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 journal entries that were made and to provide the Board of Directors with a better understanding of the scope of the audit.

***Management's Response***

We have reviewed and approved all of the adjusting 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, the Board of Directors, and others within the District, and is not intended to be, and should not be, used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this letter, which is a matter of public record.

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

**C.J. Brown & Company, CPAs**  
Cypress, California  
November 19, 2025

**APPENDIX**

**Joshua Basin Water District**

**Audit/Finance Committee Letter**

**June 30, 2025**

DRAFT

Board of Directors  
Joshua Basin Water District  
Joshua Tree, California

We have audited the financial statements of the business-type activities of the Joshua Basin Water District (District) for the year ended June 30, 2025, and have issued our report thereon dated November 19, 2025. Professional standards require that we advise you of the following matters relating to our audit.

### **Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated May 8, 2025, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also 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 for the purpose of identifying other matters to communicate to you.

If any, we have provided our findings regarding significant control deficiencies over financial reporting and material noncompliance, and other matters noted during our audit in a separate letter to you dated November 19, 2025.

### **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

### **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

An auditor that is not involved in the engagement performed an independent review of the financial statements that was prepared by us based on the information provided by management. This safeguard reduces the threat of self-review risk to an acceptable level.

### **Required Risk Assessment Procedures per Auditing Standards**

As auditors of the District, we are required per AU-C Section 240, “Consideration of Fraud in a Financial Statement Audit”, to “ordinarily” presume and consider the following risks in designing our audit procedures:

- Management override of controls
- Revenue recognition

### **Qualitative Aspects of the Entity’s Significant Accounting Practices**

#### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the District is included in Note 1 to the financial statements. As of and for the year ended June 30, 2025, the District implemented the provisions of GASB Statement No. 101 – *Compensated Absences* and 102 – *Certain Risk Disclosures*. There have been no other initial selection of accounting policies and no other changes in significant accounting policies or their application during 2025. No other matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

#### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s current judgments. Those judgments are normally based on 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 financial statements and because of the possibility that future events affecting them may differ markedly from management’s current judgments. The most sensitive accounting estimates affecting the financial statements are as follows:

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

Management’s estimate of 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 valuation 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.

#### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the District’s financial statements relate to:

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

*Financial Statement Disclosures, continued*

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 10 to the basic financial statements is based on actuarial assumptions which could differ from actual costs.

**Significant Unusual Transactions**

For purposes of this communication, professional standards require us to communicate to you significant unusual transactions identified during our audit. No significant unusual transactions were identified as a result of our audit procedures that were brought to the attention of management:

**Identified or Suspected Fraud**

We have not identified or have not obtained information that indicates that fraud may have occurred.

**Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

**Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. There were no uncorrected misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The attached schedule on page 5 presents the material journal entries that we identified as a result of our audit procedures and were brought to the attention of, and corrected by, management.

**Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the District's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

**Circumstances that Affect the Form and Content of the Auditor's Report**

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. There were no circumstances that affect the form and content of the auditor's report.

**Representations Requested from Management**

We have requested certain written representations from management, which are included in the attached letter dated November 19, 2025.

### **Management’s Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing matters. However, management consulted with Eide Bailly for accounting related matters concerning *Governmental Accounting Standards Board Nos. 87 (Leases) 96 (Subscription-Based Information Technology Arrangements), and 101 (Compensated Absences)*.

### **Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with the District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the District’s auditors.

### **Other Matters**

We applied certain limited procedures to the Management Discussion and Analysis, Schedules of the District’s Proportionate Share of the Net Pension Liability, and Schedules of Pension Plan Contributions, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

### **Restrictions on Use**

This information is intended solely for the information and use of the Board of Directors and management of the District and is not intended to be, and should not be, used by anyone other than these 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 Sarah Johnson, General Manager, and Anne Roman, Director of Finance, 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.

**C.J. Brown & Company, CPAs**  
Cypress, California  
November 19, 2025

**Joshua Basin Water District  
 Schedule of Audit Adjusting Journal Entries  
 For the Fiscal Year Ended June 30, 2025**

**Adjusting Journal Entries JE # 1**

To adjust net pension liability at year-end.

200-22360	NET PENSION LIABILITY	\$ 52,092.00	
509-09215	RETIREMENT: CALPES GASB68 CONTRA	54,562.00	
100-13600	DEFERRED OUTFLOWS OF RESOURCES		106,654.00

**Adjusting Journal Entries JE # 2**

To adjust prepaid property insurance account at year-end.

