



## **AGENDA**

### **FINANCE COMMITTEE MEETING WEDNESDAY, DECEMBER 13, 2023, AT 9:00 AM**

This meeting may be attended in person at the District Office Boardroom at: 61750 Chollita Rd., Joshua Tree, CA 92252, by phone at 1 669 444 9171, or by video conference.

#### **Join Zoom Meeting:**

<https://us02web.zoom.us/j/85256309368?pwd=ck1RcGIYU1M4V1IzVU5xbU03UUU3UT09>

**Meeting ID: 852 5630 9368**

**Passcode: 61750**

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

2. **ROLL CALL**

3. **PUBLIC COMMENT**

This is the time set aside for public comment on any item appearing on the agenda. At the discretion of the Board President, however, comments on a particular Agenized item may be deferred until that item is heard. Please state your name and limit your comments to 3 minutes.

4. **CONSENT CALENDAR**

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

**A. DRAFT FINANCE COMMITTEE MEETING MINUTES 11.08.23**

5. **DISCUSSION ITEMS**

**A. CHECK REGISTER – OCTOBER 2023**

**B. 2022/2023 AUDITED FINANCIAL STATEMENTS**

6. **STAFF REPORTS**

7. **DIRECTOR COMMENTS**

8. **ADJOURNMENT**

JOSHUA BASIN WATER DISTRICT  
MINUTES OF THE  
FINANCE COMMITTEE MEETING  
Wednesday, November 8, 2023  
61750 Chollita Road, Joshua Tree, CA 92252

1. CALL TO ORDER/PLEDGE OF ALLEGIANCE – President Floen called the meeting to order at 9:00 a.m.
2. ROLL CALL – President Floen and Director Fick

STAFF PRESENT – Anne Roman, Director of Finance, Autumn Rich, Accounting Supervisor, Jeremiah Nazario, Interim Director of Operations, David Shook, Director of Administration, Sarah Johnson General Manager.

CONSULTANTS – None

GUESTS – None

3. PUBLIC COMMENT – None

4. CONSENT CALENDAR

- A. DRAFT FINANCE COMMITTEE MEETING MINUTES 10.11.23

1<sup>st</sup> - Fick

2<sup>nd</sup> - Floen

Motion carried to approve consent calendar 10.11.23 minutes.

5. DISCUSSION ITEMS -

- A. SEPTEMBER 2023 - CHECK REGISTER

1<sup>st</sup> - Fick

2<sup>nd</sup> - Floen

Motion carried to refer to the Board.

- B. RESERVE FUNDING TRANSFERS -

Director of Finance, Anne Roman, gave her presentation on Reserve Funding Transfers to the committee. Roman mentioned that the Reserve Funding Transfers is a complex annual agenda. Roman provided detailed information on proposed transfers for reserve funding usage and replenishment funding for fiscal year 22/23. Roman discussed the proposed reserve fund transfers from the LAIF Water Capacity reserve from the Tilford Phase 2 mainline replacement. Roman briefly explained that the Reserve Policy and Rate Study determines what to set aside and the budget and usage determines how much of the reserves we are depleting. Roman concluded that proposed changes to the Reserve Fund Policy will be brought back to the Finance Committee in 2024.

1<sup>st</sup> - Fick

2<sup>nd</sup> – Floen

Motion carried to refer to the Board.

6. STAFF REPORTS –

General Manager, Sarah Johnson reported the following:

- None

Director of Administration, David Shook reported the following:

- On November 5<sup>th</sup> LIHWAP events were cancelled by Community Action Partnership of San Bernardino due to exhausted funding.

Director of Finance, Anne Roman reported the following:

- Roman went over statistics on routine work in Finance and handed out a graph on those items to the committee.

7. DIRECTOR COMMENTS –

- Director Fick mentioned that he was interested in finding out the reserve fund history at the district over the last 30 years.

8. ADJOURNMENT – President Floen adjourned the meeting at 10:40 a.m.

1<sup>st</sup> - Fick

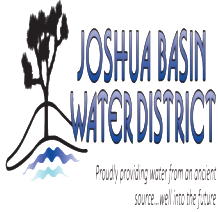
2<sup>nd</sup> - Floen

NEXT MEETING – December 13, 2023, at 9:00 am.

Respectfully Submitted,

---

Sarah Johnson, General Manager



Joshua Basin Water District

# Check Report

By Vendor DBA Name

Date Range: 10/01/2023 - 10/31/2023

Vendor Number	Vendor DBA Name	Payment Date	Payment Type	Discount Amount	Payment Amount	Number
Payable #	Payable Type	Post Date	Payable Description	Discount Amount	Payable Amount	
<b>Bank Code: AP-AP Cash</b>						
000501	ACWA JPIA	10/18/2023	Regular	0.00	40,174.75	65754
<a href="#">0700800</a>	Invoice	10/18/2023	EE HEALTH BENEFIT & EAP - 11/2023	0.00	40,174.75	
013998	AMAZON CAPITAL SERVICES INC	10/04/2023	Regular	0.00	1,536.64	65713
<a href="#">1F7D-1FGJ-VYVR</a>	Credit Memo	10/04/2023	CREDIT: OFFICE SUPPLIES	0.00	-13.59	
<a href="#">1LL9-NLDC-WP4V</a>	Invoice	10/04/2023	OFFICE SUPPLIES	0.00	507.21	
<a href="#">1NXY-46TW-3NCL</a>	Invoice	10/04/2023	OFFICE SUPPLIES	0.00	1,043.02	
013998	AMAZON CAPITAL SERVICES INC	10/18/2023	Regular	0.00	2,224.28	65755
<a href="#">1H4R-YNFF-X4J9</a>	Invoice	10/18/2023	SHOP OFF SUPP/SAFETY/VEHICLE MAINT:V44,35,40&41	0.00	2,224.28	
013019	ARBORIST SERVICES	10/18/2023	Regular	0.00	775.00	65771
<a href="#">9156</a>	Invoice	10/18/2023	DEMO GARDEN/BUILD MAINT 9/16/23 – 10/15/23	0.00	775.00	
014088	ASSET PANDA LLC	10/18/2023	Regular	0.00	2,522.51	65770
<a href="#">INV00001542</a>	Invoice	10/18/2023	ASSET PANDA MGMT SOFTWARE 10/4/23 - 10/4/24	0.00	2,522.51	
000502	ASSOCIATION OF CALIFORNIA WATER AGENCIE	10/18/2023	Regular	0.00	18,850.00	65756
<a href="#">AG24</a>	Invoice	10/18/2023	AGENCY DUES 2024	0.00	18,850.00	
013863	ATKINSON ANDELSON LOYA RUUD AND ROMO	10/04/2023	Regular	0.00	4,830.21	65714
<a href="#">691709</a>	Invoice	10/04/2023	LABOR LEGAL SERVICES - 08/2023	0.00	1,582.35	
<a href="#">691710</a>	Invoice	10/04/2023	LEGAL SERVICES - 08/2023	0.00	3,247.86	
001630	ATT MOBILITY	10/16/2023	Manual	0.00	2,034.66	902346
<a href="#">829480028X100...</a>	Invoice	10/16/2023	COMMUNICATIONS - 09/2023	0.00	2,034.66	
000214	BABCOCK LABORATORIES INC	10/04/2023	Regular	0.00	923.67	65715
<a href="#">CI31213-2287</a>	Invoice	10/04/2023	HDMC WWTP - SAMPLING	0.00	255.97	
<a href="#">CI31216-2287</a>	Invoice	10/04/2023	HDMC WWTP - SAMPLING	0.00	193.45	
<a href="#">CI31369-2287</a>	Invoice	10/04/2023	SAMPLING	0.00	109.14	
<a href="#">CI31772-2287</a>	Invoice	10/04/2023	HDMC WWTP - SAMPLING	0.00	255.97	
<a href="#">CJ30040-2287</a>	Invoice	10/04/2023	SAMPLING	0.00	109.14	
000214	BABCOCK LABORATORIES INC	10/18/2023	Regular	0.00	1,392.86	65757
<a href="#">CJ30437-2287</a>	Invoice	10/18/2023	SAMPLING	0.00	54.57	
<a href="#">CJ30438-2287</a>	Invoice	10/18/2023	SAMPLING	0.00	314.58	
<a href="#">CJ30459-2287</a>	Invoice	10/18/2023	SAMPLING	0.00	54.57	
<a href="#">CJ30504-2287</a>	Invoice	10/18/2023	HDMC WWTP - SAMPLING	0.00	411.67	
<a href="#">CJ30847-2287</a>	Invoice	10/18/2023	SAMPLING	0.00	314.58	
<a href="#">CJ30850-2287</a>	Invoice	10/18/2023	SAMPLING	0.00	242.89	
004110	BURRTEC WASTE AND RECYCLING SVCS	10/04/2023	Manual	0.00	966.02	902336
<a href="#">BW093023</a>	Invoice	10/04/2023	TRASH REMOVAL (SHOP) - 09/2023	0.00	803.99	
<a href="#">BW1023</a>	Invoice	10/04/2023	TRASH & RECYCLING (OFFICE) - 10/2023	0.00	162.03	
001517	CalPERS	10/27/2023	Manual	0.00	30,396.97	902349
<a href="#">PPE 10-20-23</a>	Invoice	10/27/2023	PAY PERIOD ENDING 10/20/23	0.00	15,236.45	
<a href="#">PPE 10-6-23</a>	Invoice	10/27/2023	PAY PERIOD ENDING 10/6/23	0.00	15,160.52	
013889	CARL OTTESONS CERTIFIED BACKFLOW TESTINC	10/18/2023	Regular	0.00	500.00	65758
<a href="#">7382</a>	Invoice	10/18/2023	CROSS CONNECTION CONSULTING - 10/2023	0.00	500.00	
001555	CENTRATREL LLC	10/04/2023	Regular	0.00	725.01	65716
<a href="#">231002252101</a>	Invoice	10/04/2023	DISPATCH SERVICES - 09/2023	0.00	725.01	

