Joshua Basin Water District

Annual Financial Report

For the Fiscal Years Ended June 30, 2020 and 2019

Joshua Basin Water District

Board of Directors as of June 30, 2020

Name	Title	Elected/ Appointed	Current Term
Robert Johnson	President	Elected	12/16-12/20
Rebecca Unger	Vice President	Elected	12/18-12/22
Tom Floen	Director	Appointed	07/19-12/20
Geary Hund	Director	Elected	12/16-12/20
Mike Reynolds	Director	Elected	12/18-12/22

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

Joshua Basin Water District

Annual Financial Report

For the Fiscal Years Ended June 30, 2020 and 2019

Joshua Basin Water District
Annual Financial Report
For the Fiscal Years Ended June 30, 2020 and 2019

Table of Contents

Financial Section

Fedak & Brown LLP
Certified Public Accountants

Charles Z. Fedak, CPA, MBA
Christopher J. Brown, CPA, CGMA
Andy Beck, CPA

Cypress Office:
6081 Orange Avenue
Cypress, California 90630
(657) 214-2307
FAX (714) 527-9154

Riverside Office:
1945 Chicago Avenue, Suite C-1
Riverside, California 92507
(951) 783-9149

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, 2020 and 2019, 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Independent Auditor's Report, continued

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Joshua Basin Water District as of June 30, 2020 and 2019, and the respective changes in net position, and, where applicable, cash flows thereof for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

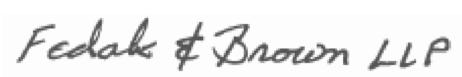
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 and the required supplementary information on pages 42 to 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2020, 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 44 and 45.



Fedak & Brown LLP
Cypress, California
December 16, 2020

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, 2020 and 2019. 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 2020, the District's net position increased 3.14% or $1,148,228 to $37,711,815 as a result of ongoing operations. In 2019, the District's net position decreased 3.41% or $1,290,843 to $36,563,587 as a result of ongoing operations.
- The District's operating revenues increased 13.22% or $746,375 to $6,392,673, in 2020. The District's operating revenues increased 6.65% or $351,924 to $5,646,298, in 2019.
- In 2020, the District's non-operating revenues increased 6.53% or $76,578 to $1,249,410. The District's non-operating revenues increased 13.81% or $142,333 to $1,172,832, in 2019.
- The District's operating expenses decreased 18.33% or $1,073,807 to $4,784,240, in 2020. The District's operating expenses increased 36.74% or $1,574,032 to $5,858,047, in 2019
- In 2020, the District's non-operating expenses increased 39.32% or $224,687 to $796,118. The District's non-operating expenses increased 11.75% or $60,068 to $571,431, in 2019.
- The District's capital contributions increased 206.95% or $343,673 to $509,736, in 2020. The District's capital contributions decreased 62.75% or $279,793 to $166,063, in 2019.

Using This Financial Report

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

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

Financial Analysis of the District

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

Financial Analysis of the District, continued

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

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

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 14 through 41.

Statements of Net Position

Condensed Statements of Net Position

	2020	2019	Change	2018	Change
Assets:					
Current assets	$ 13,755,166	13,010,870	744,296	11,296,670	1,714,200
Non-current assets	522,273	596,883	(74,610)	671,494	(74,611)
Capital assets, net	30,212,198	29,969,302	242,896	29,737,371	231,931
Total assets	44,489,637	43,577,055	912,582	41,705,535	1,871,520
Deferred outflows of resources	454,534	430,690	23,844	477,782	(47,092)
Liabilities:					
Current liabilities	1,025,240	1,150,138	(124,898)	784,266	365,872
Non-current liabilities	6,197,258	6,294,020	(96,762)	3,531,815	2,762,205
Total liabilities	7,222,498	7,444,158	(221,660)	4,316,081	3,128,077
Deferred inflows of resources	9,858	-	9,858	12,806	(12,806)
Net position:					
Net investment in capital assets	24,441,607	24,015,432	426,175	26,717,030	(2,701,598)
Restricted	4,071,338	4,060,706	10,632	2,887,542	1,173,164
Unrestricted	9,198,870	8,487,449	711,421	8,249,858	237,591
Total net position	$ 37,711,815	36,563,587	1,148,228	37,854,430	(1,290,843)

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets plus deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources by $37,711,815 and $36,563,587, as of June 30, 2020 and 2019, respectively.

Compared to prior year, net position of the District increased 3.14% or $1,148,228. 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.

Statements of Net Position, continued

By far the largest portion of the District's net position (64.81% and 65.68% as of June 30, 2020 and 2019, 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 2020 and 2019, the District showed a positive balance in its unrestricted net position of $9,198,870 and $8,487,449, respectively, which may be utilized in future years. See note 14 for further information.

Statements of Revenues, Expenses and Changes in Net Position

Condensed Statements of Revenues, Expenses and Changes in Net Position

		2020	2019	Change	2018	Change
Revenues:						
Operating revenues	$	6,392,673	5,646,298	746,375	5,294,374	351,924
Non-operating revenues		1,249,410	1,172,832	76,578	1,030,499	142,333
Total revenues		7,642,083	6,819,130	822,953	6,324,873	494,257
Expenses:						
Operating expenses		4,784,240	5,858,047	(1,073,807)	4,284,015	1,574,032
Depreciation		1,423,233	1,846,558	(423,325)	1,235,914	610,644
Non-operating expenses		796,118	571,431	224,687	511,363	60,068
Total expenses		7,003,591	8,276,036	(1,272,445)	6,031,292	2,244,744
Net income (loss) before capital contributions		638,492	(1,456,906)	2,095,398	293,581	(1,750,487)
Capital contributions		509,736	166,063	343,673	445,856	(279,793)
Change in net position		1,148,228	(1,290,843)	2,439,071	739,437	(2,030,280)
Net position, beginning of period		36,563,587	37,854,430	(1,290,843)	37,114,993	739,437
Net position, end of period	$	37,711,815	36,563,587	1,148,228	37,854,430	(1,290,843)

The statements of revenues, expenses and changes in net position show how the District's net position changed during the fiscal year. In the case of the District, net position increased 3.14% or $1,148,228 to $37,711,815, due to the change in net position of $638,492 from ongoing operations and $509,736 in capital contributions for the fiscal year ended June 30, 2020. For the fiscal year ended June 30, 2019, the District's net position decreased 3.41% or $1,290,843 to $36,563,587, due to the change in net position of $1,456,906 from ongoing operations and $166,063 in capital contributions.

