

# **Twentynine Palms Water District**

Twentynine Palms, California

## **Annual Financial Report**

*For the Fiscal Year Ended June 30, 2016*





**Twentynine Palms Water District  
Annual Financial Report  
For the Fiscal Year Ended June 30, 2016**

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
of the Twentynine Palms Water District  
Twentynine Palms, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Twentynine Palms Water District (District) as of and for the year ended June 30, 2016, and the related notes to the basic 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the District, as of June 30, 2016, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors  
of the Twentynine Palms Water District  
Twentynine Palms, California

***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 5 through 10 and the Budgetary Comparison Schedule – Fire Protection Fund, Schedule of the District's Proportionate Share of the Plan's Net Pension Liability, and the Schedule of the District's Contributions to the Pension Plan and Schedule of Funding Progress – Other Post-Employment Benefits Plan on pages 61 through 64, respectively, are 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 31, 2016, 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.

Santa Ana, California  
December 31, 2016





**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

**Independent Auditors' Report**

To the Board of Directors  
of the Twentynine Palms Water District  
Twentynine Palms, 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 Controller General of the United States, the governmental activities, the business-type activities, and each major fund of the Twentynine Palms Water District (District) as of and for the year ended June 30, 2016, and the related notes to the basic financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated December 31, 2016

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

To the Board of Directors  
of the Twentynine Palms Water District  
Twentynine Palms, California

**Purpose of this Report**

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

Santa Ana, California  
December 31, 2016

**Twentynine Palms Water District**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Fiscal Year Ended June 30, 2016**

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The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Twentynine Palms Water District (District) provides an introduction to the financial statements of the District for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section.

**Financial Highlights**

- The District's net position decreased 0.5%, or \$(163,788) from \$29,994,362 to \$29,830,574, as a result of this year's operations.
- Total revenues from all sources decreased by 2.1%, or \$(121,722) from \$5,741,269 to \$5,619,547, from the prior year, primarily due to an decrease of \$60,598 in the fire protection special assessment, \$23,431 in water consumption sales, and \$28,751 in water service charges.
- Total expenses for the District's operations decreased by 2.0% or \$(120,914) from \$5,904,249 to \$5,783,335, from the prior year, primarily due to a \$135,457 increase in salaries and benefits in the governmental funds along with a \$(290,626) decrease in general and administrative expenses in the business-type expenses.

**Using This Financial Report**

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies. The Statement of Net Position includes all of the District's investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenue and expenses are accounted for in the Statement of Activities. This statement measures the success of the District's operations over the past year and can be used to determine the District's profitability and credit worthiness.

**Government-wide Financial Statements**

**Statement of Net Position and Statement of Activities**

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Activities report information about the District in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting 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. Think of the District's net position – the difference between assets and liabilities – as one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors; however, such as changes in the District's property tax base to assess the *overall health* of the District.

**Twentynine Palms Water District**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
**For the Fiscal Year Ended June 30, 2016**

**Governmental Funds Financial Statements**

**Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances**

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budgetary information and compliance.

**Government-wide Financial Analysis**

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 of the District exceeded liabilities by \$29,830,574 as of June 30, 2016.

**Statements of Net Position**

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
<b>ASSETS:</b>						
Other assets	\$ 1,306,393	\$ 1,350,155	\$ 7,151,797	\$ 7,791,455	\$ 8,458,190	\$ 9,141,610
Capital assets, net	489,495	569,177	24,248,317	23,572,086	24,737,812	24,141,263
<b>Total assets</b>	<b>1,795,888</b>	<b>1,919,332</b>	<b>31,400,114</b>	<b>31,363,541</b>	<b>33,196,002</b>	<b>33,282,873</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	531,540	98,539	196,961	158,842	728,501	257,381
<b>LIABILITIES:</b>						
Other liabilities	460,663	34,724	579,467	503,008	1,040,130	537,732
Long-term obligations	517,356	505,228	2,181,819	1,890,626	2,699,175	2,395,854
<b>Total liabilities</b>	<b>978,019</b>	<b>539,952</b>	<b>2,761,286</b>	<b>2,393,634</b>	<b>3,739,305</b>	<b>2,933,586</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	99,757	167,965	254,867	444,341	354,624	612,306
<b>NET POSITION</b>						
Net investment in capital assets	489,495	569,177	24,248,317	23,572,086	24,737,812	24,141,263
Unrestricted	760,157	740,777	4,332,605	5,112,322	5,092,762	5,853,099
<b>Total net position</b>	<b>\$ 1,249,652</b>	<b>\$ 1,309,954</b>	<b>\$ 28,580,922</b>	<b>\$ 28,684,408</b>	<b>\$ 29,830,574</b>	<b>\$ 29,994,362</b>

At the end of fiscal year 2016, the District shows a positive balance in its unrestricted net position of \$5,092,762 that may be utilized in future years.