Check Report

Date Range: 10/01/2023 - 10/31/2023

Vendor Number	Vendor DBA Name	Payment Date	Payment Type	Discount Amount	Payment Amount	Number
Payable #	Payable Type	Post Date	Payable Description	Discount Amount	Payable Amount	
000510	CHARTER COMMUNICATIONS	10/18/2023	Regular	0.00	550.00	65759
<a href="#">116905701100123</a>	Invoice	10/18/2023	INTERNET SERVICES - 10/2023	0.00	550.00	
000510	CHARTER COMMUNICATIONS	10/04/2023	Manual	0.00	369.95	902337
<a href="#">0008970092223</a>	Invoice	10/04/2023	SCADA INTERNET - 10/2023	0.00	369.95	
000237	COLONIAL LIFE AND ACCIDENT INSURANCE CO	10/04/2023	Manual	0.00	766.30	902335
<a href="#">39905610905876</a>	Invoice	10/04/2023	EE LIFE INSURANCE - 09/2023	0.00	766.30	
000112	COPPER MOUNTAIN MEDIA KXCM FM	10/18/2023	Regular	0.00	360.00	65760
<a href="#">23090004</a>	Invoice	10/18/2023	ADVERTISING: WATER CONSERVATION MEDIA	0.00	360.00	
013373	CORE AND MAIN LP	10/04/2023	Regular	0.00	68,495.19	65717
<a href="#">S289393</a>	Invoice	10/04/2023	INVENTORY	0.00	519.61	
<a href="#">S371835</a>	Invoice	10/04/2023	INVENTORY	0.00	1,126.31	
<a href="#">T254882</a>	Invoice	10/04/2023	INVENTORY	0.00	47,861.14	
<a href="#">T583611</a>	Invoice	10/04/2023	INVENTORY & MAINLINE/LEAK REPAIR SUPPLIES	0.00	18,630.40	
<a href="#">T616704</a>	Invoice	10/04/2023	MAINLINE/LEAK REPAIR SUPPLIES	0.00	301.70	
<a href="#">T616805</a>	Invoice	10/04/2023	E2-1 RESERVOIR UPGRADE SUPPLIES	0.00	56.03	
014086	D AND H WATER SYSTEMS INC	10/18/2023	Regular	0.00	6,106.51	65761
<a href="#">597518</a>	Invoice	10/18/2023	FLOWMETER @ WELL 16	0.00	6,106.51	
000048	DANIEL BOCK	10/04/2023	Regular	0.00	225.00	65718
<a href="#">DB092123</a>	Invoice	10/04/2023	REIMB: SAFETY BOOTS	0.00	225.00	
014064	DIGIUM CLOUD SERVICE	10/18/2023	Regular	0.00	746.65	65782
<a href="#">INV00270722</a>	Invoice	10/18/2023	DIGIUM - 10/2023	0.00	746.65	
013818	EBIX INC	10/18/2023	Regular	0.00	7,969.41	65762
<a href="#">0970110-IN</a>	Invoice	10/18/2023	INSURANCE CERTIFICATION SERVICES 9/1/23 - 8/31/24	0.00	7,969.41	
013991	EIDE BAILLY LLP	10/04/2023	Regular	0.00	3,615.35	65719
<a href="#">EI01562473</a>	Invoice	10/04/2023	ACCOUNTING/AUDIT SERVICES - 08/2023	0.00	3,615.35	
000156	FORSHOCK	10/04/2023	Regular	0.00	243.00	65723
<a href="#">2300121</a>	Invoice	10/04/2023	MONTHLY SCADA MONITORING - 10/2023	0.00	38.00	
<a href="#">2300122</a>	Invoice	10/04/2023	MONTHLY SCADA MONITORING - 10/2023	0.00	205.00	
000156	FORSHOCK	10/18/2023	Regular	0.00	2,570.18	65774
<a href="#">2300120</a>	Invoice	10/18/2023	PUMPING PLANT MAINTENANCE	0.00	2,570.18	
013222	FRONTIER COMMUNICATIONS INC	10/18/2023	Regular	0.00	-221.56	65763
013222	FRONTIER COMMUNICATIONS INC	10/18/2023	Regular	0.00	221.56	65763
<a href="#">FC1023</a>	Invoice	10/18/2023	HDMC WWTP - TELEPHONE - 10/2023	0.00	221.56	
013222	FRONTIER COMMUNICATIONS INC	10/19/2023	Manual	0.00	221.56	902348
<a href="#">FC1023</a>	Invoice	10/18/2023	HDMC WWTP - TELEPHONE - 10/2023	0.00	221.56	
000058	GARDA CL WEST INC	10/18/2023	Regular	0.00	1,054.36	65764
<a href="#">10754021</a>	Invoice	10/18/2023	COURIER FEES - 10/2023	0.00	1,054.36	
013802	HASA INC	10/04/2023	Regular	0.00	897.14	65720
<a href="#">920415</a>	Invoice	10/04/2023	WATER TREATMENT EXPENSE	0.00	897.14	
014050	HI DESERT STAR THE DESERT TRAIL	10/18/2023	Regular	0.00	260.00	65765
<a href="#">52474</a>	Invoice	10/18/2023	ADVERTISING: WATER CONSERVATION MEDIA	0.00	260.00	
004195	HOME DEPOT CREDIT SERVICES	10/16/2023	Manual	0.00	2,105.46	902343
<a href="#">HD0923</a>	Invoice	10/16/2023	TILFORD PH2 INSTALL SUPP/SHOP EXP/D1-1 BOOSTER	0.00	2,105.46	
013797	INFOSEND INC	10/18/2023	Regular	0.00	3,608.33	65766
<a href="#">248115</a>	Invoice	10/18/2023	PRINT & MAIL WATER BILL - 09/2023	0.00	3,608.33	

Check Report

Date Range: 10/01/2023 - 10/31/2023

Vendor Number Payable #	Vendor DBA Name Payable Type	Post Date	Payment Date Payable Description	Payment Type	Discount Amount Discount Amount	Payment Amount Payable Amount	Number
013989 <a href="#">1029</a>	IRIDIUM SOLUTIONS Invoice	10/04/2023	10/04/2023 CONSULTING SERVICES - 09/2023	Regular	0.00 0.00	7,487.50 7,487.50	65728
013369 <a href="#">4218</a>	ISHRED INCORPORATED Invoice	10/18/2023	10/18/2023 ARCHIVE RECORD SHREDDING - 10/2023	Regular	0.00 0.00	70.00 70.00	65767
014055 <a href="#">155</a>	JOSHUA TREE VOICE Invoice	10/04/2023	10/04/2023 ADVERTISING: WATER CONSERVATION MEDIA	Regular	0.00 0.00	750.00 750.00	65721
009054 <a href="#">23-0924-1</a> <a href="#">23-1001-1</a>	KATHLEEN J RADNICH Invoice Invoice	10/04/2023 10/04/2023	10/04/2023 PUBLIC RELATIONS SERVICES PUBLIC RELATIONS SERVICES	Regular	0.00 0.00 0.00	1,417.50 745.50 672.00	65722
009054 <a href="#">23-1008-1</a> <a href="#">23-1015-1</a>	KATHLEEN J RADNICH Invoice Invoice	10/18/2023 10/18/2023	10/18/2023 PUBLIC RELATIONS SERVICES PUBLIC RELATIONS SERVICES	Regular	0.00 0.00 0.00	1,449.00 777.00 672.00	65768
006947 <a href="#">318-00023-0000</a>	KCDZ FM Invoice	10/18/2023	10/18/2023 ADVERTISING: WATER CONSERVATION MEDIA	Regular	0.00 0.00	335.00 335.00	65776
000134 <a href="#">166754</a>	KENNEDY JENKS CONSULTANTS INC Invoice	10/18/2023	10/18/2023 ANN'L WATER LOSS REPORT - CY 2022	Regular	0.00 0.00	3,304.32 3,304.32	65769
006507 <a href="#">15230437</a>	McMASTER CARR SUPPLY COMPANY Invoice	10/18/2023	10/18/2023 E2-1 RESERVOIR UPGRADE SUPPLIES	Regular	0.00 0.00	1,738.86 1,738.86	65773
014042 <a href="#">MSR101723</a>	MISSION SQUARE RETIREMENT Invoice	10/17/2023	10/17/2023 EE & ER 457 REMITTANCE - 10/13/23	Manual	0.00 0.00	3,611.00 3,611.00	902347
014042 <a href="#">MSR102723</a>	MISSION SQUARE RETIREMENT Invoice	10/27/2023	10/27/2023 EE & ER 457 REMITTANCE - 10/27/23	Manual	0.00 0.00	3,636.00 3,636.00	902350
006800 <a href="#">MWA092923</a>	MOJAVE WATER AGENCY Invoice	10/04/2023	10/04/2023 WATER RECHARGE PURCHASE	Regular	0.00 0.00	34,185.00 34,185.00	65724
006800 <a href="#">MWA093023</a>	MOJAVE WATER AGENCY Invoice	10/18/2023	10/18/2023 WATER RECHARGE PURCHASE	Regular	0.00 0.00	280,575.00 280,575.00	65775
006800 006800 <a href="#">MWA093023-1</a>	MOJAVE WATER AGENCY MOJAVE WATER AGENCY Invoice	10/18/2023	10/18/2023 10/18/2023 WATER RECHARGE PURCHASE	Regular Regular	0.00 0.00 0.00	-280,575.00 246,390.00 246,390.00	65775 65788
013990 <a href="#">202310</a>	MOMS DESERT VALLEY CLEANING Invoice	10/18/2023	10/18/2023 JANITORIAL SERVICES - 10/2023	Regular	0.00 0.00	1,500.00 1,500.00	65772
000233 <a href="#">449917</a> <a href="#">449985</a> <a href="#">450971</a>	NAPA AUTO PARTS Invoice Invoice Invoice	10/04/2023 10/04/2023 10/04/2023	10/04/2023 TRACTOR MAINT: E4544, E41, E71 & E200 TOOL / EQUIP REPAIR SHOP EXPENSE	Regular	0.00 0.00 0.00	702.99 293.30 382.63 27.06	65744
003930 <a href="#">202309-2909</a> <a href="#">202309-2937</a>	NBS Invoice Invoice	10/04/2023 10/04/2023	10/04/2023 CMM ADMIN FEES - 4TH QTR 23 STANDBY ADMIN FEES - 4TH QTR 23	Regular	0.00 0.00 0.00	7,350.54 1,983.94 5,366.60	65725
003930 <a href="#">202310-3312</a>	NBS Invoice	10/18/2023	10/18/2023 CMM ADMIN- ANNUAL REPORTING	Regular	0.00 0.00	1,295.00 1,295.00	65777
000070 <a href="#">1216361</a>	ONLINE INFORMATION SERVICES INC Invoice	10/18/2023	10/18/2023 ID VERIF. SERV. - 09/2023	Regular	0.00 0.00	204.27 204.27	65778
008137 <a href="#">2030230004</a>	PARKHOUSE TIRE INC Invoice	10/04/2023	10/04/2023 VEHICLE MAINTENANCE: V34	Regular	0.00 0.00	1,024.86 1,024.86	65726
008200 <a href="#">3106329094</a>	PITNEY BOWES INC Invoice	10/04/2023	10/04/2023 LEASING CHARGES - 3RD QTR 23	Manual	0.00 0.00	246.33 246.33	902334

Check Report

Date Range: 10/01/2023 - 10/31/2023

Vendor Number	Vendor DBA Name	Payment Date	Payment Type	Discount Amount	Payment Amount	Number
Payable #	Payable Type	Post Date	Payable Description	Discount Amount	Payable Amount	
008415	PRUDENTIAL OVERALL SUPPLY	10/04/2023	Regular	0.00	294.43	65727
<a href="#">23546852</a>	Invoice	10/04/2023	SHOP EXPENSE	0.00	206.55	
<a href="#">23546855</a>	Invoice	10/04/2023	SHOP EXPENSE	0.00	87.88	
008415	PRUDENTIAL OVERALL SUPPLY	10/18/2023	Regular	0.00	209.57	65779
<a href="#">23553058</a>	Invoice	10/18/2023	SHOP EXPENSE	0.00	136.76	
<a href="#">23553059</a>	Invoice	10/18/2023	SHOP EXPENSE	0.00	72.81	
013361	QUINN COMPANY	10/18/2023	Regular	0.00	1,764.82	65780
<a href="#">WOG00017751</a>	Invoice	10/18/2023	GENERATOR REPAIR: GR1	0.00	1,764.82	
014087	RAIDER PAINTING	10/18/2023	Regular	0.00	4,421.58	65785
<a href="#">23-10022</a>	Invoice	10/18/2023	E2-1 RESERVOIR UPGRADE SUPPLIES	0.00	4,421.58	
009065	RDO EQUIPMENT COMPANY	10/04/2023	Regular	0.00	1,673.31	65729
<a href="#">P9325345</a>	Invoice	10/04/2023	TRACTOR MAINTENANCE: E200	0.00	1,673.31	
009618	SAMS MARKET	10/04/2023	Regular	0.00	774.47	65730
<a href="#">SM093023</a>	Invoice	10/04/2023	SHOP EXPENSE 07/2023 - 09/2023	0.00	774.47	
000091	SAN BERNARDINO COUNTY RECORDER	10/04/2023	Regular	0.00	80.00	65731
<a href="#">SB092623</a>	Invoice	10/04/2023	RELEASE OF LIENS	0.00	80.00	
013831	SATMODO LLC	10/04/2023	Regular	0.00	164.26	65732
<a href="#">232774</a>	Invoice	10/04/2023	EMERGENCY SATELLITE PHONES - 10/2023	0.00	164.26	
013820	SC FUELS	10/18/2023	Regular	0.00	7,352.28	65783
<a href="#">2489208-IN</a>	Invoice	10/18/2023	FUEL FOR VEHICLES	0.00	7,352.28	
013011	SERGIO D FIERRO	10/18/2023	Regular	0.00	1,095.00	65784
<a href="#">JBWD-112</a>	Invoice	10/18/2023	CIMIS STATION MAINT: 07/2023 - 09/2023	0.00	1,095.00	
009880	SOUTHERN CALIFORNIA EDISON CO	10/16/2023	Manual	0.00	3,928.26	902345
<a href="#">SCE0923</a>	Invoice	10/16/2023	POWER TO BLDGS & GEN - 09/2023	0.00	3,928.26	
009878	SOUTHERN CALIFORNIA EDISON	10/04/2023	Manual	0.00	32,399.51	902342
<a href="#">SC0923-1</a>	Invoice	10/04/2023	POWER FOR PUMPING - 09/2023	0.00	32,399.51	
VEN01020	SOUTHWEST NETWORKS INC	10/04/2023	Regular	0.00	252.50	65733
<a href="#">23-9078SC</a>	Invoice	10/04/2023	MOBILE DEVICE MANAGEMENT FEE - 09/2023	0.00	15.00	
<a href="#">23-9081</a>	Invoice	10/04/2023	SUPPLEMENTAL IT (AMC) - 09/2023	0.00	237.50	
009920	STANDARD INSURANCE CO	10/04/2023	Regular	0.00	1,497.66	65734
<a href="#">ST1023</a>	Invoice	10/04/2023	EE LIFE INSURANCE - 10/2023	0.00	1,497.66	
013788	STURDIVAN EMERGENCY MANAGEMENT CONS	10/04/2023	Regular	0.00	6,071.43	65736
<a href="#">1343</a>	Invoice	10/04/2023	HAZARD MITIGATION PLAN - HASUS MAPPING	0.00	6,071.43	
010690	TYLER TECHNOLOGIES	10/18/2023	Regular	0.00	60.40	65786
<a href="#">025-441059</a>	Invoice	10/18/2023	CALL NOTIFICATION FEES: 07/2023 - 09/2023	0.00	60.40	
010850	UNDERGROUND SERVICE ALERT	10/04/2023	Regular	0.00	137.75	65737
<a href="#">920230346</a>	Invoice	10/04/2023	TICKET DELIVERY SERVICE - 09/2023	0.00	137.75	
014038	UNITED RENTALS NORTH AMERICA INC	10/04/2023	Regular	0.00	6,124.22	65738
<a href="#">223930151-002</a>	Invoice	10/04/2023	D1-1 BOOSTER STN UPGRADE - EQUIPMENT RENTAL	0.00	1,580.22	
<a href="#">224985747-002</a>	Invoice	10/04/2023	E2-1 RESERVOIR UPGRADE - EQUIPMENT RENTAL	0.00	4,544.00	
CC-ANNE	US BANK CORPORATE	10/04/2023	Manual	0.00	44.99	902339
<a href="#">US0923</a>	Invoice	10/04/2023	EE TRAINING/GOODNOTES ANN'L SUBSCRIPTION	0.00	44.99	
CC-DAN	US BANK CORPORATE	10/04/2023	Manual	0.00	7,976.67	902341
<a href="#">US0923</a>	Invoice	10/04/2023	SHOP SUPPLIES/TANK MAINT/SMALL TOOLS	0.00	7,976.67	
CC-DAVID	US BANK CORPORATE	10/04/2023	Manual	0.00	763.76	902340
<a href="#">US0923</a>	Invoice	10/04/2023	ADOBE/OFFICE MAINT/PUBLIC INFO/POSTAGE	0.00	763.76	