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

In 2020, the District's total revenues increased 12.07% or $822,953 to $7,642,083. The District's operating revenues increased 13.22% or $746,375 to $6,392,673, due primarily to increases of $433,118 in water consumption sales, $269,530 in water service charges, and $62,653 in other charges for services, which were offset by a decrease of $18,926 in standby service charges. The District's non-operating revenues increased 6.53% or $76,578 to $1,249,410, due primarily to increases of $61,969 in property tax revenue, $44,173 in HDMC operations revenue, and $19,422 in special assessments for debt service, which were offset by decreases of $48,986 in investment earnings.

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

In 2019, the District's total revenues increased 7.81% or $494,257 to $6,819,130. The District's operating revenues increased 6.65% or $351,924 to $5,646,298, due primarily to increases of $293,072 in water consumption sales and $171,400 in water service charges, which were offset by decreases of $41,499 in standby service charges and $71,049 in other charges for services. The District's non-operating revenues increased 13.81% or $142,333 to $1,172,832, due primarily to increases of $170,650 in investment earnings and $31,641 in property tax revenue, which was offset by a decrease of $52,651 in HDMC operations revenue.

In 2020, the District's total expenses decreased 15.38% or $1,272,445 to $7,003,591. The District's operating expenses decreased 18.33% or $1,073,807 to $4,784,240, due primarily to decreases of $861,968 in pumping, production and treatment, $151,889 in transmission and distribution, and $328,659 in general and administrative, which were offset by an increase of $268,709 in customer service costs. The District's non-operating expenses increased 39.32% or $224,687 to $796,118, due primarily to increases of $63,961 in losses on the chromium VI grant, $35,857 in HDMC project – District expense, and $199,410 in other non-operating expenses, net, which were offset by a decrease of $50,283 in Morongo Basin Pipeline expenses.

In 2019, the District's total expenses increased 37.22% or $2,244,744 to $8,276,036. The District's operating expenses increased 36.74% or $1,574,032 to $5,858,047, due primarily to increases of $1,155,591 in pumping, production and treatment, $71,464 in transmission and distribution, $60,509 in customer service costs, and $286,468 in general and administrative. The District's non-operating expenses increased 11.75% or $60,068 to $571,431, due primarily to increases of $56,955 in debt administration charges and $86,780 in interest expense, which were offset by a decrease of $41,779 in HDMC project – District expense.

In 2020, total capital contributions increased 206.95% or $343,673 to $509,736. The increase in capital contributions was due primarily to increases of $105,679 in water capacity charges and $246,340 in miscellaneous capital contributions, which were offset by a decrease of $66,269 in state capital grants. In 2019, capital contributions decreased 62.75% or $279,793 to $166,063. The decrease in capital contributions was due primarily to decreases of $145,787 in miscellaneous capital contributions, $66,360 in water capacity charges, $17,170 in wastewater capacity charges, $48,539 in state capital grants, and $1,937 in local capital grants.

Capital Asset Administration

Changes in capital asset for 2020, were as follows:

	Balance 2019	Additions	Transfers/ Deletions	Balance 2020
Capital assets:				
Non-depreciable assets	$ 779,426	1,701,500	(869,740)	1,611,186
Depreciable assets	57,920,003	834,369	(355,609)	58,398,763
Accumulated depreciation	(28,730,127)	(1,423,233)	355,609	(29,797,751)
Total capital assets, net	$ 29,969,302	1,112,636	(869,740)	30,212,198

Capital Asset Administration, continued

Changes in capital asset for 2019, were as follows:

		Balance 2018	Additions	Transfers/ Deletions	Balance 2019
Capital assets:					
Non-depreciable assets	$	2,126,625	2,462,483	(3,809,682)	779,426
Depreciable assets		54,494,316	3,425,687	-	57,920,003
Accumulated depreciation		(26,883,570)	(1,846,557)	-	(28,730,127)
Total capital assets, net	$	29,737,371	4,041,613	(3,809,682)	29,969,302

At the end of fiscal year 2020 and 2019, the District's capital assets amounted to $30,212,198 and $29,969,302 (net of accumulated depreciation), respectively. These capital assets include land, transmission and distribution systems, buildings, equipment, vehicles and construction-in-process. See note 9 to the basic financial statements for further detailed information on the District's capital assets.

Debt Administration

Changes in long-term debt for 2020, were as follows:

		Balance 2019	Additions	Payments	Balance 2020
Long-term debt:					
Bonds payable	$	2,859,000	-	(116,000)	2,743,000
Notes payable		3,010,000	-	(152,006)	2,857,994
Loans payable		84,870	169,597	(84,870)	169,597
Total long-term debt	$	5,953,870	169,597	(352,876)	5,770,591

Changes in long-term debt for 2019, were as follows:

		Balance 2018	Additions	Payments	Balance 2019
Long-term debt:					
Bonds payable	$	2,970,000	-	(111,000)	2,859,000
Notes payable		-	3,010,000	-	3,010,000
Loans payable		50,341	34,529	-	84,870
Total long-term debt	$	2,970,000	3,044,529	(111,000)	5,953,870

In 2020, long-term debt decreased by $183,279, primarily due to a $352,876 decrease from principal payments, which was offset by additions to long-term debt of $169,597. In 2019, long-term debt increased by $2,933,529, primarily due to additions to long-term debt of $3,044,529, which was offset by an $111,000 decrease from principal payments.

Conditions Affecting Current Financial Position

The COVID-19 pandemic in the United States has caused business disruption through mandated and voluntary closings of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. However, the related financial impact on the District and the duration cannot be estimated at this time.