**Twentynine Palms Water District**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
**For the Fiscal Year Ended June 30, 2016**

**Statements of Activities**

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
<b>REVENUES:</b>						
Program revenues	\$ 1,265,700	\$ 1,351,981	\$ 4,106,807	\$ 4,121,273	\$ 5,372,507	\$ 5,473,254
General revenues	65,017	59,650	182,023	208,365	247,040	268,015
<b>Total revenues</b>	<b>1,330,717</b>	<b>1,411,631</b>	<b>4,288,830</b>	<b>4,329,638</b>	<b>5,619,547</b>	<b>5,741,269</b>
<b>EXPENSES:</b>						
Fire protection	1,391,019	1,202,652	-	-	1,391,019	1,202,652
Water operations	-	-	4,392,316	4,701,597	4,392,316	4,701,597
<b>Total expenses</b>	<b>1,391,019</b>	<b>1,202,652</b>	<b>4,392,316</b>	<b>4,701,597</b>	<b>5,783,335</b>	<b>5,904,249</b>
<b>Change in net position</b>	<b>(60,302)</b>	<b>208,979</b>	<b>(103,486)</b>	<b>(371,959)</b>	<b>(163,788)</b>	<b>(162,980)</b>
<b>NET POSITION:</b>						
Beginning of year	1,309,954	1,100,975	28,684,408	29,056,367	29,994,362	30,157,342
End of year	<b>\$ 1,249,652</b>	<b>\$ 1,309,954</b>	<b>\$ 28,580,922</b>	<b>\$ 28,684,408</b>	<b>\$ 29,830,574</b>	<b>\$ 29,994,362</b>

The statement of activities shows how the government's net position changed during the fiscal year. In the case of the District, net position decreased by \$(163,788), during the fiscal year ended June 30, 2016.

**Governmental Revenues**

Governmental revenues:	Balance June 30, 2016	Balance June 30, 2015	Change
Fire protection special assessment	\$ 1,200,537	\$ 1,261,135	\$ (60,598)
Charges for services	10,547	6,671	3,876
Fines, penalties and other	50,457	62,611	(12,154)
Other revenues	240	16,312	(16,072)
Operating grants and contributions	3,919	5,252	(1,333)
Investment earnings	2,955	2,642	313
Transfers in	62,062	57,008	5,054
<b>Total governmental revenues</b>	<b>\$ 1,330,717</b>	<b>\$ 1,411,631</b>	<b>\$ (80,914)</b>

Governmental revenues decreased \$(80,914) for the fiscal year ended June 30, 2016.

**Twentynine Palms Water District**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
**For the Fiscal Year Ended June 30, 2016**

***Business-type Revenues***

<b>Business-type revenues:</b>	<b>Balance June 30, 2016</b>	<b>Balance June 30, 2015</b>	<b>Change</b>
Water consumption sales	\$ 2,321,111	\$ 2,344,542	\$ (23,431)
Water service charges	1,061,643	1,090,394	(28,751)
Water availability charge	604,184	574,502	29,682
Other service charges	119,869	111,835	8,034
Rental revenue	124,374	114,016	10,358
Investment earnings	25,826	14,701	11,125
Other non-operating revenue	93,885	136,656	(42,771)
Transfer to fire fund	(62,062)	(57,008)	(5,054)
<b>Total business-type revenues</b>	<b>\$ 4,288,830</b>	<b>\$ 4,329,638</b>	<b>\$ (40,808)</b>

Business-type revenues decreased \$(40,808) for the fiscal year ended June 30, 2016.

**Expenses**

***Governmental Expenses***

<b>Governmental expenses:</b>	<b>Balance June 30, 2016</b>	<b>Balance June 30, 2015</b>	<b>Change</b>
Salaries and benefits	\$ 923,693	\$ 788,236	\$ 135,457
Materials and services	387,644	333,632	54,012
Depreciation expense	79,682	80,784	(1,102)
<b>Total expenses</b>	<b>\$ 1,391,019</b>	<b>\$ 1,202,652</b>	<b>\$ 188,367</b>

Governmental expenses increased \$188,367 for the fiscal year ended June 30, 2016.