504-07401	PROPERTY INSURANCE & RISK MGMT	14,666.02	
100-12320	PREPAID PROPERTY INSURANCE		14,666.02

**Adjusting Journal Entries JE # 3**

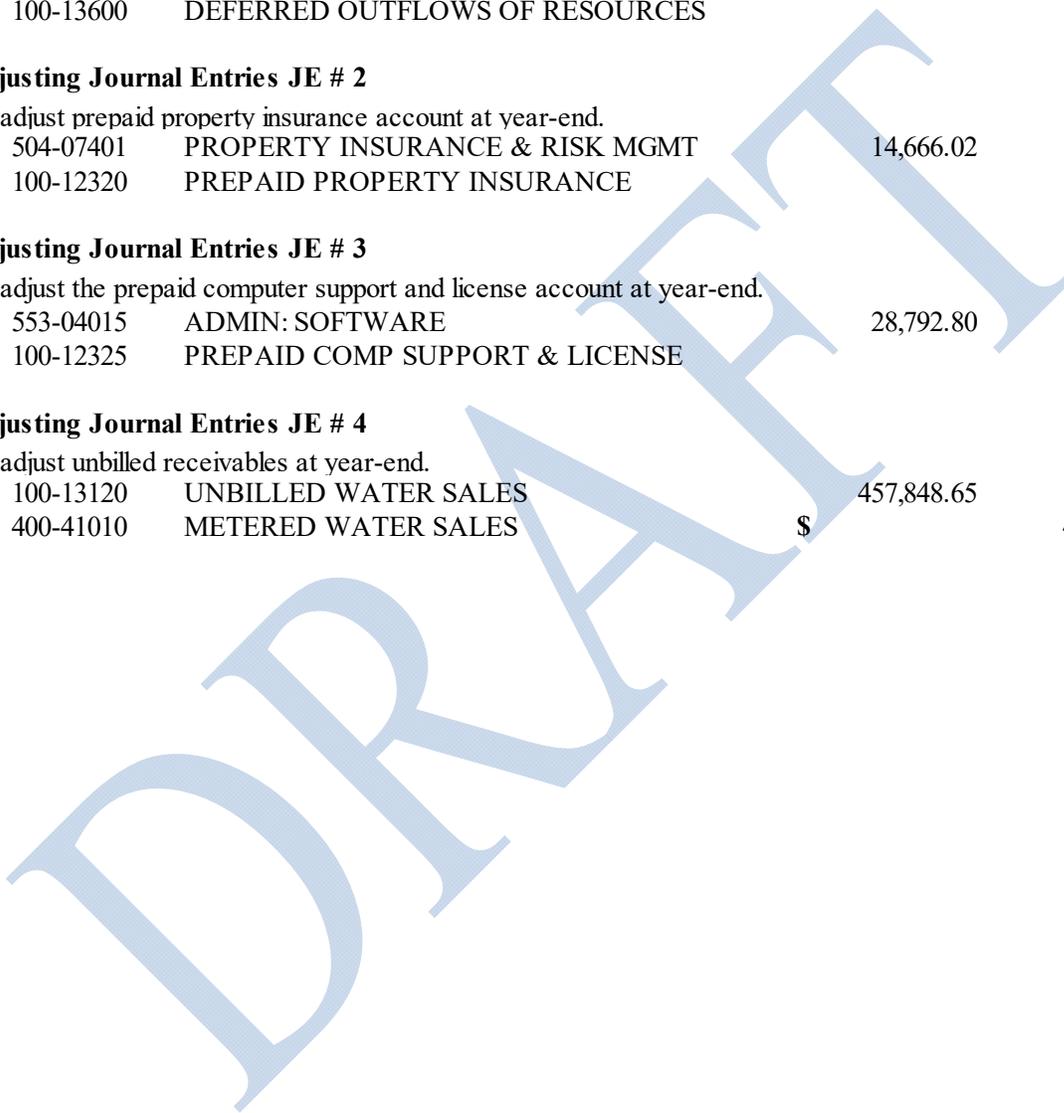
To adjust the prepaid computer support and license account at year-end.

553-04015	ADMIN: SOFTWARE	28,792.80	
100-12325	PREPAID COMP SUPPORT & LICENSE		28,792.80

**Adjusting Journal Entries JE # 4**

To adjust unbilled receivables at year-end.

100-13120	UNBILLED WATER SALES	457,848.65	
400-41010	METERED WATER SALES	\$	457,848.65



# AUDIT PROCESS

Roadmap from April to January,  
a transparent, accountable  
process, yielding reliable results.

01

## INTERIM AUDIT (APRIL/MAY)

Staff gathers records and Auditors review selected transactions, including billing and deposit records. Fraud interviews may be conducted in Spring/Fall.