Check Report

Date Range: 10/01/2023 - 10/31/2023

Vendor Number Payable #	Vendor DBA Name Payable Type	Post Date	Payment Date Payable Description	Payment Type	Discount Amount Discount Amount	Payment Amount Payable Amount	Number
CC-SARAH <a href="#">US0923</a>	US BANK CORPORATE Invoice	10/04/2023	10/04/2023 DIRECTOR & EE TRAINING/SHOP EXPENSE/EE RECRUIT	Manual	0.00 0.00	2,238.25 2,238.25	902338
011101 <a href="#">119493</a>	VAGABOND WELDING SUPPLY Invoice	10/04/2023	10/04/2023 CONCRETE MIXER SUPPLIES	Regular	0.00 0.00	70.34 70.34	65735
011114 <a href="#">19099</a>	VAN DYKE CORP Invoice	10/04/2023	10/04/2023 E2-1 RESERVOIR UPGRADE SUPPLIES	Regular	0.00 0.00	700.00 700.00	65739
014056 <a href="#">24AR1158423</a>	VISUAL EDGE IT INC Invoice	10/04/2023	10/04/2023 OFFICE EXPENSE 8/30/23 - 9/29/23	Regular	0.00 0.00	164.09 164.09	65740
000327 <a href="#">9072</a>	WATER QUALITY SPECIALISTS Invoice	10/04/2023	10/04/2023 HDMC WWTP: OPERATION & MAINT - 09/2023	Regular	0.00 0.00	4,071.95 4,071.95	65741
013926 <a href="#">2023-30</a>	WATERWISEPRO TRAINING LLC Invoice	10/18/2023	10/18/2023 EMPLOYEE TRAINING	Regular	0.00 0.00	4,050.00 4,050.00	65781
013997 <a href="#">W15255</a>	WCT PRODUCTS INC Invoice	10/04/2023	10/04/2023 2 VALVE CAN LOCATORS & 1 PIPE LOCATOR	Regular	0.00 0.00	6,144.13 6,144.13	65743
011510 <a href="#">09715</a>	WELLS TAPPING SERVICE INC Invoice	10/04/2023	10/04/2023 HOT TAP: TILFORD PH2 INSTALL	Regular	0.00 0.00	525.00 525.00	65742
011615 <a href="#">52393045</a>	WESTERN EXTERMINATOR CO Invoice	10/18/2023	10/18/2023 PEST CONTROL SERVICES - SHOP	Regular	0.00 0.00	46.50 46.50	65787
013359 <a href="#">4876298</a>	XEROX FINANCIAL SERVICES Invoice	10/16/2023	10/16/2023 OFFICE EXPENSE 9/30/23 - 10/29/23	Manual	0.00 0.00	397.60 397.60	902344

Bank Code AP Summary

Payment Type	Payable Count	Payment Count	Discount	Payment
Regular Checks	94	67	0.00	808,903.14
Manual Checks	19	17	0.00	92,103.29
Voided Checks	0	2	0.00	-280,796.56
Bank Drafts	0	0	0.00	0.00
EFT's	0	0	0.00	0.00
	<b>113</b>	<b>86</b>	<b>0.00</b>	<b>620,209.87</b>

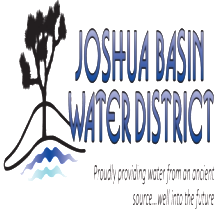


### All Bank Codes Check Summary

Payment Type	Payable Count	Payment Count	Discount	Payment
Regular Checks	94	67	0.00	808,903.14
Manual Checks	19	17	0.00	92,103.29
Voided Checks	0	2	0.00	-280,796.56
Bank Drafts	0	0	0.00	0.00
EFT's	0	0	0.00	0.00
	<b>113</b>	<b>86</b>	<b>0.00</b>	<b>620,209.87</b>

### Fund Summary

Fund	Name	Period	Amount
01	GENERAL FUND	10/2023	620,209.87
			<b>620,209.87</b>



Joshua Basin Water District

# Check Report

By Vendor DBA Name

Date Range: 10/01/2023 - 10/31/2023

Vendor Number	Vendor DBA Name	Payment Date	Payment Type	Discount Amount	Payment Amount	Number
Payable #	Payable Type	Post Date	Payable Description	Discount Amount	Payable Amount	
<b>Bank Code: PR-Payroll Account</b>						
013940	PAYLOCITY	10/20/2023	10/20/2023 Manual	0.00	34.25	950053
<a href="#">INV1641969</a>	Invoice	10/20/2023	HR ONLINE - 10/2023	0.00	34.25	
013940	PAYLOCITY	10/20/2023	10/20/2023 Manual	0.00	1,566.64	950054
<a href="#">INV1655230</a>	Invoice	10/20/2023	PAYROLL PROCESSING FEE - 10/2023	0.00	1,566.64	

**Bank Code PR Summary**

Payment Type	Payable Count	Payment Count	Discount	Payment
Regular Checks	0	0	0.00	0.00
Manual Checks	2	2	0.00	1,600.89
Voided Checks	0	0	0.00	0.00
Bank Drafts	0	0	0.00	0.00
EFT's	0	0	0.00	0.00
	<b>2</b>	<b>2</b>	<b>0.00</b>	<b>1,600.89</b>

### All Bank Codes Check Summary

Payment Type	Payable Count	Payment Count	Discount	Payment
Regular Checks	0	0	0.00	0.00
Manual Checks	2	2	0.00	1,600.89
Voided Checks	0	0	0.00	0.00
Bank Drafts	0	0	0.00	0.00
EFT's	0	0	0.00	0.00
	<b>2</b>	<b>2</b>	<b>0.00</b>	<b>1,600.89</b>

### Fund Summary

Fund	Name	Period	Amount
01	GENERAL FUND	10/2023	1,600.89
			<b>1,600.89</b>

**JOSHUA BASIN WATER DISTRICT  
UTILITY REFUND REGISTER**

<u>Account Number</u>	<u>Name</u>	<u>Date</u>	<u>Type</u>	<u>Amount</u>	
08-00065-005	MILLENNIAL INVESTMENTS LLC	10/4/2023	Refund	177.10	Check #: 65707
10-00135-009	LLC, JT DESERT HOLDINGS	10/4/2023	Refund	82.00	Check #: 65708
13-00265-018	ASHER, SCOTT M	10/4/2023	Refund	225.75	Check #: 65709
64-99299-000	VOGT, STEVEN	10/4/2023	Refund	2,927.37	Check #: 65710
13-00361-009	GARCIA, JESSICA L	10/4/2023	Refund	261.35	Check #: 65711
62-00110-023	TRUONG, VAN	10/4/2023	Refund	155.66	Check #: 65712
04-00092-012	A.I.M. RENTAL PROPERTIES	10/18/2023	Refund	305.77	Check #: 65745
12-00073-011	BRECKENRIDGE PROPERTY FUND 2016	10/18/2023	Refund	175.46	Check #: 65746
13-00187-004	SANCHEZ, CHRISTIAN	10/18/2023	Refund	724.18	Check #: 65747
64-99297-000	O'LEARY, KEN	10/18/2023	Refund	2,669.60	Check #: 65748
08-00043-015	ALDRICH, JAMES P	10/18/2023	Refund	78.91	Check #: 65749
09-00064-014	VINCENT, DANIELLE	10/18/2023	Refund	226.75	Check #: 65750
10-00135-009	LLC, JT DESERT HOLDINGS	10/18/2023	Refund	107.30	Check #: 65751
51-00067-010	GALLAGHER, ALISHA	10/18/2023	Refund	57.50	Check #: 65752
56-00013-011	LABIB, BISHOY	10/18/2023	Refund	192.91	Check #: 65753
				<b>8,367.61</b>	

## Director Pay Report

09/23/2023 - 10/20/2023

Employee Number	Employee Name	Date	Adjustment Type	Additions	Reimbursements
511	FLOEN, TOM	10/04/2023	Board Meeting - Special JBWD - Paid	\$173.63	
		10/11/2023	Committee Meeting - Finance - Paid	\$173.63	
		10/18/2023	Board Meeting - JBWD - Paid	\$173.63	
		Totals:		\$520.89	\$0.00
		Employee Total:		\$520.89	
512	JARLSBERG, JANE	09/23/2023	DIRECTOR TRAINING - MEAL REIMBURSEMENT		\$40.00 ASBCSD Dinner Reimbursement on September 18th
		10/04/2023	Board Meeting - Special JBWD - Paid	\$173.63	
		09/23/2023	Training - Unpaid	\$0.00	CSDA Webinar on 9/21/23. Jane Jarlsberg elected to not be compensated for her attendance.
		10/18/2023	Board Meeting - JBWD - Paid	\$173.63	
		Totals:		\$347.26	\$40.00
Employee Total:		\$347.26			
513	DOOLITTLE, STACY	09/27/2023	DIRECTOR TRAINING - MISC REIMBURSEMENT		\$50.00 Registration reimbursement for SB County State of the County Event
		09/27/2023	Other - Paid	\$173.63	San Bernardino County State of the County Event
		09/28/2023	MWA Board Meeting – Paid	\$173.63	
		10/04/2023	Board Meeting - Special JBWD - Paid	\$173.63	
		10/11/2023	Other - Paid	\$173.63	MWA Tour in Apple Valley
		10/18/2023	Board Meeting - JBWD - Paid	\$173.63	
		Totals:		\$868.15	\$50.00
Employee Total:		\$918.15			
515	SHORT, THOMAS	10/04/2023	Board Meeting - Special JBWD - Paid	\$173.63	
		10/18/2023	Board Meeting - JBWD - Paid	\$173.63	
		Totals:		\$347.26	\$0.00
Employee Total:		\$347.26			
516	FICK, DAVID	10/04/2023	Board Meeting - Special JBWD - Paid	\$173.63	
		10/11/2023	Committee Meeting - Finance - Paid	\$173.63	
		10/18/2023	Board Meeting - JBWD - Paid	\$173.63	
		Totals:		\$520.89	\$0.00
Employee Total:		\$520.89			
Grand Totals:		\$2,604.45	\$90.00		
Grand Total:		\$2,694.45			



## Finance Committee Staff Report

MEETING DATE: 12/13/2023  
PRESENTED BY: Anne Roman, Director of Finance  
TOPIC: **2022/2023 AUDITED FINANCIAL STATEMENTS**  
RECOMMENDATION: Receive report, ask questions, and refer to Board for approval.

---

### ANALYSIS:

Today we are pleased to present the 2022/2023 Audited Financial Statement report from Jonathan Abadesco, CPA and partner at CJ Brown & Company, CPA's. 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.

This year, we're back on our normal track with no new audit findings and a [still] unmodified opinion issued by the Auditor. This means that the Auditor has confidence that the statements "present fairly, in all material respects, the respective financial position of the Joshua Basin Water District..." (Audit, Independent Auditor's Report, original page 1).