***Business-type Expenses***

<b>Business-type expenses:</b>	<b>Balance June 30, 2016</b>	<b>Balance June 30, 2015</b>	<b>Change</b>
Source of supply	\$ 250,941	\$ 269,853	\$ (18,912)
Pumping	174,177	176,821	(2,644)
Transmission and distribution	784,798	766,264	18,534
Customer accounts	177,368	132,798	44,570
General plant	552,073	541,858	10,215
General and administrative	1,120,776	1,411,402	(290,626)
Depreciation expense	1,332,183	1,402,601	(70,418)
<b>Total expenses</b>	<b>\$ 4,392,316</b>	<b>\$ 4,701,597</b>	<b>\$ (309,281)</b>

Business-type expenses decreased \$(309,281) for the fiscal year ended June 30, 2016.

**Twentynine Palms Water District  
Management's Discussion and Analysis (Unaudited) (Continued)  
For the Fiscal Year Ended June 30, 2016**

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**Governmental Funds Financial Analysis**

The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, the *unreserved fund balance* may serve as a useful measure of the government's net resources for spending at the end of the fiscal year.

**Governmental Funds:**

As of June 30, 2016, the District reported a total fund balance of \$845,730. An amount of \$510,301 constitutes the District's *unassigned fund balance*, which is available for future expenditures.

**Proprietary Funds:**

As of June 30, 2016, the District reported a net position of \$28,580,922. An amount of \$4,332,605 constitutes the District's *unrestricted net position* balance which is available for future operations.

**Governmental Funds Budgetary Highlights**

The final budgeted expenditures for the District's Fire Protection Fund at year-end was \$519,801 less than actual. The variance is principally due to an increase of \$553,425 in expenditures for salaries and benefits than budgeted. Actual revenues were more than the anticipated budget by \$19,071.

**Capital Asset Administration**

Changes in capital assets for the year were as follows:

	<b>Balance June 30, 2016</b>	<b>Balance June 30, 2015</b>
Non-depreciable capital assets	\$ 2,263,770	\$ 816,343
Depreciable capital assets	48,110,772	47,695,964
Total capital assets	50,374,542	48,512,307
Accumulated depreciation	(25,636,730)	(24,371,044)
Total capital assets, net	\$ 24,737,812	\$ 24,141,263

At the end of fiscal year 2016, the District's investment in capital assets amounted to \$24,737,812 (net of accumulated depreciation). This investment in capital assets includes structures and improvements, fire equipment, transmission and distribution system and water equipment and construction-in-process. Major capital asset additions during the year include various improvements and equipment purchases totaling \$2,008,414. See note 4 for further information on the District's capital assets.

**Twentynine Palms Water District  
Management's Discussion and Analysis (Unaudited) (Continued)  
For the Fiscal Year Ended June 30, 2016**

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**Economic and Other Factors Effecting Next Year's Operations and Budget**

***Fire Protection Fund***

On July 1, 2016, the District's Fire Protection Fund operations were annexed to the San Bernardino County Fire Protection District per the San Bernardino County LAFCO decision on February 17, 2016.

**Contacting the District's Financial Management Team**

The District's basic financial statements are designed to present users with a general overview of the District's finances and to demonstrate the District's accountability. If you have any questions about the report or need additional information, please contact the District at the Twentynine Palms Water District, 72401 Hatch Road Twentynine Palms, California 92277 or (760) -367-7546.



## **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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**Twentynine Palms Water District**  
**Statement of Net Position**  
**June 30, 2016**