02

## FISCAL YEAR END (JUNE – SEPT)

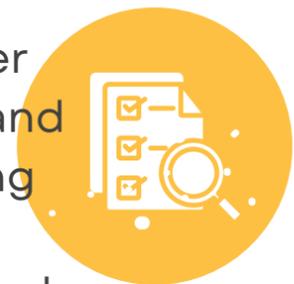
Staff closes fiscal year, processes final invoices, closes projects, and creates new assets, etc. Staff prepares and analyzes supporting schedules. Inventory spot check may be conducted by Auditors.



03

## FIELD AUDIT (SEPT – OCT)

Auditors come onsite to further review selected transactions and records, ensuring all supporting documentation is properly prepared. Fraud interviews may be conducted in Spring/Fall.



04

## ANNUAL REPORT (OCT – NOV)

Staff works with Auditors to prepare/review Annual Financial Report (aka “Audit”) for presentation to Board.



05

## BOARD APPROVAL / DISTRIBUTION (NOV – JAN)

Staff and Auditor present audit to Board. Staff distributes approved audit to numerous stakeholders. Financial Transaction Report (FTR) is filed with CA State as required.





AGENDA ITEM NO:	7B
MEETING DATE:	11.19.25

## Staff Report

<b>PRESENTED BY:</b>	SARAH JOHNSON, GENERAL MANAGER
<b>TOPIC:</b>	<b>PRELIMINARY DISCUSSIONS REGARDING POTENTIAL SEPTIC-TO-SEWER PROJECT IN JOSHUA TREE</b>
<b>RECOMMENDATION:</b>	FOR INFORMATION ONLY

### BACKGROUND

This report provides the Board with an update on very early and highly preliminary discussions with San Bernardino County regarding potential sewer service in portions of Joshua Tree currently served by septic systems.

### DISCUSSION

San Bernardino County representatives have shared that they continue to receive frequent requests from constituents seeking sewer service in Joshua Tree. In response, the County reached out to Joshua Basin Water District (JBWD) to initiate initial, exploratory conversations about whether a future septic-to-sewer project could be feasible.

These discussions are conceptual only, and no plans, commitments, or formal proposals exist at this time.

#### County Interest and Approach

During these early exploratory conversations, the County communicated that:

- They may be interested in obtaining sewer authority but **strongly emphasized** their desire to work collaboratively with JBWD, possibly initiating an MOU to ensure clarity.
- They believe they may be suited to lead such a project based on economy of scale and prior experience operating sewer systems in several rural communities including but not limited to Lytle Creek North, Crestline, and Oak Hills.
- Constituent inquiries are the primary driver behind the County’s initial outreach.

#### Funding Considerations

Third District Supervisor Dawn Rowe and CA Senator Rosilicie Ochoa Bogh have both written letters in support asking Congressman Jay Obernolte to consider earmarking federal funding for a septic to sewer project. A copy of both letters are attached.

It was also noted that without substantial outside funding, such a project may not be financially viable. If funding is not secured, this concept may not proceed beyond preliminary discussion.

### **Preliminary Conceptual Boundaries**

The County shared conceptual boundaries for a potential Phase 1 project area. These are subject to change and are provided only for Board awareness.

- North: Terrace Dr.
- East: Verbena Rd.
- West: Sunny Vista Rd.
- South: Desert Air Rd.

These boundaries are not final and would require further engineering, environmental assessment, and funding analysis.

### **Board Member Research**

Vice President Stacy Doolittle requested that this topic be agendaized, and she has been conducting independent research on the matter. She may have additional information, clarification, or context to contribute during the Board discussion.

### **Conclusion**

This effort is in the earliest exploratory stage, and no commitments have been made by any party. Staff will continue to:

- Monitor the County's progress in securing potential funding.
- Engage in conversations as appropriate.
- Bring any formal proposals or requests back to the Board for direction.

---

### **STRATEGIC PLAN**

1.3.b-Partner with SB County & Regional Water Quality Board regarding centralized wastewater treatment.

2.1.f-Explore opportunities for alternative sources of income to offset costs and labor burden through the innovative use of District assets, expanded debt, bonds and partnerships.

5.2-Develop mutually beneficial relationships, expand collaboration and exercise strategic leadership with local, regional, state and federal partners to meet challenges and opportunities.

5.2.c-Increase direct engagement with San Bernardino County to improve financial support and services to the Joshua Tree area.

5.2.d-Be an advocate for our community by expanding our reach through partnerships.