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

Requests for Information

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

Basic Financial Statements

Joshua Basin Water District
Statements of Net Position
June 30, 2020 and 2019

		2020	2019
Current assets:			
Cash and cash equivalents (note 2)	$	8,289,310	7,267,826
Cash and cash equivalents - restricted (note 2)		3,436,066	3,347,928
Accrued interest receivable		28,770	45,164
Accrued interest receivable - restricted		20,783	30,050
Accounts receivable – water sales and services, net (note 3)		1,372,178	1,149,143
Property taxes receivable		10,667	12,509
Special assessments receivable - restricted		92,216	85,845
Grants receivable (note 4)		4,442	79,763
Loan receivable (note 5)		-	84,870
Accounts receivable – other		89,556	79,490
Materials and supplies inventory		330,808	746,137
Prepaid expenses and other deposits		80,370	82,145
Total current assets		13,755,166	13,010,870
Non-current assets:			
Note receivable – restricted (note 6)		522,273	596,883
Capital assets – not being depreciated (note 9)		1,611,186	779,426
Capital assets, net – being depreciated (note 9)		28,601,012	29,189,876
Total non-current assets		30,734,471	30,566,185
Total assets		44,489,637	43,577,055
Deferred outflows of resources:			
Deferred pension outflows (note 12)		454,534	430,690
Total deferred outflows of resources	$	454,534	430,690

Continued on next page

See accompanying notes to the basic financial statements

Joshua Basin Water District
Statements of Net Position, continued
June 30, 2020 and 2019

	2020	2019
Current liabilities:		
Accounts payable and accrued expenses	$ 132,154	317,034
Accrued wages and related payables	79,802	53,916
Customer deposits and unearned revenue	358,948	331,182
Accrued interest payable	128,254	134,630
Long-term liabilities – due within one year:		
Compensated absences (note 10)	47,224	45,370
Notes payable (note 11)	157,858	152,006
Bonds payable (note 11)	121,000	116,000
Total current liabilities	1,025,240	1,150,138
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (note 10)	141,670	136,110
Notes payable (note 11)	2,700,136	2,857,994
Bonds payable (note 11)	2,622,000	2,743,000
Loans payable (note 11)	169,597	84,870
Net pension liability (note 12)	563,855	472,046
Total non-current liabilities	6,197,258	6,294,020
Total liabilities	7,222,498	7,444,158
Deferred inflows of resources:		
Deferred pension inflows (note 12)	9,858	-
Total deferred inflows of resources	9,858	-
Net position: (note 14)		
Net investment in capital assets	24,441,607	24,015,432
Restricted	4,071,338	4,060,706
Unrestricted	9,198,870	8,487,449
Total net position	$ 37,711,815	36,563,587

See accompanying notes to the basic financial statements

Joshua Basin Water District
Statements of Revenues, Expenses and Changes in Net Position
For the Fiscal Years Ended June 30, 2020 and 2019

		2020	2019
Operating revenues:			
Water consumption sales	$	2,742,482	2,309,364
Water service charges		2,234,452	1,964,922
Standby service charges		1,190,640	1,209,566
Other charges for services		225,099	162,446
Total operating revenues		6,392,673	5,646,298
Operating expenses:			
Pumping, production and treatment		1,294,574	2,156,542
Transmission and distribution		868,666	1,020,555
Customer service		770,662	501,953
General and administrative		1,850,338	2,178,997
Total operating expenses		4,784,240	5,858,047
Operating income before depreciation expense		1,608,433	(211,749)
Depreciation expense		(1,423,233)	(1,846,558)
Operating income (loss)		185,200	(2,058,307)
Non-operating revenue (expense):			
Property taxes		535,012	473,043
Special assessments for debt service		287,753	268,331
Investment earnings		255,108	304,094
Morongo Basin pipeline (note 13)		(169,597)	(219,880)
Interest expense		(235,529)	(221,207)
Debt administration charges		(29,375)	(68,087)
Property tax administration charge		(1,342)	(1,210)
HDMC operations revenue (note 7)		171,537	127,364
HDMC project – District expense (note 7)		(139,827)	(103,970)
Loss on chromium VI grant (note 4)		(63,961)	-
Other non-operating revenues (expenses), net		(156,487)	42,923
Total non-operating revenue, net		453,292	601,401
Net income (loss) before capital contributions		638,492	(1,456,906)
Capital contributions:			
Water capacity charges		171,349	65,670
Wastewater capacity charges		78,264	19,141
State capital grant		11,283	77,552
Capital contributions		246,340	-
Local capital grant – MWA		2,500	3,700
Total capital contributions		509,736	166,063
Change in net position		1,148,228	(1,290,843)
Net position, beginning of period		36,563,587	37,854,430
Net position, end of period	$	37,711,815	36,563,587

See accompanying notes to the basic financial statements

Joshua Basin Water District
Statements of Cash Flows
For the Fiscal Years Ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Cash receipts from customers for water sales and services	$ 6,187,338	5,635,444
Cash paid to employees for salaries and wages	(1,739,215)	(2,154,648)
Cash paid to vendors and suppliers for materials and services	(2,701,678)	(4,245,929)
Net cash provided by (used in) operating activities	1,746,445	(765,133)
Cash flows from non-capital financing activities:		
Property taxes	506,137	414,670
Morongo Basin pipeline	(169,597)	(219,880)
Other non-operating expenses, net	(156,487)	42,923
Net cash provided by non-capital financing activities	180,053	237,713
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(1,666,129)	(2,078,489)
HDMC project expense	31,710	23,394
Capital contributions	498,453	88,511
Payments received for note receivable	74,610	74,611
Proceeds from capital grants	86,604	61,750
Loan receivable from State Revolving Fund	84,870	(34,529)
Loss on chromium VI grant	(63,961)	-
Special assessments for debt service	281,382	269,456
Principal received (paid) from debt issuance	(183,279)	2,933,529
Interest paid on debt	(241,905)	(131,127)
Net cash (used in) provided by capital and related financing activities	(1,097,645)	1,207,106
Cash flows from investing activities:		
Investment earnings	280,769	283,808
Net cash provided by investing activities	280,769	283,808
Net increase in cash and cash equivalents	1,109,622	963,494
Cash and cash equivalents, beginning of period	10,615,754	9,652,260
Cash and cash equivalents, end of period	$ 11,725,376	10,615,754