<u>ASSETS</u>	<b>Primary Government</b>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Cash and investments (Note 2)	\$ 837,628	\$ 6,058,826	\$ 6,896,454
Accrued interest receivable	-	8,564	8,564
Accounts receivable, net (Note 3)	-	667,841	667,841
Special assessments receivable (Note 4)	166,338	71,384	237,722
Accounts receivable – other	-	7,698	7,698
Materials and supplies inventory	-	193,597	193,597
Prepaid items	302,427	143,887	446,314
Capital assets – not being depreciated (Note 5)	57,519	2,206,251	2,263,770
Capital assets – being depreciated, net (Note 5)	431,976	22,042,066	22,474,042
<b>Total assets</b>	<b>1,795,888</b>	<b>31,400,114</b>	<b>33,196,002</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Pension contributions made after the measurement date (Note 8)	519,038	163,027	682,065
Difference between actual and proportionate share of employer contributions (Note 8)	12,103	7,057	19,160
Adjustment due to differences in proportions (Note 8)	399	17,484	17,883
Differences between expected and actual experience (Note 8)	-	9,393	9,393
<b>Total deferred outflows of resources</b>	<b>531,540</b>	<b>196,961</b>	<b>728,501</b>
<b><u>LIABILITIES</u></b>			
Accounts payable and accrued expenses	77,534	198,431	275,965
Accrued salaries and benefits	133,129	37,305	170,434
Unearned revenues and deposits	250,000	343,731	593,731
Compensated absences (Note 6)	31,601	52,506	84,107
Net other post-employment benefits obligation (Note 7)	-	677,110	677,110
Aggregate net pension liability (Note 8)	485,755	1,452,203	1,937,958
<b>Total liabilities</b>	<b>978,019</b>	<b>2,761,286</b>	<b>3,739,305</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Differences between projected and actual earnings on pension plan investments (Note 8)	25,855	44,544	70,399
Difference between actual and proportionate share of employer contributions (Note 8)	-	74,594	74,594
Adjustment due to differences in proportions (Note 8)	11,789	46,868	58,657
Differences between expected and actual experience (Note 8)	11,093	-	11,093
Changes in assumptions (Note 8)	51,020	88,861	139,881
<b>Total deferred outflows of resources</b>	<b>99,757</b>	<b>254,867</b>	<b>354,624</b>
<b><u>NET POSITION</u></b>			
Investment in capital assets	489,495	24,248,317	24,737,812
Unrestricted	760,157	4,332,605	5,092,762
<b>Total net position</b>	<b>\$ 1,249,652</b>	<b>\$ 28,580,922</b>	<b>\$ 29,830,574</b>

**Twentynine Palms Water District**  
**Statement of Activities**  
**For the Year Ended June 30, 2016**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Capital and Operating Grants</u>
<b>Primary government:</b>			
<b>Governmental activities:</b>			
Fire protection	\$ 1,391,019	\$ 1,261,781	\$ 3,919
<b>Business-type activities:</b>			
Water operations	<u>4,392,316</u>	<u>4,106,807</u>	<u>-</u>
<b>Total primary government</b>	<u><u>\$ 5,783,335</u></u>	<u><u>\$ 5,368,588</u></u>	<u><u>\$ 3,919</u></u>

**Twentynine Palms Water District**  
**Statement of Activities (Continued)**  
**For the Fiscal Year Ended June 30, 2016**

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
<b>Primary government:</b>			
<b>Governmental activities:</b>			
Fire protection	\$ (125,319)	\$ -	\$ (125,319)
<b>Business-type activities:</b>			
Water operations	-	(285,509)	(285,509)
<b>Total primary government</b>	(125,319)	(285,509)	(285,509)
<b>General Revenues:</b>			
Rental revenue	-	124,374	124,374
Investment earnings	2,955	25,826	28,781
Other revenue	-	93,885	93,885
Transfers (Note 9)	62,062	(62,062)	-
<b>Total general revenues</b>	65,017	182,023	247,040
<b>Change in net position</b>	(60,302)	(103,486)	(163,788)
<b>Net Position:</b>			
Beginning of year	1,309,954	28,684,408	29,994,362
End of year	\$ 1,249,652	\$ 28,580,922	\$ 29,830,574

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## **FUND FINANCIAL STATEMENTS**

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**Twentynine Palms Water District**  
**Balance Sheets**  
**Governmental Funds**  
**June 30, 2016**

<u>ASSETS</u>	<u>Fire Protection Fund</u>	<u>Special Revenue Explorers Fund</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Cash and cash equivalents	\$ 836,227	\$ 1,401	\$ 837,628
Special assessments receivable	166,338	-	166,338
Prepaid items	302,427	-	302,427
<b>Total assets</b>	<b>\$ 1,304,992</b>	<b>\$ 1,401</b>	<b>\$ 1,306,393</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
<b>Liabilities:</b>			
Accounts payable and accrued expenses	\$ 77,534	\$ -	\$ 77,534
Accrued salaries and benefits	133,129	-	133,129
Unearned revenues	250,000	-	250,000
<b>Total liabilities</b>	<b>460,663</b>	<b>-</b>	<b>460,663</b>
<b>Fund Balances: (Note 10)</b>			
Nonspendable	302,427	-	302,427
Assigned	31,601	1,401	33,002
Unassigned	510,301	-	510,301
<b>Total fund balances</b>	<b>844,329</b>	<b>1,401</b>	<b>845,730</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,304,992</b>	<b>\$ 1,401</b>	<b>\$ 1,306,393</b>