Below are some highlights from the attached **Financial Statements (Audit)**:

- **Net position *increased*** by 6.17% or \$2,710,540 to \$46,642,651, for a variety of reasons, including additions to capital assets, and increased property taxes and interest earnings. Also, delayed expenditures due to supply chain issues and staff bandwidth were a factor.
  - "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, original page 5) **In our case, net position is increasing/improving.**
- **Total Revenues *decreased*** by 4.19% or \$415,372 to \$9,509,495, mainly due to decreased consumption offset by scheduled rate increases. Water consumption sales dropped \$163,670 from \$3,859,322 in 2022 to \$3,695,652 in 2023.
- **Total Expenses *increased*** by 4.90% or \$362,576 to \$7,768,931 due to increases in pumping, production, and treatment costs, much related to bringing Well 14 back online. This tracks very close to the consumer price index (CPI).
- New reporting for Subscription-based IT arrangements (Geoviewer and Incode), including restatement of 2022, appears on the statements in accordance with GASB96. This is similar to last year's new reporting of leases (Xerox machines) in accordance with GASB87. These are rather complex new requirements to properly report a few "simple" transactions.

**The Schedule of Findings and Responses is a carryover and relates to *prior year activity* included in these comparative Audited Financial Statements.**

Also attached is the **Management Report**, which would contain any recommendations (findings) made by the Auditor to the Board. No new recommendations were made for 2022/23. Routine disclosure of adjusting entries made after the District has finalized its books at year end are included. Out of thousands of annual transactions, only three entries were made to adjust reporting errors. One additional entry, related to complex GASB68 Pension liability calculations, was made by the Auditors at the request of the District.

The annual audit, a nine-to-ten-month long task, is the single largest undertaking for the Finance Department each year. The audit typically kicks off in the Spring with a multi-day site visit to review transactions and records and continues in the Fall with another multi-day site visit. Each year's requirements seem to become more complex, as we keep up with new GASB changes. Our Finance Staff prepares year-round but devotes substantial overtime during each summer "audit season." Thank you to our devoted Finance team, again, for their outstanding work on this project! Thank you to all District staff for their cooperation and input and to our amazing Auditors for their tireless support!

**STRATEGIC PLAN ITEM:** 2.5 Conduct the Annual Audit

**FISCAL IMPACT:** None anticipated.



**Joshua Basin Water District**

**Annual Financial Report**

**Fiscal Years Ended June 30, 2023 and 2022**







# 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, 2023**

<b>Name</b>	<b>Title</b>	<b>Elected/ Appointed</b>	<b>Current Term</b>
Tom Floen	President	Elected	12/20-12/24
Stacy Doolittle	Vice President	Elected	12/20-12/24
Jane Jarlsberg	Director	Elected	12/20-12/24
Tyler "Thomas" Short	Director	Elected	12/22-12/26
David Fick	Director	Appointed	4/23-12/24

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

**Joshua Basin Water District**

**Annual Financial Report**

**Fiscal Years Ended**

**June 30, 2023 and 2022**

**Joshua Basin Water District  
Annual Financial Report  
For the Fiscal Years Ended June 30, 2023 and 2022**

**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
Schedule of Findings and Questioned Costs	45-49

**Financial Section**

DRAFT

DRAFT

## Independent Auditor's Report

Board of Directors  
Joshua Basin Water District  
Joshua Tree, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the Joshua Basin Water District (District), which comprises the statements of net position as of June 30, 2023 and 2022, 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, 2023 and 2022, 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***

#### *Implementation of GASB Statement No. 96*

As discussed in Note 15 to the financial statements, the District has adopted the provisions of GASB Statement No. 96 – Subscription-Based Information Technology Arrangements. As a result, the 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.

#### *Waste, Abuse, and Misappropriation of Assets*

As discussed in Note 12 to the financial statements, unusual transactions were investigated and determined that assets were misappropriated for the year ended June 30, 2022 and 2021. 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 December 20, 2023, 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  
December 20, 2023



**Joshua Basin Water District**  
*Management's Discussion and Analysis*  
**For the Fiscal Years Ended June 30, 2023 and 2022**

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, 2023 and 2022. 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 2023, the District's net position increased 6.17% or \$2,710,540 to \$46,642,651 as a result of ongoing operations. In 2022, the District's net position increased 9.57% or \$3,837,633 to \$43,932,111 as a result of ongoing operations.
- Total revenues decreased 4.19% or \$415,372 to \$9,509,495. In 2022, the District's total revenues increased 14.58% or \$1,263,191 to 9,924,867.
- Operating revenues increased 0.20% or \$16,658 to \$8,289,087. In 2022, the District's operating revenues increased 8.55% or \$651,415 to \$8,272,429.
- Non-operating revenues decreased 26.15% or \$432,030 to \$1,220,408. In 2022, the District's non-operating revenues increased 58.79% or \$611,776 to \$1,652,438.
- Total expenses increased 4.90% or \$362,576 to \$7,768,931. In 2022, the District's total expenses increased 4.33% or \$307,179 to \$7,406,355.
- Operating expenses increased 5.64% or \$302,115 to \$5,656,228. In 2022, the District's operating expenses increased 8.05% or \$398,891 to \$5,354,113.
- Non-operating expenses decreased 0.49% or \$2,636 to \$531,724. In 2022, the District's non-operating expenses decreased 10.93% or \$65,568 to \$534,360.
- Capital contributions decreased 25.11% or \$325,259 to \$969,976. In 2022, the District's capital contributions increased 57.86% or \$474,720 to \$1,295,235.

**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, 2023 and 2022**

**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>2023</u>	<u>As restated 2022</u>	<u>Change</u>	<u>As restated 2021</u>	<u>Change</u>
<b>Assets:</b>					
Current assets	\$ 20,217,172	18,054,705	2,162,467	15,755,078	2,299,627
Non-current assets	298,442	373,052	(74,610)	447,663	(74,611)
Capital assets, net	<u>32,165,886</u>	<u>31,536,315</u>	<u>629,571</u>	<u>30,625,293</u>	<u>911,022</u>
<b>Total assets</b>	<u>52,681,500</u>	<u>49,964,072</u>	<u>2,717,428</u>	<u>46,828,034</u>	<u>3,136,038</u>
<b>Deferred outflows of resources</b>	<u>729,726</u>	<u>463,928</u>	<u>265,798</u>	<u>459,615</u>	<u>4,313</u>
<b>Liabilities:</b>					
Current liabilities	1,555,746	1,454,510	101,236	1,321,656	132,854
Non-current liabilities	<u>5,212,829</u>	<u>4,970,220</u>	<u>242,609</u>	<u>5,866,719</u>	<u>(896,499)</u>
<b>Total liabilities</b>	<u>6,768,575</u>	<u>6,424,730</u>	<u>343,845</u>	<u>7,188,375</u>	<u>(763,645)</u>
<b>Deferred inflows of resources</b>	<u>-</u>	<u>71,159</u>	<u>(71,159)</u>	<u>4,796</u>	<u>66,363</u>
<b>Net position:</b>					
Net investment in capital assets	27,587,286	26,419,985	1,167,301	25,273,455	1,146,530
Restricted	4,541,505	4,445,785	95,720	4,195,808	249,977
Unrestricted	<u>14,513,860</u>	<u>13,066,341</u>	<u>1,447,519</u>	<u>10,625,215</u>	<u>2,441,126</u>
<b>Total net position</b>	<u>\$ 46,642,651</u>	<u>43,932,111</u>	<u>2,710,540</u>	<u>40,094,478</u>	<u>3,837,633</u>

**Joshua Basin Water District**  
**Management's Discussion and Analysis, continued**  
**For the Fiscal Years Ended June 30, 2023 and 2022**

**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 \$46,642,651 and \$43,932,111, as of June 30, 2023 and 2022, respectively.

Compared to prior year, net position of the District increased 6.17% or \$2,710,540. 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 (59.15% and 60.14% as of June 30, 2023 and 2022, 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 2023 and 2022, the District showed a positive balance in its unrestricted net position of \$14,513,860 and \$13,066,341, respectively, which may be utilized in future years. See note 12 for further information.

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

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

	<u>2023</u>	<u>As restated 2022</u>	<u>Change</u>	<u>As restated 2021</u>	<u>Change</u>
<b>Revenue:</b>					
Operating revenue	\$ 8,289,087	8,272,429	16,658	7,621,014	651,415
Non-operating revenue	1,220,408	1,652,438	(432,030)	1,040,662	611,776
<b>Total revenue</b>	<u>9,509,495</u>	<u>9,924,867</u>	<u>(415,372)</u>	<u>8,661,676</u>	<u>1,263,191</u>
<b>Expense:</b>					
Operating expense	5,656,228	5,354,113	302,115	4,955,222	398,891
Depreciation and amortization	1,580,979	1,517,882	63,097	1,544,026	(26,144)
Non-operating expense	531,724	534,360	(2,636)	599,928	(65,568)
<b>Total expense</b>	<u>7,768,931</u>	<u>7,406,355</u>	<u>362,576</u>	<u>7,099,176</u>	<u>307,179</u>
<b>Net income before capital contributions</b>	1,740,564	2,518,512	(777,948)	1,562,500	956,012
<b>Capital contributions</b>	969,976	1,295,235	(325,259)	820,515	474,720
Change in net position	2,710,540	3,813,747	(1,103,207)	2,383,015	1,430,732
<b>Net position, beginning of year as previously stated (note 15)</b>	43,932,111	40,094,478	3,837,633	37,711,463	2,383,015
<b>Prior period adjustment</b>	-	23,886		-	
<b>Net position, beginning of year as restated (note 15)</b>	<u>43,932,111</u>	<u>40,118,364</u>	<u>3,837,633</u>	<u>37,711,463</u>	<u>2,383,015</u>
<b>Net position, end of year</b>	<u>\$ 46,642,651</u>	<u>43,932,111</u>	<u>2,734,426</u>	<u>40,094,478</u>	<u>3,813,747</u>

**Joshua Basin Water District**  
***Management's Discussion and Analysis, continued***  
**For the Fiscal Years Ended June 30, 2023 and 2022**

**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 6.17% or \$2,710,540 to \$46,642,651, due to the change in net position of \$1,740,564 from ongoing operations and \$969,976 in capital contributions for the fiscal year ended June 30, 2023. For the fiscal year ended June 30, 2022, the District's net position increased 9.57% or \$3,837,633 to \$43,932,111, due to the change in net position of \$2,518,512 from ongoing operations and \$1,295,235 in capital contributions.

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

The District's total revenues (before capital contributions) decreased 4.19% or \$415,372 to \$9,509,495. In 2022, the District's total revenues (before capital contributions) increased 14.58% or \$1,263,191 to 9,924,867.

In 2023, the District's operating revenues increased 0.20% or \$16,658 to \$8,289,087, due primarily to an increase of \$228,522 in water service charges; which was offset by decreases of \$163,670 in water consumption sales, and \$34,878 in standby service charges, and \$13,316 in other charges for services as compared to the prior year. In 2022, the District's operating revenues increased 8.55% or \$651,415 to \$8,272,429, due primarily to increases of \$293,297 in water consumption sales, \$282,012 in water service charges, \$42,636 in standby service charges, and \$33,470 in other charges for services as compared to the prior year.

In 2023, the District's non-operating revenues decreased 26.15% or \$432,030 to \$1,220,408, due primarily to a decrease of \$1,019,219 in non-operating revenues (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 increases of \$464,014 in investment returns, and \$158,629 in property taxes as compared to the prior year. In 2022, the District's non-operating revenues increased 58.79% or \$611,776 to \$1,652,438, due primarily to an increase of \$806,478 in non-operating revenues (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, 2021 measurement date) and \$81,127 in property taxes; which was offset by a decrease of \$155,272 in HDMC operations revenue as compared to the prior year.

The District's total expenses increased 4.90% or \$362,576 to \$7,768,931. In 2022, the District's total expenses increased 4.33% or \$307,179 to \$7,406,355.

In 2023, the District's operating expenses increased 5.64% or \$302,115 to \$5,656,228 due to an increase of \$289,062 in pumping, production, and treatment as compared to the prior year. In 2022, the District's operating expenses increased 8.05% or \$398,891 to \$5,354,113 due to increases of \$303,571 in general and administrative expenses and \$80,397 in customer service costs as compared to the prior year.

In 2023, the District's non-operating expenses decreased 0.49% or \$2,636 to \$531,724 as compared to the prior year. In 2022, the District's non-operating expenses decreased 10.93% or \$65,568 to \$534,360, due primarily to a decrease of \$137,663 in HDMC project – District expense; which was offset by an increase of \$70,663 in waste and abuse as compared to the prior year.

In 2023, the District's capital contributions decreased 25.11% or \$325,259 to \$969,976, due primarily to an increase of \$314,944 in state capital grant as compared to the prior year. In 2022, the District's capital contributions increased 57.86% or \$474,720 to \$1,295,235, due primarily to increases of \$255,280 in state capital grant, \$172,642 in water capacity charges, and \$44,216 in wastewater capacity charges as compared to the prior year.