	2020	2019
Reconciliation of cash and cash equivalents to the statements of net position:		
Cash and cash equivalents	$ 8,289,310	7,267,826
Cash and cash equivalents - restricted	3,436,066	3,347,928
Total cash and cash equivalents	$ 11,725,376	10,615,754

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, 2020 and 2019

		2020	2019
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	$	185,200	(2,058,307)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation		1,423,233	1,846,558
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:			
(Increase) decrease in assets and deferred outflows of resources:			
Accounts receivable – water sales and services, net		(223,035)	(87,307)
Accounts receivable – other		(10,066)	22,524
Materials and supplies inventory		415,329	(626,385)
Prepaid expenses and other deposits		1,775	(970)
Deferred outflows of resources		(23,844)	47,092
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses		(184,880)	60,476
Accrued wages and related payables		25,886	2,919
Customer deposits and unearned revenue		27,766	53,929
Compensated absences		7,414	5,848
Net pension liability		91,809	(18,704)
Deferred inflows of resources		9,858	(12,806)
Total adjustments		1,561,245	1,293,174
Net cash provided by (used in) operating activities	$	1,746,445	(765,133)

See accompanying notes to the basic financial statements

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

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

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

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

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

B. Basis of Accounting and Measurement Focus

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

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

C. Financial Reporting

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

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

C. Financial Reporting, continued

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

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

In May 2020, the GASB issued Statement No. 95 – *Postponement of the Effective Dates of Certain Authoritative Guidance.* The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

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

1. Use of Estimates

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

2. Cash and Cash Equivalents

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

3. Investments and Investment Policy

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

The District's investment policy authorizes investments such 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.

4. Fair Value Measurements

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

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

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

4. Fair Value Measurements, continued

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

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

5. Accounts Receivable and Allowance for Uncollectible Accounts

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

6. Property Taxes and Assessments

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

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

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

7. Materials and Supplies Inventory

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

8. Prepaid Expenses

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

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

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

9. Capital Assets

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

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

10. Deferred Outflows of Resources

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

11. Deferred Inflows of Resources

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

12. Compensated Absences

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

13. Pensions

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

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

- Valuation Date: June 30, 2018 and 2017
- Measurement Date: June 30, 2019 and 2018
- Measurement Period: July 1, 2018 to June 30, 2019 and July 1, 2017 to June 30, 2018

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

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

14. Net Position

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

- **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 component of net position.

15. Water Sales and Services

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

16. Capital Contributions

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

17. Budgetary Policies

The District adopts 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.

18. 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 accompanying financial statements as follows:

		2020	2019
Cash and cash equivalents	$	8,289,310	7,267,826
Cash and cash equivalents - restricted		3,436,066	3,347,928
Total cash and cash equivalents	$	11,725,376	10,615,754

(2) Cash and Cash Equivalents, continued

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

		2020	2019
Cash on hand	$	2,545	2,469
Deposits held with financial institutions		402,128	407,603
Deposits held with the California Local			
Agency Investment Fund:			
Unrestricted		7,884,637	6,857,754
Restricted		3,436,066	3,347,928
Subtotal		11,320,703	10,205,682
Total cash and cash equivalents	$	11,725,376	10,615,754

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

	2020	2019
Deposits held with the California Local Agency Investment Fund:	191 days	173 days

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

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

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

(2) Cash and Cash Equivalents, continued

Investment in State Investment Pool

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

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.

Custodial Credit Risk

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

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

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

Interest Rate Risk

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

(2) Cash and Cash Equivalents, continued

Credit Risk

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

Concentration of Credit Risk

The District's investment policy contains various limitations on the amounts that can be invested in any one governmental agency or non-governmental issuer as stipulated by the California Government Code. The District's deposit portfolio with governmental agencies, LAIF, is 97% and 96% as of June 30, 2020 and 2019, 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:

		2020	2019
Accounts receivable – water sales	$	678,042	529,975
Unbilled water sales receivables		493,695	376,635
Standby charges receivables		312,012	303,601
Property liens		106,683	100,970
Allowance for doubtful accounts		(218,254)	(162,038)
Total accounts receivable, net	$	1,372,178	1,149,143

(4) Grant Receivable

The balance at June 30 consists of the following:

		2020	2019
State Water Resources Control Board	$	-	75,885
CA Dept Water Resources DAC Involvement Program Grant		4,442	3,878
Total accounts receivable, net	$	4,442	79,763

On December 17, 2015, the District was awarded with a state pass through grant funding from the State Water Resources Control Board (State). The State provides funding pursuant from the California Health and Safety Code to assist the District in planning regarding the possible implementation of the Chromium VI Remediation Project. The agreement provides for a total funding of $2,016,000, consisting of $500,000 in grant fund and $1,516,000 in state revolving fund (see Note 5).

As of June 30, 2020, the State was no longer funding the costs associated with planning the District's Chromium VI Remediation Project. Consequentially, the District wrote-off the remainder of the grant receivable, or $63,961, and recorded a loss on Chromium VI grant.

(4) Grant Receivable, continued

On June 18, 2018, 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 Regional Water Management Plan 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 most of their allocated grant revenue for their Saddleback Pipeline Project Planning and Design. The District is required to wait until all projects associated with the grant agreement were completed in order to apply for release of retention held by the State. As of June 30, 2020 and 2019, the receivable balance from DWR amounted to $4,442 and $3,878 respectively and is included as part of grants receivable.

(5) Loan Receivable

On December 17, 2015, the District was awarded a federal pass through grant funding from the State Water Resources Control Board (State) in the form of Drinking Water State Revolving Fund financing. The financing is designed to assist the District in financing the planning regarding the possible implementation of the Chromium VI Remediation Project. The total project cost is estimated to be $2,016,000, consisting of $1,516,000 in state revolving fund and $500,000 in grant fund (see Note 4).

As of June 30, 2020, the State was no longer funding the costs associated with planning the District's Chromium VI Remediation Project.