5.2.e-Investigate and engage with community partners to promote welfare within the community.

### **FISCAL IMPACT**

N/A



**County Administrative Office**  
**Governmental & Legislative Affairs**

**Leia Fletes**  
Deputy Executive Officer

April 10, 2025

The Honorable Jay Obernolte  
United States House of Representatives  
2433 Rayburn House Office Building  
Washington, D.C. 20515

**RE: Support for Joshua Tree Septic to Sewer - Phase I – FY 2026 Community Project Funding Request**

Dear Congressman Obernolte,

On behalf of the San Bernardino County Board of Supervisors, I write to express strong support for San Bernardino County's Community Project Funding request for the Joshua Tree Septic to Sewer - Phase I Project. This vital investment will support pre-construction activities necessary to transition the Joshua Tree area from reliance on septic systems to a modernized sewer infrastructure, benefiting public health, water quality, and local economic development.

The Joshua Tree Septic to Sewer - Phase I Project will facilitate the formation of a sewer district and fund key pre-construction activities, including planning and design. The transition from septic to sewer will help protect local groundwater quality by reducing nitrate contamination risks from failing septic tanks. Additionally, establishing a wastewater treatment facility will ensure that wastewater is properly treated and safely discharged, mitigating potential health and environmental hazards.

Beyond the environmental and public health benefits, this project is crucial for the continued economic vitality of Joshua Tree. The local economy is heavily reliant on tourism, and improving wastewater infrastructure will enable sustainable development, providing opportunities for new businesses such as restaurants, hotels, and shops.

We strongly urge your support for this essential infrastructure improvement. If you have any questions, please contact Leia Fletes, Director of Government Relations, at (909) 387-4280 or [Leia.Fletes@cao.sbcounty.gov](mailto:Leia.Fletes@cao.sbcounty.gov).

Sincerely,

A handwritten signature in blue ink that reads "Dawn Rowe".

Dawn Rowe  
Third District Supervisor  
Chair, San Bernardino County Board of Supervisors

**BOARD OF SUPERVISORS**

COL. PAUL COOK (RET.)  
First District

JESSE ARMENDAREZ  
Second District

DAWN ROWE  
Chairman, Third District

CURT HAGMAN  
Fourth District

JOE BACA, JR.  
Vice Chair, Fifth District

Luth76Snoko  
Chief Executive Officer

# California State Senate

1021 O STREET  
SACRAMENTO, CA 95814  
(916) 651-4019

SENATOR.OCHOABOGH@SENATE.CA.GOV  
SR19.SENATE.CA.GOV

SENATOR  
**ROSILICIE OCHOA BOGH**  
NINETEENTH SENATE DISTRICT



COMMITTEES  
BUDGET & FISCAL REVIEW  
EDUCATION  
VICE CHAIR  
ENERGY, UTILITIES  
& COMMUNICATIONS  
VICE CHAIR  
GOVERNMENTAL ORGANIZATION  
HOUSING  
HUMAN SERVICES  
VICE CHAIR  
JOINT LEGISLATIVE BUDGET

April 11, 2025

The Honorable Jay Obernolte  
United States House of Representatives  
2433 Rayburn House Office Building  
Washington, D.C. 20515

## **RE: Support for Joshua Tree Septic to Sewer - Phase I – FY 2026 Community Project Funding Request**

Dear Congressman Obernolte,

I write in support of San Bernardino County's Community Project Funding request for the Joshua Tree Septic to Sewer - Phase I Project. This vital investment will support pre-construction activities necessary to transition the Joshua Tree area from reliance on septic systems to a modernized sewer infrastructure, benefiting public health, water quality, and local economic development.

The Joshua Tree Septic to Sewer - Phase I Project will facilitate the formation of a sewer district and fund key pre-construction activities, including planning and design. The transition from septic to sewer will help protect local groundwater quality by reducing nitrate contamination risks from failing septic tanks. Additionally, establishing a wastewater treatment facility will ensure that wastewater is properly treated and safely discharged, mitigating potential health and environmental hazards.

Beyond the environmental and public health benefits, this project is crucial for the continued economic vitality of Joshua Tree. The local economy is heavily reliant on tourism, and improving wastewater infrastructure will enable sustainable development, providing opportunities for new businesses such as restaurants, hotels, and shops.

I respectfully urge you to support this critical funding request and appreciate your leadership in ensuring our nation's veterans receive the care and benefits they deserve. If you have any questions, please do not hesitate to contact my District Office at (909) 335-0271.

Sincerely,

ROSILICIE OCHOA BOGH  
Senator, 19<sup>th</sup> District