**Joshua Basin Water District**  
**Management's Discussion and Analysis, continued**  
**For the Fiscal Years Ended June 30, 2023 and 2022**

**Capital Asset Administration**

Changes in capital assets for 2023, were as follows:

	<b>As restated Balance 2022</b>	<b>Additions</b>	<b>Transfers/ Deletions</b>	<b>Balance 2023</b>
Capital assets:				
Non-depreciable assets	\$ 3,063,095	2,468,877	(3,820,393)	1,711,579
Depreciable assets	60,909,089	3,877,389	(2,653,787)	62,132,691
Accumulated depreciation	<u>(32,435,869)</u>	<u>(1,580,979)</u>	<u>2,338,464</u>	<u>(31,678,384)</u>
Total capital assets, net	<u>\$ 31,536,315</u>	<u>4,765,287</u>	<u>(4,135,716)</u>	<u>32,165,886</u>

Changes in capital assets for 2022, were as follows:

	<b>As restated Balance 2021</b>	<b>Additions</b>	<b>Transfers/ Deletions</b>	<b>As restated Balance 2022</b>
Capital assets:				
Non-depreciable assets	\$ 1,608,529	2,361,647	(907,081)	3,063,095
Depreciable assets	60,014,671	978,757	(84,339)	60,909,089
Accumulated depreciation	<u>(30,997,907)</u>	<u>(1,517,882)</u>	<u>79,920</u>	<u>(32,435,869)</u>
Total capital assets, net	<u>\$ 30,625,293</u>	<u>1,822,522</u>	<u>(911,500)</u>	<u>31,536,315</u>

At the end of fiscal year 2023 and 2022, the District's capital assets amounted to \$32,165,886 and \$31,536,315 (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 2023, were as follows:

	<b>As restated Balance 2022</b>	<b>Additions</b>	<b>Payments</b>	<b>Balance 2023</b>
Long-term debt:				
Bonds payable	\$ 2,495,000	-	(507,000)	1,988,000
Notes payable	2,536,200	-	(170,247)	2,365,953
Leases payable	17,544	-	(5,869)	11,675
Subscription payable	<u>67,586</u>	<u>272,060</u>	<u>(126,674)</u>	<u>212,972</u>
Total long-term debt	<u>\$ 5,116,330</u>	<u>272,060</u>	<u>(809,790)</u>	<u>4,578,600</u>



**Joshua Basin Water District**  
**Management's Discussion and Analysis, continued**  
**For the Fiscal Years Ended June 30, 2023 and 2022**

**Debt Administration, continued**

Changes in long-term debt for 2022, were as follows:

	<b>As restated Balance 2021</b>	<b>Additions</b>	<b>Payments</b>	<b>As restated Balance 2022</b>
Long-term debt:				
Bonds payable	\$ 2,622,000	-	(127,000)	2,495,000
Notes payable	2,705,988	-	(169,788)	2,536,200
Leases payable	23,850	-	(6,306)	17,544
Subscription payable	-	102,907	(35,321)	67,586
Total long-term debt	<u>\$ 5,351,838</u>	<u>102,907</u>	<u>(338,415)</u>	<u>5,116,330</u>

In 2023 and 2022, long-term debt primarily decreased due to regular scheduled debt payments of \$809,790 and \$338,415, respectively.

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, 2023 and 2022**

	<b>2023</b>	<b>As restated 2022</b>
<b>Current assets:</b>		
Cash and cash equivalents (note 2)	\$ 13,228,459	11,706,220
Cash and cash equivalents - restricted (note 2)	4,169,841	4,000,405
Accrued interest receivable	133,981	28,165
Accrued interest receivable - restricted (note 5)	6,825	1,406
Accounts receivable - water sales and services, net (note 3)	1,756,232	1,641,452
Property taxes receivable	10,702	8,063
Special assessments receivable – restricted	66,397	70,922
Grants receivable (note 4)	5,874	5,874
Accounts receivable - other	244,894	52,115
Materials and supplies inventory	359,626	324,185
Prepaid expenses and other deposits	234,341	215,898
<b>Total current assets</b>	<b>20,217,172</b>	<b>18,054,705</b>
<b>Non-current assets:</b>		
Note receivable - restricted (note 5)	298,442	373,052
Capital assets - not being depreciated (note 6)	1,711,579	3,063,095
Capital assets, net - being depreciated (note 6)	30,454,307	28,473,220
<b>Total non-current assets</b>	<b>32,464,328</b>	<b>31,909,367</b>
<b>Total assets</b>	<b>52,681,500</b>	<b>49,964,072</b>
<b>Deferred outflows of resources:</b>		
Deferred pension outflows (note 10)	729,726	463,928
<b>Total deferred outflows of resources</b>	<b>\$ 729,726</b>	<b>463,928</b>

*Continued on next page*

See accompanying notes to the basic financial statements



**Joshua Basin Water District**  
**Statements of Net Position, continued**  
**June 30, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 412,446	207,403
Accrued wages and related payables	125,943	90,904
Customer deposits and unearned revenue	443,997	662,139
Accrued interest payable	100,648	114,726
Long-term liabilities - due within one year:		
Compensated absences (note 7)	50,824	37,928
Bonds payable (note 9)	116,000	132,000
Notes payable (note 9)	176,802	170,247
Leases payable	4,134	5,869
Subscription payable (note 9)	124,952	33,294
<b>Total current liabilities</b>	<b>1,555,746</b>	<b>1,454,510</b>
<b>Non-current liabilities:</b>		
Long-term liabilities – due in more than one year:		
Compensated absences (note 7)	152,471	113,783
Bonds payable (note 9)	1,872,000	2,363,000
Notes payable (note 9)	2,189,151	2,365,953
Leases payable (note 9)	7,541	11,675
Subscription payable (note 9)	88,020	34,292
Net pension liability (note 10)	903,646	81,517
<b>Total non-current liabilities</b>	<b>5,212,829</b>	<b>4,970,220</b>
<b>Total liabilities</b>	<b>6,768,575</b>	<b>6,424,730</b>
<b>Deferred inflows of resources:</b>		
Deferred pension inflows (note 10)	-	71,159
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>71,159</b>
<b>Net position: (note 12)</b>		
Net investment in capital assets	27,587,286	26,419,985
Restricted	4,541,505	4,445,785
Unrestricted	14,513,860	13,066,341
<b>Total net position</b>	<b>\$ 46,642,651</b>	<b>43,932,111</b>

**Joshua Basin Water District**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**For the Fiscal Years Ended June 30, 2023 and 2022**

	<u>2023</u>	<u>As restated 2022</u>
<b>Operating revenues:</b>		
Water consumption sales	\$ 3,695,652	3,859,322
Water service charges	3,022,817	2,794,295
Standby service charges	1,225,028	1,259,906
Other charges for services	<u>345,590</u>	<u>358,906</u>
<b>Total operating revenues</b>	<u>8,289,087</u>	<u>8,272,429</u>
<b>Operating expenses:</b>		
Pumping, production, and treatment	1,876,313	1,587,251
Transmission and distribution	964,367	852,955
Customer service	535,757	807,781
General and administrative	<u>2,279,791</u>	<u>2,106,126</u>
<b>Total operating expenses</b>	<u>5,656,228</u>	<u>5,354,113</u>
Operating income before depreciation and amortization expense	2,632,859	2,918,316
Depreciation and amortization expense	<u>(1,580,979)</u>	<u>(1,517,882)</u>
<b>Operating income</b>	<u>1,051,880</u>	<u>1,400,434</u>
<b>Non-operating revenue (expense):</b>		
Property taxes	817,954	659,325
Special assessments for debt service	271,183	283,780
Investment returns	320,971	(143,043)
Interest expense	(186,368)	(206,938)
Debt administration charges	(38,275)	(29,509)
Property tax administration charge	(5,861)	(1,659)
HDMC operations revenue (note 5)	170,244	193,101
HDMC project – District expense (note 5)	(137,395)	(153,070)
Waste and abuse (note 13)	-	(138,765)
Loss on disposition of assets	(163,825)	(4,419)
Other non-operating revenues (expenses), net	<u>(359,944)</u>	<u>659,275</u>
<b>Total non-operating revenue, net</b>	<u>688,684</u>	<u>1,118,078</u>
<b>Net income before capital contributions</b>	<u>1,740,564</u>	<u>2,518,512</u>
<b>Capital contributions:</b>		
Water capacity charges	646,120	667,035
Wastewater capacity charges	308,856	306,256
State capital grant	-	314,944
Local capital grant - Mojave Water Agency	<u>15,000</u>	<u>7,000</u>
<b>Total capital contributions</b>	<u>969,976</u>	<u>1,295,235</u>
<b>Change in net position</b>	2,710,540	3,813,747
<b>Net position, beginning of year, as restated (note 11)</b>	<u>43,932,111</u>	<u>40,118,364</u>
<b>Net position, end of year</b>	<u>\$ 46,642,651</u>	<u>43,932,111</u>

See accompanying notes to the basic financial statements

**Joshua Basin Water District**  
**Statements of Cash Flows**  
**For the Fiscal Years Ended June 30, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>Cash flows from operating activities:</b>		
Cash receipts from customers for water sales and services	\$ 7,763,386	8,505,612
Cash paid to employees for salaries and wages	(1,707,996)	(2,660,772)
Cash paid to vendors and suppliers for materials and services	(3,225,278)	(2,988,092)
<b>Net cash provided by operating activities</b>	<b>2,830,112</b>	<b>2,856,748</b>
<b>Cash flows from non-capital financing activities:</b>		
Property taxes	771,179	458,348
Waste and abuse	-	(138,765)
Other non-operating expenses, net	(359,944)	659,275
<b>Net cash provided by non-capital financing activities</b>	<b>411,235</b>	<b>978,858</b>
<b>Cash flows from capital and related financing activities:</b>		
Acquisition and construction of capital assets	(2,233,931)	(2,428,904)
Loss on disposition of assets	(163,825)	(4,419)
HDMC project expense	32,849	40,031
Capital contributions	969,976	980,291
Payments received for note receivable	74,610	74,611
Proceeds from capital grants	-	342,157
Special assessments for debt service	275,708	281,396
Principal paid on long-term debt	(514,349)	(235,508)
Interest paid on long-term debt	(200,446)	(213,840)
<b>Net cash used in capital and related financing activities</b>	<b>(1,759,408)</b>	<b>(1,164,185)</b>
<b>Cash flows from investing activities:</b>		
Investment returns	209,736	(160,010)
<b>Net cash provided by (used in) investing activities</b>	<b>209,736</b>	<b>(160,010)</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,691,675</b>	<b>2,511,411</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>15,706,625</b>	<b>13,195,214</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 17,398,300</b>	<b>15,706,625</b>
<b>Reconciliation of cash and cash equivalents to the statements of net position:</b>		
Cash and cash equivalents	\$ 13,228,459	11,706,220
Cash and cash equivalents - restricted	4,169,841	4,000,405
<b>Total cash and cash equivalents</b>	<b>\$ 17,398,300</b>	<b>15,706,625</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, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
<b>Operating income</b>	\$ <u>1,051,880</u>	<u>1,400,434</u>
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>		
Depreciation	1,580,979	1,517,882
<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	(114,780)	(75,382)
Accounts receivable – other	(192,779)	75,440
Materials and supplies inventory	(35,441)	307,270
Prepaid expenses and other deposits	(18,443)	(103,194)
(Increase) decrease in deferred outflows of resources:		
Deferred pension outflows	(265,798)	(4,313)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	205,043	55,819
Accrued wages and related payables	35,039	8,761
Customer deposits and unearned revenue	(218,142)	233,125
Compensated absences	51,584	(34,538)
Net pension liability	822,129	(590,919)
Increase (decrease) in deferred inflows of resources:		
Deferred pension inflows	<u>(71,159)</u>	<u>66,363</u>
<b>Total adjustments</b>	<u>1,778,232</u>	<u>1,456,314</u>
<b>Net cash provided by operating activities</b>	<u>\$ 2,830,112</u>	<u>2,856,748</u>
<b>Non-cash investing, capital, and financing transactions:</b>		
Changes in fair value of funds deposited with LAIF	<u>\$ (265,028)</u>	<u>(198,844)</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, 2023 and 2022**

**(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, 2023 and 2022**

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

**C. Financial Reporting, continued**

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

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

In March 2020, the GASB issued Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

In May 2020, the GASB issued Statement No. 96 – *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

**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.



**Joshua Basin Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2023 and 2022**

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

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

**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.

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

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

**3. 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.

**4. 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

**5. 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, 2023 and 2022**

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

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

**6. 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.

**7. 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.

**8. Capital Assets, continued**

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

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

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.