(6) Note Receivable – Hi-Desert Medical Center

On July 1, 2012, the District executed a note receivable with the Hi-Desert Medical Center for $1,119,156 for capacity charges due for sanitary sewer service to the Hi-Desert Medical Center Wastewater Treatment Plant. The note is to be repaid over a 15-year period ($74,610 principal per year) with interest charged at the quarterly LAIF interest earnings rate. As of June 30, 2020 and 2019, the note principal balance remaining was $522,273 and $596,883, respectively. At June 30, 2020 and 2019, accrued interest receivable on the note was $10,777 and $14,683, respectively, and is included as part of the accrued interest receivable balance in the statements of net position.

(7) Hi-Desert Medical Center Project

In fiscal year 2013, the District was engaged by the Hi-Desert Medical Center (HDMC) to construct, own and operate the HDMC's Wastewater Treatment Plant (Plant). Please see note 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 year ended June 30, 2020, the District received $171,537 in reimbursement revenue from HDMC and incurred $139,827 in reimbursable costs towards the project. For the fiscal year ended June 30, 2019, the District received $127,364 in reimbursement revenue from HDMC and incurred $103,970 in reimbursable costs towards the project.

(8) Deferred Compensation Savings Plan

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

(8) Deferred Compensation Savings Plan, continued

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, 2020 and 2019, the market value of all plan assets held in trust by ICMA-RC was $731,555 and $714,353, respectively.

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

(9) Capital Assets

Changes in capital assets for the year ended June 30, 2020, were as follows:

	Balance 2019	Additions/ Transfers	Deletions/ Transfers	Balance 2020
Non-depreciable assets:				
Land and land rights	$ 516,019	35,000	-	551,019
Construction-in-process	263,407	1,666,500	(869,740)	1,060,167
Total non-depreciable assets	779,426	1,701,500	(869,740)	1,611,186
Depreciable assets:				
Transmission and distribution system	41,976,627	282,605	(343,806)	41,915,426
Recharge facilities	9,108,029	-	-	9,108,029
Structures and improvements	1,343,365	-	-	1,343,365
Vehicles and large equipment	3,161,548	382,157	-	3,543,705
Office furniture and equipment	1,049,602	117,438	(11,803)	1,155,237
Water rights	-	-	-	-
Wastewater system in development	22,419	-	-	22,419
Studies and reports	1,258,413	52,169	-	1,310,582
Total depreciable assets	57,920,003	834,369	(355,609)	58,398,763
Accumulated depreciation:				
Transmission and distribution mains	(24,065,922)	(904,745)	301,243	(24,669,424)
Recharge facilities	(835,565)	(182,169)	-	(1,017,734)
Structures and improvements	(532,686)	(44,815)	6,582	(570,919)
Vehicles and large equipment	(1,062,014)	(251,806)	-	(1,313,820)
Office furniture and equipment	(953,108)	(6,395)	47,784	(911,719)
Water rights	-	-	-	-
Wastewater system in development	(22,419)	-	-	(22,419)
Studies and reports	(1,258,413)	(33,303)	-	(1,291,716)
Total accumulated depreciation	(28,730,127)	(1,423,233)	355,609	(29,797,751)
Total depreciable assets, net	29,189,876	(588,864)	-	28,601,012
Total capital assets, net	$ 29,969,302	1,112,636	(869,740)	30,212,198

(9) Capital Assets, continued

Major depreciable capital assets additions during the fiscal year ended 2020, include upgrades and extensions of the District's water transmission and distribution systems of $282,605, purchases of vehicles and large equipment of $382,157, purchases of office furniture and equipment of $117,438, and capital improvement plans related to surveys and plans of $52,169. During the year, the District had deletions of $343,806 in water transmission and distribution systems and $11,803 in office furniture and equipment.

Changes in capital assets for the year ended June 30, 2019, were as follows:

	Balance 2018	Additions/	Deletions/ Transfers	Balance 2019
Non-depreciable assets:				
Land and land rights	$ 516,019	-	-	516,019
Construction-in-process	1,610,606	2,462,483	(3,809,682)	263,407
Total non-depreciable assets	2,126,625	2,462,483	(3,809,682)	779,426
Depreciable assets:				
Transmission and distribution system	41,044,351	834,054	98,222	41,976,627
Recharge facilities	9,108,029	-	-	9,108,029
Structures and improvements	1,118,796	224,569	-	1,343,365
Vehicles and large equipment	1,446,685	1,714,863	-	3,161,548
Office furniture and equipment	1,101,475	46,349	(98,222)	1,049,602
Water rights	-	-	-	-
Wastewater system in development	22,419	-	-	22,419
Studies and reports	652,561	605,852	-	1,258,413
Total depreciable assets	54,494,316	3,425,687	-	57,920,003
Accumulated depreciation:				
Transmission and distribution mains	(23,232,869)	(811,772)	(21,281)	(24,065,922)
Recharge facilities	(653,396)	(182,169)	-	(835,565)
Structures and improvements	(499,600)	(33,086)	-	(532,686)
Vehicles and large equipment	(935,967)	(126,047)	-	(1,062,014)
Office furniture and equipment	(886,758)	(87,631)	21,281	(953,108)
Water rights	-	-	-	-
Wastewater system in development	(22,419)	-	-	(22,419)
Studies and reports	(652,561)	(605,852)	-	(1,258,413)
Total accumulated depreciation	(26,883,570)	(1,846,557)	-	(28,730,127)
Total depreciable assets, net	27,610,746	1,579,130	-	29,189,876
Total capital assets, net	$ 29,737,371	4,041,613	(3,809,682)	29,969,302

Major depreciable capital assets additions during the fiscal year ended 2019, include upgrades and extensions of the District's water transmission and distribution systems of $834,054, purchases of structures and improvements of $224,569, purchases of vehicles and large equipment of $1,714,863, purchases of office furniture and equipment of $46,349, and capital improvement plans related to surveys and plans of $605,852. During the year, the District re-classed $98,222 of office furniture and equipment to transmission and distribution systems.

(9) Capital Assets, continued

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, 2020 and 2019, the balance of construction-in-process was $1,060,167 and $263,407, respectively.

Construction-in-process consisted of the following projects:

Project Description		2020	2019
Update wastewater treatment strategy	$	67,997	-
Tilford Way Pipeline project		170,330	-
Rate and fee study		-	41,993
Saddleback design and install		708,639	88,910
Various other minor projects < $50,000		113,201	132,504
Total construction-in-process	$	1,060,167	263,407

(10) Compensated Absences

The changes to compensated absences for 2020 were as follows:

	Balance 2019	Earned	Taken	Balance 2020	Due within One Year	Due in more than one year
$	181,480	293,520	(286,106)	188,894	47,224	141,670

The changes to compensated absences for 2019 were as follows:

	Balance 2018	Earned	Taken	Balance 2019	Due within One Year	Due in more than one year
$	175,632	281,769	(275,921)	181,480	45,370	136,110

(11) Long-Term Debt

Changes in long-term debt amounts for 2020 were as follows:

		Balance 2019	Additions	Payments	Balance 2020	Current Portion
Long-term debt:						
Bonds payable:						
1996 Bonds	$	2,859,000	-	(116,000)	2,743,000	121,000
Note payable:						
Installment Sale #18-012		3,010,000	-	(152,006)	2,857,994	157,858
Loans payable:						
State Revolving Fund Loan		84,870	-	(84,870)	-	-
Morongo Basin Pipeline Debt		-	169,597	-	169,597	-
Total long-term debt	$	5,953,870	169,597	(352,876)	5,770,591	278,858

(11) Long-Term Debt, continued

Changes in long-term debt amounts for 2019 were as follows:

		Balance 2018	Additions	Payments	Balance 2019	Current Portion
Long-term debt:						
Bonds payable:						
1996 Bonds	$	2,970,000	-	(111,000)	2,859,000	116,000
Note payable:						
Installment Sale #18-012		-	3,010,000	-	3,010,000	152,006
Loans payable:						
State Revolving Fund Loan		50,341	34,529	-	84,870	-
Total long-term debt	$	3,020,341	3,044,529	(111,000)	5,953,870	268,006

1996 Limited Obligation Improvement Bonds

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

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

Year		Principal	Interest	Total
2021	$	121,000	120,713	241,713
2022		127,000	115,133	242,133
2023		132,000	109,305	241,305
2024		138,000	103,230	241,230
2025		145,000	96,862	241,862
2026-2030		823,000	378,786	1,201,786
2031-2035		1,025,000	171,608	1,196,608
2036		232,000	5,220	237,220
Total		2,743,000	1,100,857	3,843,857
Current		(121,000)		
Long-term	$	2,622,000		

2018 Installment Sale Agreement #18-012

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

(11) Long-Term Debt, continued

2018 Installment Sale Agreement #18-012, continued

The agreement provides for a total funding of $3,010,000 to fund startup of a 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.

Annual payments are as follows:

Year		Principal	Interest	Total
2021	$	157,858	110,033	267,891
2022		163,936	103,955	267,891
2023		170,247	97,644	267,891
2024		176,802	91,089	267,891
2025		183,609	84,282	267,891
2026-2030		1,029,681	309,774	1,339,455
2031-2034		975,861	95,880	1,071,741
Total		2,857,994	892,657	3,750,651
Current		(157,858)		
Long-term	$	2,700,136		

Drinking Water State Revolving Fund Loan

On December 17, 2015, the District entered into a grant funding agreement with California State Water Resources Control Board ("State") for a planning loan and grant under the California Water State Revolving Fund (SRF) pursuant to Chapter 4.5, Part 12 of Division 104 of the California Health and Safety Code (State Act) to be used for purposes of the Chromium VI Remediation Project.

The project under the funding agreement includes planning regarding the possible implementation of the Chromium VI Remediation Project. The agreement provides for a total funding of $2,016,000. The amount consists of State Revolving Fund (SRF) in the amount of $1,516,000 and a Grant in the amount of $500,000. The SRF program is a federal state partnership that provides communities a permanent, independent source of low-cost financing for a wide range of water quality infrastructure projects. The State Revolving Fund has an interest rate of zero percent with a loan repayment term of 10 years. The loan repayment term shall commence after all disbursements have been paid.

As of June 30, 2020, the State was no longer funding the costs associated with planning the District's Chromium VI Remediation Project.

Morongo Basin Pipeline Debt

During fiscal year 2020, the District was notified by the Mojave Water Agency (MWA) that it maintained sufficient debt service reserves and further tax apportionments would be terminated. MWA projected the final debt service payment that would be required in May 2022 for each IDM pipeline participant based on the percentage share of the pipeline. Of the total final projected payment of $628,136, the District's share is calculated at 27% or $169,597. The District recorded a liability accordingly. See note 13 for more detail.

(12) Defined Benefit Pension Plan

Plan Description

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

Benefits provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service (vesting period). The death benefit range from simple return of contributions plus interest to a monthly allowance, based upon member eligibility.

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

The Plans' provision and benefits in effect as of June 30, 2020, are summarized as follows:

	Miscellaneous Risk Pool	
	Classic	**PEPRA**
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates	7.00%	7.25%
Required employer contribution rates	10.868%	7.072%

Contributions

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

(12) Defined Benefit Pension Plan, continued

Contributions, continued

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

	2020	2019
Contributions – employer	$ 226,625	188,604

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:

	2020	2019
Proportionate share of net pension liability	$ 563,855	472,046

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2019 and 2018 (the measurement dates), and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 and 2017 (the valuation dates), rolled forward to June 30, 2019 and 2018, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the pension liability for the Plan as of the fiscal year ended June 30, 2020, was as follows:

	Miscellaneous
Proportion – June 30, 2019	0.00490%
Increase in proportion	0.00060%
Proportion – June 30, 2020	0.00550%

The District's proportionate share of the pension liability for the Plan as of the fiscal year ended June 30, 2019, was as follows:

	Miscellaneous
Proportion – June 30, 2018	0.00495%
Decrease in proportion	-0.00005%
Proportion – June 30, 2019	0.00490%

Deferred Pension Outflows (Inflows) of Resources

For the fiscal years ended June 30, 2020 and 2019, the District recognized pension expense of $304,448 and $94,017, respectively.