**9. Deferred Outflows of Resources**

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

**10. 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.

**11. Lease Payable**

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

**12. 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, 2023 and 2022**

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

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

**13. Pensions**

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

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

- Valuation dates: June 30, 2021 and 2020
- Measurement dates: June 30, 2022 and 2021
- Measurement periods: July 1, 2020 to June 30, 2021 and July 1, 2021 to June 30, 2022

**14. Deferred Inflows of Resources**

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

**15. Water Sales and Services**

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

**16. Capital Contributions**

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

**17. 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.

**18. 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, 2023 and 2022**

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

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

**19. Reclassification**

The District has reclassified certain prior year information to conform to current year presentation.

**(2) Cash and Cash Equivalents**

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

	<b>2023</b>	<b>2022</b>
Cash and cash equivalents	\$ 13,228,459	11,706,220
Cash and cash equivalents – restricted	4,169,841	4,000,405
Total cash and investments	\$ 17,398,300	15,706,625

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

	<b>2023</b>	<b>2022</b>
Cash on hand	\$ 2,300	2,201
Deposits held with financial institutions	192,227	458,593
California Local Agency Investment Fund:		
Unrestricted	13,033,932	11,245,426
Restricted	4,169,841	4,000,405
Total cash and investments	\$ 17,398,300	15,706,625

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

	<b>2023</b>	<b>2022</b>
California Local Agency Investment Fund	260 days	311 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.

**Joshua Basin Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2023 and 2022**

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

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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

***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.

***Investment in State Investment Pool, continued***

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.

***Interest Rate Risk***

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

***Credit Risk***

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

**Joshua Basin Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2023 and 2022**

**(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 99% and 97% as of June 30, 2023 and 2022, 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>2023</b>	<b>2022</b>
Accounts receivable – water sales	\$	1,032,037	1,096,517
Unbilled water sales receivables		746,954	611,123
Standby charges receivables		253,748	231,323
Property liens		126,361	29,601
Allowance for doubtful accounts		(402,868)	(327,112)
Total accounts receivable, net	\$	1,756,232	1,641,452

**Joshua Basin Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2023 and 2022**

**(4) Grants Receivable**

***Integrated Regional Water Management Plan***

The balance at June 30 consists of the following:

		<b>2023</b>	<b>2022</b>
Prop 1 DWR grant – retention	\$	5,874	5,874
Total grants receivable	\$	5,874	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, 2023, 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, 2023 and 2022, the remaining principal balance was \$298,442 and \$373,052, respectively. At June 30, 2023 and 2022, accrued interest receivable on the note was \$6,825 and \$2,553, 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, 2023 and 2022, the District received \$170,244 and \$193,101, respectively, in reimbursement revenue from HDMC. For the fiscal years ended June 30, 2023 and 2022, the District incurred \$137,395 and \$153,070, respectively, in reimbursable costs towards the project.



**Joshua Basin Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2023 and 2022**

**(6) Capital Assets**

Changes in capital assets for the year ended June 30, 2023, were as follows:

	<u>As restated</u> <u>Balance</u> <u>2022</u>	<u>Additions/</u> <u>Transfers</u>	<u>Deletions/</u> <u>Transfers</u>	<u>Balance</u> <u>2023</u>
Non-depreciable assets:				
Land and land rights	\$ 636,822	97,205	-	734,027
Construction-in-process	2,426,273	2,371,672	(3,820,393)	977,552
Total non-depreciable assets	<u>3,063,095</u>	<u>2,468,877</u>	<u>(3,820,393)</u>	<u>1,711,579</u>
Depreciable assets:				
Transmission and distribution system	43,794,862	3,003,620	(279,868)	46,518,614
Recharge facilities	9,108,029	-	-	9,108,029
Structures and improvements	1,348,344	73,330	(17,323)	1,404,351
Vehicles and large equipment	3,771,727	438,509	(227,833)	3,982,403
Office furniture and equipment	1,257,448	89,870	(657,255)	690,063
Wastewater system	22,419	-	-	22,419
Studies and reports	1,471,508	-	(1,471,508)	-
Subscription asset	102,906	272,060	-	374,966
Leased equipment	31,846	-	-	31,846
Total depreciable assets	<u>60,909,089</u>	<u>3,877,389</u>	<u>(2,653,787)</u>	<u>62,132,691</u>
Accumulated depreciation:				
Transmission and distribution system	(26,180,321)	(906,751)	279,868	(26,807,204)
Recharge facilities	(1,382,074)	(182,169)	-	(1,564,243)
Structures and improvements	(634,138)	(32,168)	7,395	(658,912)
Vehicles and large equipment	(1,704,895)	(275,556)	58,224	(1,922,227)
Office furniture and equipment	(1,001,378)	(55,238)	508,514	(548,102)
Wastewater system	(22,419)	-	-	(22,419)
Studies and reports	(1,484,462)	-	1,484,462	-
Subscription asset	(11,434)	(124,989)	-	(136,423)
Leased equipment	(14,748)	(4,107)	-	(18,855)
Total accumulated depreciation	<u>(32,435,869)</u>	<u>(1,580,979)</u>	<u>2,338,464</u>	<u>(31,678,384)</u>
Total depreciable assets, net	<u>28,473,220</u>	<u>2,296,410</u>	<u>(315,323)</u>	<u>30,454,307</u>
<b>Total capital assets, net</b>	<b>\$ <u>31,536,315</u></b>	<b><u>4,765,287</u></b>	<b><u>(4,135,716)</u></b>	<b><u>32,165,886</u></b>

Major depreciable capital asset additions during the fiscal year ended 2023, include upgrades and extensions of the District's water transmission and distribution systems of \$3,003,620, purchases of vehicles and large equipment of \$438,509, subscription asset of \$272,060, office furniture and equipment of \$89,870, and structures and improvements of \$73,330. During the year, the District's deletions included: studies and reports of \$1,471,508, office furniture and equipment disposals of \$657,255, transmission and distribution replacements of \$279,868, vehicles and large equipment of \$227,833, and structures and improvements of \$17,323.

**Joshua Basin Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2023 and 2022**

**(6) Capital Assets, continued**

Changes in capital assets for the year ended June 30, 2022, were as follows:

	<u>As restated Balance 2021</u>	<u>Additions/</u>	<u>Deletions/ Transfers</u>	<u>As restated Balance 2022</u>
Non-depreciable assets:				
Land and land rights	\$ 636,822	-	-	636,822
Construction-in-process	971,707	2,361,647	(907,081)	2,426,273
Total non-depreciable assets	<u>1,608,529</u>	<u>2,361,647</u>	<u>(907,081)</u>	<u>3,063,095</u>
Depreciable assets:				
Transmission and distribution system	43,376,036	473,101	(54,275)	43,794,862
Recharge facilities	9,108,029	-	-	9,108,029
Structures and improvements	1,343,365	18,256	(13,277)	1,348,344
Vehicles and large equipment	3,458,288	313,439	-	3,771,727
Office furniture and equipment	1,259,078	15,157	(16,787)	1,257,448
Wastewater system	22,419	-	-	22,419
Studies and reports	1,415,610	55,898	-	1,471,508
Subscription asset	-	102,906	-	102,906
Leased equipment	31,846	-	-	31,846
Total depreciable assets	<u>60,014,671</u>	<u>978,757</u>	<u>(84,339)</u>	<u>60,909,089</u>
Accumulated depreciation:				
Transmission and distribution system	(25,346,150)	(888,446)	54,275	(26,180,321)
Recharge facilities	(1,199,903)	(182,171)	-	(1,382,074)
Structures and improvements	(609,086)	(33,910)	8,858	(634,138)
Vehicles and large equipment	(1,448,475)	(256,420)	-	(1,704,895)
Office furniture and equipment	(947,884)	(70,281)	16,787	(1,001,378)
Wastewater system	(22,419)	-	-	(22,419)
Studies and reports	(1,415,611)	(68,851)	-	(1,484,462)
Subscription asset	-	(11,434)	-	(11,434)
Leased equipment	(8,379)	(6,369)	-	(14,748)
Total accumulated depreciation	<u>(30,997,907)</u>	<u>(1,517,882)</u>	<u>79,920</u>	<u>(32,435,869)</u>
Total depreciable assets, net	<u>29,016,764</u>	<u>(539,125)</u>	<u>(4,419)</u>	<u>28,473,220</u>
<b>Total capital assets, net</b>	<u>\$ 30,625,293</u>	<u>1,822,522</u>	<u>(911,500)</u>	<u>31,536,315</u>

Major depreciable capital asset additions during the fiscal year ended 2022, include upgrades and extensions of the District's water transmission and distribution systems of \$473,101, purchases of vehicles and large equipment of \$313,439, subscription asset of \$102,906, and studies and reports of \$55,898. During the year, the District's deletions included: transmission and distribution replacements of \$54,275, office furniture and equipment disposals of \$16,787, and structures and improvements of \$13,277

***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, 2023 and 2022, the balance of construction-in-process was \$2,426,273 and \$971,707, respectively.

**Joshua Basin Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2023 and 2022**

**(6) Capital Assets, continued**

Construction-in-process consisted of the following projects:

<u>Project Description</u>	<u>2023</u>	<u>2022</u>
Well 14 – 4 log treatment	\$ -	1,154,539
Tilford Way Pipeline project	-	990,080
Urban Water Management Plan	-	96,972
D-1 Booster Design	122,769	92,262
Building/Customer Service Area	-	57,167
D1-1 Booster Station Upgrade	221,677	-
Tilford Ph 2 Install	371,828	-
Belmont Design/Survey	200,066	-
Various other minor projects < \$50,000	<u>61,212</u>	<u>35,253</u>
Total construction-in-process	<u>\$ 977,552</u>	<u>2,426,273</u>

**(7) Compensated Absences**

Changes to compensated absences for 2023 were as follows:

<u>Balance</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance</u>	<u>Due within</u>	<u>Due in more</u>
<u>2022</u>			<u>2023</u>	<u>one year</u>	<u>than one year</u>
\$ 151,711	294,193	(242,609)	<u>203,295</u>	<u>50,824</u>	<u>152,471</u>

Changes to compensated absences for 2022 were as follows:

<u>Balance</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance</u>	<u>Due within</u>	<u>Due in more</u>
<u>2021</u>			<u>2022</u>	<u>one year</u>	<u>than one year</u>
\$ 186,249	192,433	(226,971)	<u>151,711</u>	<u>37,928</u>	<u>113,783</u>

**(8) Deferred Compensation Savings Plan**

For the benefit of its employees, the District participates in a 457 Deferred Compensation Program (Program). The purpose of 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, 2023 and 2022, the market value of all plan assets held in trust by MissionSquare was \$1,003,516 and \$915,814, 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, 2023 and 2022**

**(9) Long-Term Debt**

Changes in long-term debt amounts for 2023 were as follows:

	<u>As restated Balance 2022</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 2023</u>	<u>Current Portion</u>	<u>Long Term Portion</u>
Bonds payable:						
1996 Bond	\$ 2,495,000	-	(507,000)	1,988,000	116,000	1,872,000
Note payable:						
Installment Sale #18-012	2,536,200	-	(170,247)	2,365,953	176,802	2,189,151
Leases payable:						
Xerox C8170	15,687	-	(4,012)	11,675	4,134	7,541
Xerox C8035	1,857	-	(1,857)	-	-	-
Subscription payable						
Tyler Incode	67,586	-	(33,294)	34,292	34,292	-
Nobel Geoviewer	-	272,060	(93,380)	178,680	90,660	88,020
Total long-term debt	<u>\$ 5,116,330</u>	<u>272,060</u>	<u>(809,790)</u>	<u>4,578,600</u>	<u>421,888</u>	<u>4,156,712</u>

Changes in long-term debt amounts for 2022 were as follows:

	<u>As restated Balance 2021</u>	<u>Additions</u>	<u>Payments</u>	<u>As restated Balance 2022</u>	<u>Current Portion</u>	<u>Long Term Portion</u>
Bonds payable:						
1996 Bond	\$ 2,622,000	-	(127,000)	2,495,000	132,000	2,363,000
Note payable:						
Installment Sale #18-012	2,705,988	-	(169,788)	2,536,200	170,247	2,365,953
Leases payable						
Xerox C8170	19,581	-	(3,894)	15,687	4,012	11,675
Xerox C8035	4,269	-	(2,412)	1,857	1,857	-
Subscription payable						
Tyler Incode	-	102,907	(35,321)	67,586	33,294	34,292
Total long-term debt	<u>\$ 5,351,838</u>	<u>102,907</u>	<u>(338,415)</u>	<u>5,116,330</u>	<u>341,410</u>	<u>4,774,920</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, 2023 and 2022**

**(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>
2024	\$ 116,000	89,460	205,460
2025	122,000	84,240	206,240
2026	127,000	78,750	205,750
2027	132,000	73,035	205,035
2028	138,000	67,095	205,095
2029-2033	790,000	236,340	1,026,340
2034-2036	563,000	51,345	614,345
Total	1,988,000	<u>680,265</u>	<u>2,668,265</u>
Current	<u>(116,000)</u>		
Long-term	\$ <u>1,872,000</u>		

***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>
2024	\$ 176,802	91,089	267,891
2025	183,609	84,282	267,891
2026	190,678	77,213	267,891
2027	198,019	69,872	267,891
2028	205,642	62,249	267,891
2029-2033	1,153,245	186,389	1,339,634
2034	257,958	9,931	267,889
Total	2,365,953	<u>581,025</u>	<u>2,946,978</u>
Current	<u>(176,802)</u>		
Long-term	\$ <u>2,189,151</u>		

**Joshua Basin Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2023 and 2022**

**(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, 2023 and 2022, rental payments amounted to \$3,894 and \$955, 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:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 4,134	294	4,428
2025	4,260	168	4,428
2026	3,281	41	3,322
Total	11,675	<u>503</u>	<u>12,178</u>
Current	<u>(4,134)</u>		
Long-term	\$ <u>7,541</u>		

***Xerox Financial Services, LLC – Xerox C8035***

On April 1, 2018, the District entered into an agreement with Xerox Financial Services, LLC for the purpose of acquiring a Xerox copier for its Shop Building Office. Terms of the agreement commenced in April 2018 and matures in March 2023. As of June 30, 2023 and 2022, rental payments amounted to \$2,412 and \$2,303, 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. The lease was fully paid in March 2023.