(12) Defined Benefit Pension Plan, continued

Deferred Pension Outflows (Inflows) of Resources, continued

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

		2020		2019	
Description		**Deferred Outflows of Resources**	**Deferred Inflows of Resources**	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Pension contributions subsequent to the measurement date	$	226,625	-	188,604	-
Differences between actual and expected experience		36,129	-	11,948	-
Changes in assumptions		17,356	-	40,626	-
Net differences between projected and actual earnings on plan investments		-	9,858	2,334	-
Differences between actual contribution and proportionate share of contribution		70,483	-	71,276	-
Net adjustment due to differences in proportions of net pension liability		103,941	-	115,902	-
Total	$	454,534	9,858	430,690	-

As of June 30, 2020 and 2019, the District reported $226,625 and $188,604 as deferred outflows of resources related to pension contributions subsequent to the measurement dates June 30, 2019 and 2018, and will be recognized as a reduction of the net pension liability for the year ended June 30, 2021 and 2020, respectively.

Deferred Pension Outflows (Inflows) of Resources, continued

As of June 30, 2020, the District recognized other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30,		**Deferred Net Outflows/(Inflows) of Resources**
2021	$	162,343
2022		20,557
2023		31,184
2024		3,966
2025		-
Remaining		-

(12) Defined Benefit Pension Plan, continued

Actuarial Assumptions

The total pension liabilities in the June 30, 2018 and 2017, actuarial valuations were determined using the following actuarial assumptions and methods:

Valuation Date	June 30, 2018 and 2017
Measurement Date	June 30, 2019 and 2018
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Discount rate	7.15%
Inflation	2.50%
Salary increases	Varies by Entry Age and Service
Period upon which actuarial experience survey assumptions were based	1997 - 2015
Post retirement benefit increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

* The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

Discount Rate

At the measurement dates, June 30, 2019 and 2018, the discount rate used to measure the total pension liability was 7.15% for the Plan. The discount rate reflects the long-term expected rate of return for the Plan net of investment expenses and without reduction for administrative expenses. For the Plan, the crossover test was performed for a miscellaneous agent plan and a safety agent plan was selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investments. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for PERF C. The crossover test results can be found on CalPERS' website.

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

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

(12) Defined Benefit Pension Plan, continued

Discount Rate, continued

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

As of June 30, 2020 and 2019, the target allocation and the long-term expected real rate of return by asset class is as follows:

Asset Class	New Strategic Allocation	Real Return Years 1-10*	Real Return Year 11+**
Global Equity	50.0%	4.80%	5.98%
Global Fixed Income	28.0%	1.00%	2.62%
Inflation Sensitive	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Infrastructure and Forestland	0.0%	0.00%	0.00%
Liquidity	1.0%	0.00%	-0.92%
Total	100.0%		

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

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

As of June 30, 2020, the District's net pension liability at the current discount rate, using a discount rate that is one-percentage point lower, and using a discount rate that is one-percentage point higher, are as follows:

	Discount Rate - 1% 6.15%	Current Discount Rate 7.15%	Discount Rate + 1% 8.15%
District's Net Pension Liability	$ 1,096,987	563,855	123,793

As of June 30, 2019, the District's net pension liability at the current discount rate, using a discount rate that is one-percentage point lower, and using a discount rate that is one-percentage point higher, are as follows:

	Discount Rate - 1% 6.15%	Current Discount Rate 7.15%	Discount Rate + 1% 8.15%
District's Net Pension Liability	$ 914,172	472,046	107,079

(12) Defined Benefit Pension Plan, continued

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 42 through 43 for the Required Supplementary Schedules.

Payable to the Pension Plan

At June 30, 2020 and 2019, the District reported $0 in payables for the outstanding amount of contribution to the pension plan.

(13) Morongo Basin Pipeline Project

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

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

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

During fiscal year 2020, the District was notified by the Agency that it maintained sufficient debt service reserves and further tax apportionments would be terminated. MWA projected the final debt service payment that would be required in May 2022 for each IDM pipeline participant based on the percentage share of the pipeline. Of the total final projected payment of $628,136, the District's share is calculated at 27% or $169,597. The District recorded a liability accordingly.

Payments of fixed project costs to the Agency have been classified as non-operating expenses in the amount of $169,597 and $219,880 for the fiscal years ended June 30, 2020 and 2019, respectively.

(14) Net Position

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

		2020	2019
Net Investment in capital assets, net of related debt:			
Capital assets, not being depreciated	$	1,611,186	779,426
Depreciable capital assets, net		28,601,012	29,189,876
Current:			
Bonds payable		(121,000)	(116,000)
Notes payable		(157,858)	(152,006)
Non-current:			
Bonds payable		(2,622,000)	(2,743,000)
Notes payable		(2,700,136)	(2,857,994)
Loans payable		(169,597)	(84,870)
Total net investment in capital assets		24,441,607	24,015,432
Restricted net position:			
Cash and cash equivalents - restricted		3,436,066	3,347,928
Accrued interest receivable - restricted		20,783	30,050
Special assessments receivable - restricted		92,216	85,845
Note receivable – Hi-Desert Medical Center, restricted		522,273	596,883
Total restricted net position		4,071,338	4,060,706
Unrestricted net position:			
Non-spendable net position:			
Materials and supplies inventory		330,808	746,137
Prepaid expenses and other deposits		80,370	82,145
Total non-spendable net position		411,178	828,282
Spendable net assets are designated as follows:			
Designated		7,884,637	6,857,755
Unrestricted		903,055	801,412
Total spendable net position		8,787,692	7,659,167
Total unrestricted net position		9,198,870	8,487,449
Total net position	$	37,711,815	36,563,587

(15) 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.

(15) Risk Management, continued

At June 30, 2020, the District participated in the liability, property and worker' compensation programs of the ACWA/JPIA as follows:

- General and auto liability, public officials and employees' errors and omissions: Total risk financing self-insurance limits of $5,000,000, combined single limit at $5,000,000 per occurrence. The JPIA purchases additional excess coverage layers up to $55 million per occurrence total for general, auto and public officials liability, which increases the limits on the insurance coverage noted above.
- Cyber Liability coverage is included for all Agencies participating in the Liability Program. It 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 annual revenue – the District's retention is $25,000 per loss.

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

- Employee dishonesty coverage up to $1,000,000 per loss includes public employee dishonesty, forgery or alteration and computer fraud subject to a $1,000 deductible per loss. JPIA pools for the first $100,000; excess coverage is purchased through Hartford.
- Property loss, including boiler and machinery coverage is paid at the replacement cost for buildings, fixed equipment and personal property on file of $19,948,845 subject to a $2,500 deductible per occurrence. Repairs or replacement must be completed within two years; otherwise loss is valued on an actual cash value basis. Mobile equipment and vehicles are valued based on actual cash value at time of loss, subject to a $1,000 deductible per occurrence. ACWA JPIA has purchased excess coverage up to $500 million.
- Workers' compensation insurance up to California statutory limits for all work related injuries/illnesses covered by California law. The ACWA/JPIA is self-insured up to $2,000,000 and excess insurance coverage has been purchased.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the fiscal years ended June 30, 2020, 2019 and 2018. 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, 2020, 2019 and 2018.

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

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2020, that has effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 84

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

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

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

Governmental Accounting Standards Board Statement No. 84, continued

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

The requirements of this Statement were effective for reporting periods beginning after December 15, 2018; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 87

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

The requirements of this Statement were effective for reporting periods beginning after December 15, 2019; however, in light of the COVID-19 pandemic, the effective date has been postponed by 18 months. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 89

In June 2018, the GASB issued Statement No. 89 – *Accounting for Interest Cost incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2019; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

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

Governmental Accounting Standards Board Statement No. 90

In August 2018, the GASB issued Statement No. 90 – Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2018; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

Governmental Accounting Standards Board Statement No. 91

In May 2019, the GASB issued Statement No. 91 – Conduit Debt Obligations. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

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

Governmental Accounting Standards Board Statement No. 91, continued

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2020; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 92

In January 2020, the GASB issued Statement No. 92 – *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

The requirements of this Statement were as follows: (1) The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance; (2) The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2020; (3) The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2020; and (4) The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2020; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged and is permitted by topic.

Governmental Accounting Standards Board Statement No. 93

In March 2020, the GASB issued Statement No. 93 – *Replacement of Interbank Offered Rates*. The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an IBOR.

This Statement achieves that objective by: (1) Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment; (2) Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; (3) Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable; (4) Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap; (5) Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap; (6) Clarifying the definition of reference rate, as it is used in Statement 53, as amended; and (7) Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

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

Governmental Accounting Standards Board Statement No. 93, continued

The requirements of this Statement were effective as follows: (1) The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021; and (2) All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020; however, in light of the COVID-19 pandemic, the effective dates have been postponed by one year. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 94

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.

Governmental Accounting Standards Board Statement No. 96

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.

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

Governmental Accounting Standards Board Statement No. 97

In June 2020, the GASB issued Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 41 and No. 84, and a supersession of GASB Statement No. 32.* The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement. The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance.

(17) Commitments and Contingencies

Grant Awards

Grant funds received by the District are subject to audit by the grantor agencies. Such audit could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. Management of the District believes that such disallowances, if any, would not be significant.

Construction Contracts

The District has a variety of agreements with private parties relating to the installation, improvement or modification of water and wastewater facilities and distribution systems within its service area. The financing of such construction contracts is being provided primarily from the District's replacement reserves and capital contributions.

Litigation

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

(17) Commitments and Contingencies, continued

COVID-19 Pandemic

In December 2019, a novel strain of coronavirus has spread around the world resulting in business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operations and business results of the Commission could potentially be adversely affected by this global pandemic. The extent to which the coronavirus may impact business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus. The Commission has not included any contingencies in the financial statements specific to this issue.

(18) Subsequent Events

Events occurring after June 30, 2020, have been evaluated for possible adjustment to the financial statements or disclosure as of December 16, 2020, which is the date the financial statements were available to be issued.

Required Supplementary Information

Joshua Basin Water District
Schedule of the District's Proportionate Share of the Net Pension Liability
As of June 30, 2020
Last Ten Years*

	Fiscal Years					
	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
District's Proportion of the Net Pension Liability	0.00550%	0.00490%	0.00495%	0.00439%	0.00394%	0.00463%
District's Proportionate Share of the Net Pension Liability	$ 563,855	472,046	490,750	379,802	270,679	288,403
District's Covered-Employee Payroll	$ 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-Employee Payroll	32.34%	32.17%	33.56%	28.24%	19.55%	20.82%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	85.77%	85.56%	82.83%	83.60%	87.09%	83.03%
Plan's Proportionate Share of Aggregate Employer Contributions	140,877	106,518	89,544	72,122	63,158	38,155

Notes:

***Changes in Benefit Terms* –** There were no changes in benefit terms for the measurement date June 30, 2020.

***Changes of Assumptions* –** There were no changes of assumption for the measurement date June 30, 2020.

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

Joshua Basin Water District
Schedule of Pension Plan Contributions
As of June 30, 2020
Last Ten Years*

Description		Fiscal Years 6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Actuarially Determined Contribution	$	189,373	170,464	144,890	145,219	143,957	156,268
Contributions in Relation to the Actuarially Determined Contribution		(226,625)	(188,604)	(159,828)	(137,342)	(121,564)	(146,314)
Contribution Deficiency (Excess)	$	(37,252)	(18,140)	(14,938)	7,877	22,393	9,954
Covered Payroll	$	1,743,402	1,467,121	1,462,157	1,344,686	1,384,706	1,385,361
Contributions as a percentage of Covered-Employee Payroll		10.86%	11.62%	9.91%	10.80%	10.40%	11.28%

Notes:

* 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

Fedak & Brown LLP
Certified Public Accountants

Charles Z. Fedak, CPA, MBA
Christopher J. Brown, CPA, CGMA
Andy Beck, CPA

Cypress Office:
6081 Orange Avenue
Cypress, California 90630
(657) 214-2307
FAX (714) 527-9154

Riverside Office:
1945 Chicago Avenue, Suite C-1
Riverside, California 92507
(951) 783-9149

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

Board of Directors
Joshua Basin Water District
Joshua Tree, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Joshua Basin Water District (District) as of and for the fiscal years ended June 30, 2020 and 2019, 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 16, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Purpose of this Report

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

Fedak & Brown LLP

Fedak & Brown LLP
Cypress, California
December 16, 2020