***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, 2023 and 2022, subscription payments amounted to \$35,321 and \$35,321, 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.

Annual subscription payments are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 34,292	1,029	35,321
Total	34,292	<u>1,029</u>	<u>35,321</u>
Current	<u>(34,292)</u>		
Long-term	\$ <u>-</u>		

**Joshua Basin Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2023 and 2022**

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

***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, 2023 and 2022, subscription payments amounted to \$93,380 and \$93,380, 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.

Annual subscription payments are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 90,660	2,473	93,133
2025	88,020	-	88,020
Total	178,680	2,473	181,153
Current	(90,660)		
Long-term	\$ 88,020		

**(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.

**Joshua Basin Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2023 and 2022**

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

***Benefits Provided, continued***

The Plans' provision and benefits in effect as of June 30, 2023 and 2022, are summarized as follows:

	<b>Miscellaneous Risk Pool</b>	
	<b>Classic</b>	<b>PEPRA</b>
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.5%
2023:		
Required employee contribution rates	6.92%	7.25%
Required employer contribution rates	11.61%	7.76%
2022:		
Required employee contribution rates	6.91%	7.25%
Required employer contribution rates	11.60%	7.73%

***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:

	<b>2023</b>	<b>2022</b>
Contributions – employer	\$ <u>281,757</u>	<u>262,145</u>

***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:

	<b>2023</b>	<b>2022</b>
Proportionate share of net pension liability	\$ <u>903,646</u>	<u>81,517</u>

**Joshua Basin Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2023 and 2022**

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

*Net Pension Liability, continued*

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, 2023 and 2022, the net pension liability of the Plan is measured as of June 30, 2022 and 2021 (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, 2021 and 2020 (the valuation dates), respectively, rolled forward to June 30, 2022 and 2021, 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, 2020	0.00618%
Decrease in proportion	<u>-0.00467%</u>
Proportion – June 30, 2021	0.00151%
Increase in proportion	<u>0.00632%</u>
Proportion – June 30, 2022	<u>0.00782%</u>

For the fiscal years ended June 30, 2023 and 2022, the District recognized pension (credit) expense of \$485,172 and \$(266,724), respectively.

*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>2023</u>		<u>2022</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	\$ 281,757	-	262,145	-
Differences between actual and expected experience	5,993	-	9,141	-
Changes in assumptions	92,597	-	-	-
Net difference between projected and actual earnings on plan investments	165,524	-	-	(71,159)
Differences between actual contribution and proportionate share of contribution	8,717	-	67,386	-
Net adjustment due to differences in proportions of net pension liability	<u>175,138</u>	<u>-</u>	<u>125,256</u>	<u>-</u>
Total	<u>\$ 729,726</u>	<u>-</u>	<u>463,928</u>	<u>(71,159)</u>



**Joshua Basin Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2023 and 2022**

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

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

As of June 30, 2023 and 2022, employer pension contributions reported as deferred outflows of resources related to contributions subsequent to the measurement dates of \$281,757 and \$262,145, respectively, will be recognized as a reduction of the net pension liability in the fiscal years ended June 30, 2024 and 2023, respectively.

As of June 30, 2023, 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>
2024	\$ 168,977
2025	121,599
2026	56,154
2027	101,240
2028	-
Remaining	-

***Actuarial Assumptions***

The total pension liabilities in the June 30, 2021 and 2020, actuarial valuations were determined using the following actuarial assumptions and methods:

Valuation dates	June 30, 2021 and 2020
Measurement dates	June 30, 2022 and 2021
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Discount rate	6.90%
Inflation	2.50%
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.

**Joshua Basin Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2023 and 2022**

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

***Discount Rate***

The discount rate used to measure the total pension liability as of June 30, 2023 and 2022, for PERF C was 6.90% and 7.15%, respectively. 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. This discount rate is not adjusted for administrative expenses.

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.

As of June 30, 2023, the table below reflects the expected real rates of return by asset class.

<b>Asset Class</b>	<b>New Strategic Allocation</b>	<b>Real Return 1-10<sup>1,2</sup></b>
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, as well as what the District's proportional share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate.



**Joshua Basin Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2023 and 2022**

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

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

As of June 30, 2023, 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:

	<b>Discount Rate - 1%</b>	<b>Current Discount Rate</b>	<b>Discount Rate + 1%</b>
	<b>5.90%</b>	<b>6.90%</b>	<b>7.90%</b>
District's net pension liability	\$ 1,796,346	903,646	169,176

As of June 30, 2022, 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:

	<b>Discount Rate - 1%</b>	<b>Current Discount Rate</b>	<b>Discount Rate + 1%</b>
	<b>6.15%</b>	<b>7.15%</b>	<b>8.15%</b>
District's net pension liability	\$ 753,947	81,517	(474,370)

***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 and 42 for the Required Supplementary Information.

**(11) Prior Period Adjustment**

In 2023, the District adopted the provisions of GASB Statement No. 96, "Subscription-Based Information Technology Arrangements". The nature, justification, and an explanation of the change are included in note 1.C. As a result of the implementation, the District recognized the subscription assets, subscription amortization and subscription payable and recorded prior period adjustments of \$23,886, to establish beginning balances as of July 1, 2021.

The adjustment to net position is as follows:

Net position at July 1, 2021, as previously stated	\$ 40,094,478
Effect of adjustment to record subscription assets	102,906
Effect of adjustment to record subscription amortization	(11,434)
Effect of adjustment to record subscription payable	(67,586)
Total adjustments	23,886
Net position at July 1, 2021, as restated	\$ 40,118,364

**Joshua Basin Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2023 and 2022**

**(12) Net Position**

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

	<b>2023</b>	<b>2022</b>
<b>Net investment in capital assets:</b>		
Capital assets, not being depreciated	\$ 1,711,579	3,063,095
Depreciable capital assets, net	30,454,307	28,473,220
Current:		
Bonds payable	(116,000)	(132,000)
Notes payable	(176,802)	(170,247)
Leases payable	(4,134)	(5,869)
Subscription payable	(124,952)	(33,294)
Non-current:		
Bonds payable	(1,872,000)	(2,363,000)
Notes payable	(2,189,151)	(2,365,953)
Leases payable	(7,541)	(11,675)
Subscription payable	(88,020)	(34,292)
<b>Total net investment in capital assets</b>	<b>27,587,286</b>	<b>26,419,985</b>
<b>Restricted net position:</b>		
Cash and cash equivalents – restricted	4,169,841	4,000,405
Accrued interest receivable – restricted	6,825	1,406
Special assessments receivable – restricted	66,397	70,922
Note receivable – Hi-Desert Medical Center, restricted	298,442	373,052
<b>Total restricted net position</b>	<b>4,541,505</b>	<b>4,445,785</b>
<b>Unrestricted net position</b>		
<b>Non-spendable net position:</b>		
Materials and supplies inventory	359,626	324,185
Prepaid expenses and other deposits	234,341	215,898
<b>Total non-spendable net position</b>	<b>593,967</b>	<b>540,083</b>
<b>Spendable net assets are designated as follows:</b>		
Unrestricted	13,919,893	12,526,258
<b>Total spendable net position</b>	<b>13,919,893</b>	<b>12,526,258</b>
<b>Total unrestricted net position</b>	<b>14,513,860</b>	<b>13,066,341</b>
<b>Total net position</b>	<b>\$ 46,642,651</b>	<b>43,932,111</b>

**(13) Misappropriation, Waste, and Abuse**

In fiscal year 2022 and 2021, certain purchases of equipment were identified as unusual transactions. Upon investigation, it was discovered that approximately \$138,765, and \$68,102 was misappropriated as of June 30, 2022 and 2021. The District has initiated and cooperated with a criminal investigation with local law enforcement. In July 2023, the District received insurance reimbursement as a result of the misappropriation in the amount of \$196,226 and is included as part of the other non-operating revenue balance in the statements of revenues, expenses, and changes in net position.

**Joshua Basin Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2023 and 2022**

**(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, 2023, the District participated in the liability, property, and worker' compensation programs of the ACWA/JPIA as follows:

- General and auto liability, public officials and employees' errors and omissions: Total risk financing self-insurance limits of \$5,000,000, combined single limit at \$5,000,000 per occurrence. The JPIA purchases additional excess coverage 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 National Union Fire Insurance Company of Pittsburgh.
- 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 \$24,516,746 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 \$0,000 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 \$500 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, 2023, 2022, and 2021. 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, 2023, 2022, and 2021.

**Joshua Basin Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2023 and 2022**

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

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2023 that have effective dates that may impact future financial presentations.

***Governmental Accounting Standards Board Statement No. 99***

In April 2022, the GASB issued Statement No. 99 – *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. Consistent authoritative literature enables governments and other stakeholders to locate and apply the correct accounting and financial reporting provisions, which improves the consistency with which such provisions are applied. The comparability of financial statements also will improve as a result of this Statement. Better consistency and comparability improve the usefulness of information for users of state and local government financial statements. The requirements of this Statement are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

***Governmental Accounting Standards Board Statement No. 100***

In June 2022, the GASB issued Statement No. 100 – *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change.

That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections.

The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

**Joshua Basin Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2023 and 2022**

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

***Governmental Accounting Standards Board Statement No. 101***

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.

The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, 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.

**(17) Subsequent Events**

Events occurring after June 30, 2023, have been evaluated for possible adjustment to the financial statements or disclosure as of December 20, 2023, which is the date the financial statements were available to be issued.

## **Required Supplementary Information**

DRAFT

DRAFT



**Joshua Basin Water District**  
**Schedules of the District's Proportionate Share of Net Pension Liability**  
**As of June 30, 2023**  
**Last Ten Years\***

Description	Measurement Dates								
	06/30/22	06/30/21	06/30/20	06/30/19	06/30/18	06/30/17	06/30/16	06/30/15	06/30/14
District's proportion of the net pension liability	0.00782%	0.00151%	0.00618%	0.00550%	0.00490%	0.00495%	0.00439%	0.00394%	0.00475%
District's proportionate share of the net pension liability	\$ 903,646	81,517	672,436	563,855	472,046	490,750	379,802	270,679	288,403
District's covered payroll	\$ 1,824,500	1,963,492	1,950,376	1,743,402	1,467,121	1,462,157	1,344,686	1,384,706	1,385,361
District's proportionate share of the net pension liability as a percentage of its covered payroll	49.53%	4.15%	34.48%	32.34%	32.17%	33.56%	28.24%	19.55%	20.82%
District's proportionate share of fiduciary net position as a percentage of total pension liability	98.40%	84.95%	85.77%	85.56%	82.83%	83.60%	87.09%	83.03%	83.03%

**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.

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.

***Change of Assumptions and Methods***

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, 2023**  
**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.

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

**Joshua Basin Water District  
Schedules of Pension Plan Contributions  
As of June 30, 2023  
Last Ten Years\***

<b>Description</b>	<b>Fiscal years ended</b>								
	<b>06/30/23</b>	<b>06/30/22</b>	<b>06/30/21</b>	<b>06/30/20</b>	<b>06/30/19</b>	<b>06/30/18</b>	<b>06/30/17</b>	<b>06/30/16</b>	<b>06/30/15</b>
Actuarially determined contribution	\$ 285,375	270,609	243,362	189,373	170,464	144,890	145,219	143,957	148,451
Contributions in relation to the actuarially determined contribution	(285,375)	(270,609)	(243,362)	(189,373)	(170,464)	(144,890)	(145,219)	(143,957)	(148,451)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-
District's covered payroll	\$ 1,824,500	1,963,492	1,950,376	1,743,402	1,467,121	1,462,157	1,344,686	1,384,706	1,385,361
Contributions as a percentage of covered payroll	15.64%	13.78%	12.48%	10.86%	11.62%	9.91%	10.80%	10.40%	10.72%

**Notes to the Schedule of Pension Plan Contributions**

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

# **Report on Internal Controls and Compliance**

DRAFT

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, 2023 and 2022, and the related notes to the financial statements, which collectively comprises the District’s basic financial statements, and have issued our report thereon dated December 20, 2023

**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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. For the year ended June 30, 2021, we identified certain deficiencies in internal control, as described in the accompanying schedule of findings and responses as items 2021-001, 2021-002, 2021-003, 2021-004, and 2021-005 that we consider to be material weaknesses.

**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)**

**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 financial statements. 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*, and which are described in the accompanying schedule of findings and responses.

**District’s Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the District’s response to the findings identified in our audit and described in the accompanying schedule of findings and responses.

The District’s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

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

**C.J. Brown & Company, CPAs**  
Cypress, California  
December 20, 2023

**Joshua Basin Water District  
Schedule of Findings and Responses  
For the Year Ended June 30, 2021**

**Material Weakness in Internal Control over Financial Reporting - Misappropriation of Assets**

**Reference Number:** 2021-001

**Criteria:**

Proper Board adopted policies, internal controls, communication, and oversight will reduce the risk of misappropriation of assets.

**Condition:**

During our 2021 audit, we noted unusual purchases of electronic assets which were determined to be a misappropriation of District funds through fraudulent transactions made on the District's credit card by the former General Manager.

**Cause of Condition:**

We noted the District does not have board adopted polices, internal controls, communication, and oversight in place to prevent and deter the risk of misappropriation.

**Effect or Potential Effect of Condition:**

Without board adopted policies, internal controls, communication, and oversight will reduce the risk of misappropriation of assets.

**Recommendation:**

We recommend the District adopt a formal board approved policies over purchasing and credit cards, strengthen related internal controls, improve communication channels between employees, management, and the board, and add oversight controls to reduce the risk of financial misappropriation.

**Views of Responsible Official(s):**

Management agrees with the audit finding. The District will be reviewing and amending its existing policies and procedures to ensure that its internal controls over purchasing are sound. In addition, the District will improve communication channels between employees, management, and the board, and add oversight controls to reduce the risk of financial misappropriation. This will allow for a clear process and ensure timely mitigation to reduce the risk of waste and abuse.

**Planned Corrective Action:**

The Administrative Code is under review. The Board and General Manager met on October 4, 2023 to kick off the review process. A new Purchasing Policy, which will address the General Manager's purchasing authority, will be included in the new revision along with many additional policies. An updated Purchasing Procedure, upon which the board approved Purchasing Policy will be based, was enacted in 2022. Staff responsibilities are also being modified and/or positions added, which will improve internal controls.



**Joshua Basin Water District  
Schedule of Findings and Responses, continued  
For the Year Ended June 30, 2021**

**Material Weakness in Internal Control over Financial Reporting - Purchasing Policy**

**Reference Number:** 2021-002

**Criteria:**

Good internal control requires that procedures be documented and performed in a consistent manner in accordance with approved District policy.

**Condition:**

We noted written policies and procedures for current financial processes for payables have not been developed or approved by the Board of Directors.

**Cause of Condition:**

The District does not have clear guidelines and processes for matching purchases to controls. As such, there is a lack of sufficient controls to ensure that misappropriation can be properly identified, flagged so that it can be properly addressed in a timely manner.

**Effect or Potential Effect of Condition:**

Without written procedures, tasks may not be performed in a consistent manner. Written procedures are helpful if someone else has to perform duties that he/she normally would not perform.

**Recommendation:**

We recommend that the District develop written policies and procedures for financial processes for payables. We further recommend that the District review, amend, and develop written policies and procedures for all current financial processes including cash and investments, receivables, capital assets, and fund balance.

**Views of Responsible Official(s):**

Management agrees with the audit finding. The District will develop written policies and procedures for financial processes for payables. The District will consider the development of written policies and procedures for all current financial processes including cash and investments, receivables, capital assets, and fund balance.

**Planned Corrective Action:**

A newly updated Purchasing Procedure, upon which the board approved Purchasing Policy will be based, was enacted. Additional policies have been selected for review. A Purchasing staff position is forthcoming, which will help enforce said policies and procedures.

**Joshua Basin Water District  
Schedule of Findings and Responses, continued  
For the Year Ended June 30, 2021**

**Material Weakness in Internal Control over Financial Reporting - Credit Card Policy**

**Reference Number:** 2021-003

**Criteria:**

Good internal control requires that procedures be documented and performed in a consistent manner in accordance with approved District policy.

**Condition:**

We noted requires a Credit Card Issuance and Acknowledgement Form for employee's who have custody of District credit cards. As part of our procedures, we noted that the former General Manager's acknowledgment form was not signed, however, the form was signed for issuance approval.

**Cause of Condition:**

The District has missing substantive documentation that the former General Manager is aware of policy existence, usage limits, required reconciliation process, and necessary approvals.

**Effect or Potential Effect of Condition:**

Without the signed form, the District cannot confirm that employee is substantive documentation that the employee is aware of policy existence, usage limits, required reconciliation process, and necessary approvals

**Recommendation:**

We recommend that the District review all existing Credit Card Issuance and Acknowledgment Forms and audit whether signatures have been obtained by all employees which have custody of District issued credit cards. We further recommend the District add controls to ensure that District credit cards are not issued prior to obtaining signed agreements. We recommend the District require monthly reconciliations from the employees which document the propriety and necessity of the charges. We recommend the District consider reviewing the necessity for the number of issued cards it has, the limits and controls over how each of the cards are monitored by position, and consider using expense reimbursement in certain circumstances as an alternative to issued credit cards.

**Views of Responsible Official(s):**

Management agrees with the audit finding. The District will review all existing Credit Card Issuance and Acknowledgment Forms and audit whether signatures have been obtained by all employees which have custody of District issued credit cards. The District will add controls to ensure that District credit cards are not issued prior to obtaining signed agreements. The District will require monthly reconciliations from the employees which document the propriety and necessity of the charges. The District will consider reviewing the necessity for the number of issued cards it has, the limits and controls over how each of the cards are monitored by position, and consider using expense reimbursement in certain circumstances as an alternative to issued credit cards.

**Planned Corrective Action:**

The signed Credit Card Issuance and Acknowledgment form was, in fact, on file and later located as a back page of a scanned document. A Credit Card log, requiring certification of purpose, is being attached to each statement and is signed by both the cardholder, the Supervisor, and reviewed by a Director. Additionally, a more comprehensive Credit Card Policy is in process of being reviewed and implemented.

**Joshua Basin Water District  
Schedule of Findings and Responses, continued  
For the Year Ended June 30, 2021**

**Material Weakness in Internal Control over Financial Reporting - Internal Communication Policy**

**Reference Number:** 2021-004

**Criteria:**

Good internal communication policy encourages open communication about all matters to ensure that issues are properly addressed in a timely manner.

**Condition:**

We noted the District does not have a clear process of communication between members of management and the Board. Based on interviews of staff, our conclusion is that personnel have restricted from communicating in an open and direct manner with the Board. We noted specifically that, expenditures related to the misappropriation exceeded the Board approved budget in fiscal year 2021 and 2022 and that the purchases in aggregate exceeded the District's written procedure to require Board approval for amounts greater than \$20,000.

**Cause of Condition:**

The District does not have a written policy which defines a clear process of communication between members of management and the Board. Based on interviews of management, our understanding is that personnel have understood in the past that they cannot communicate in an open and direct manner to the Board.

**Effect or Potential Effect of Condition:**

Without a clear defined policy on internal communication, District employees will misinterpret the appropriateness of communicating issues in a timely manner.

**Recommendation:**

We recommend that the District review its processes and procedures related to communication between employees, management, and the Board and adopt a formal policy for internal communication. We further recommend the District require reviews of budget to actual variances and obtain Board approval to amend the budget for material variances.

**Views of Responsible Official(s):**

Management agrees with the audit finding. The District will review its processes and procedures related to communication between employees, management, and the Board and adopt a formal policy for internal communication. The District will consider the requirement of reviews of budget to actual variances and require Board approval to amend the budget line items for material variances.

**Planned Corrective Action:**

The District's unadopted written Purchasing procedure conflicted with the District's Board-adopted Administrative Code in regard to the General Manager's purchasing authority. Board members have taken a more active role, asking more questions, and Staff has provided better instructions for check signing procedures, along with a quick access Budgetary reference. Also, the leadership team has changed and is working hard to promote an open-door policy.

**Joshua Basin Water District  
Schedule of Findings and Responses, continued  
For the Year Ended June 30, 2021**

**Material Weakness in Internal Control over Financial Reporting - Whistle Blower Policy**

**Reference Number:** 2021-005

**Criteria:**

A good Whistleblower policy facilitates a clear method and process of employee communication to assist in the prevention and deterrence of fraud. The policy is communicated in employee handbooks and regular staff memo's or communications.

**Condition:**

We noted the although the District stated it has a whistleblower notice, there is no contact number listed for employees to provide anonymous tips. In addition we noted it is not clear to employees and management on how to communicate known or suspected fraud.

**Cause of Condition:**

The District does not have a written policy which defines a clear method and process of employee communication to assist in the prevention and deterrence of fraud. In addition, the policy does not have a means to communicate anonymous tips such as a phone number.

**Effect or Potential Effect of Condition:**

Without a clear defined policy and means of communication the District cannot ensure that employees have a clear method of notifying management and the Board anonymously, of discovered or suspected fraud without concern of reprisal or loss of employment.

**Recommendation:**

We recommend that the District adopt a formal whistleblower policy that sets forth the process and clearly describes how to communicate known or suspected fraud. We recommend the District require the policy noticed on signage posted in employee common areas at the District such as staff breakrooms, kitchens, and warehouse locations. We further recommend the communication include a hotline to provide anonymous tips.

**Views of Responsible Official(s):**

Management agrees with the audit finding. The District will adopt a formal whistleblower policy that sets forth the process and clearly describes how to communicate known or suspected fraud. The District will require the policy noticed on signage posted in employee common areas at the District such as staff breakrooms, kitchens, and warehouse locations. The District will consider providing the means, such as a hotline, to provide anonymous tips.

**Planned Corrective Action:**

The District has a Whistle Blower policy included in its Employee Handbook and displayed on a common-area poster. The District is exploring an updated Whistle Blower policy as part of the new Administrative Code. Also, the District has expanded ethics training from management only, and now requires it for all staff.

**Joshua Basin Water District**

**Management Report**

**June 30, 2023**

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, 2023, 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  
December 20, 2023

**APPENDIX**

**Joshua Basin Water District  
Audit/Finance Committee Letter**

**June 30, 2023**

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, 2023, and have issued our report thereon dated December 20, 2023. 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 11, 2023, 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 December 20, 2023.

### **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, 2023, the District implemented the provisions of GASB Statement No. 96 – Subscription-Based Information Technology Arrangements. There have been no initial selection of accounting policies and no other changes in significant accounting policies or their application during 2023. 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 December 20, 2023.

### **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 and accounting matters.

### **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  
December 20, 2023

**Joshua Basin Water District  
 Schedule of Audit Adjusting Journal Entries  
 For the Fiscal Year Ended June 30, 2023**

**Audit Adjusting Journal Entries JE # 1**

To reverse capital lease asset as of June 30, 2023.

100-16010	Lease of Equipment (ST)	\$	1,696.63	
100-16210	Lease of Equipment (LT)		9,614.01	
100-16910	Accumulated Amortization - Equipment			9,614.01
560-66103	Amortization of Leases			1,696.63

**Audit Adjusting Journal Entries JE # 2**

To properly record capital asset disposals as of June 30, 2023.

400-47010	GAIN ON SALE OF ASSETS		151,500.00	
509-09206	LOSS ON SALE OF ASSET			151,500.00

**Audit Adjusting Journal Entries JE # 3**

To adjust net pension liability and related accounts as of June 30, 2023.

100-13600	DEFERRED OUTFLOWS OF RESOURCES		265,798.00	
200-23050	DEFERRED INFLOWS OF RESOURCES		71,159.00	
509-09215	RETIREMENT: CALPES GASB68 CONTRA		485,172.00	
200-22360	NET PENSION LIABILITY			822,129.00

**Audit Adjusting Journal Entries JE # 4**

To properly record electricity expense and accounts payable as of June 30, 2023.

501-06105	POWER FOR PUMPING (ELECTRIC)		27,257.62	
200-21100	ACCOUNTS PAYABLE	\$		27,257.62