**Twentynine Palms Water District**  
**Reconciliation of the Balance Sheets of Governmental Funds to the**  
**Government-Wide Statement of Net Position**  
**June 30, 2016**

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<b>Total Fund Balances – Total Governmental Funds</b>	<u>\$ 845,730</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Capitalized assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those assets as capital assets.	489,495
Deferred outflows of resources used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those deferred outflows of resources.	531,540
Long-term liabilities applicable to the District are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities' both current and long-term, are reported in the statement of net position as follows:	
Compensated absences	(31,601)
Net pension liability	(485,755)
Deferred inflows of resources used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those deferred inflows of resources.	<u>(99,757)</u>
Total adjustments	<u>403,922</u>
<b>Net Position of Governmental Activities</b>	<u><u>\$ 1,249,652</u></u>

**Twentynine Palms Water District**  
**Statements of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2016**

	<u>Fire Protection Fund</u>	<u>Special Revenue Explorers Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES:</b>			
Fire protection special assessment	\$ 1,200,537	\$ -	\$ 1,200,537
Charges for services	10,547	-	10,547
Fines, penalties and other	50,457	-	50,457
Other revenues	240	-	240
Operating grants and contributions	35	3,884	3,919
Investment earnings	2,955	-	2,955
<b>Total revenues</b>	<u>1,264,771</u>	<u>3,884</u>	<u>1,268,655</u>
<b>EXPENDITURES:</b>			
Current:			
Salaries and benefits	1,420,585	-	1,420,585
Materials and services	383,926	3,718	387,644
<b>Total expenditures</b>	<u>1,804,511</u>	<u>3,718</u>	<u>1,808,229</u>
<b>REVENUES OVER(UNDER) EXPENDITURES</b>	(539,740)	166	(539,574)
<b>OTHER FINANCING SOURCES(USES):</b>			
Transfer from water fund	62,062	-	62,062
<b>Total other financing sources(uses)</b>	<u>62,062</u>	<u>-</u>	<u>62,062</u>
<b>NET CHANGE IN FUND BALANCES</b>	(477,678)	166	(477,512)
<b>FUND BALANCES:</b>			
Beginning of year	1,322,007	1,235	1,323,242
End of year	<u>\$ 844,329</u>	<u>\$ 1,401</u>	<u>\$ 845,730</u>

**Twentynine Palms Water District**  
**Reconciliation of the Statements of Revenues, Expenditures and**  
**Changes in Fund Balances of Governmental Funds to the Statement of Activities**  
**For the Fiscal Ended June 30, 2016**

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<b>Net Change in Fund Balances – Total Governmental Funds</b>	<u>\$ (477,512)</u>
Amounts reported for governmental activities in the statement of activities is different because:	
Some expenses reported in the statement of activities do not require the use of current financial resources. Therefore, those expenses are not reported as expenditures in governmental funds as	
Change in compensated absences	(359)
Change in net pension liability	497,251
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those capitalized assets is allocated over their estimated useful lives as depreciation expense.	
Depreciation expense	<u>(79,682)</u>
<b>Total adjustments</b>	<u>417,210</u>
<b>Change in Net Position of Governmental Activities</b>	<u><u>\$ (60,302)</u></u>

**PROPRIETARY FUND FINANCIAL STATEMENTS**

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**Twentynine Palms Water District**

**Balance Sheet**

**June 30, 2016**

**ASSETS**

**Current assets:**

Cash and investments	\$ 6,058,826
Accrued interest receivable	8,564
Accounts receivable – water sales and services, net	667,841
Special assessments receivable	71,384
Accounts receivable – other	7,698
Materials and supplies inventory	193,597
Prepaid items	143,887
<b>Total current assets</b>	<b>7,151,797</b>

**Non-current assets:**

Capital assets – not being depreciated	2,206,251
Capital assets – being depreciated, net	22,042,066
<b>Total non-current assets</b>	<b>24,248,317</b>
<b>Total assets</b>	<b>31,400,114</b>

**DEFERRED OUTFLOWS OF RESOURCES**

Pension contributions made after measurement date	163,027
Difference between actual and proportionate share of employer contributions	7,057
Adjustment due to difference in proportions	17,484
Differences between expected and actual experience	9,393
<b>Total deferred outflows of resources</b>	<b>196,961</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 31,597,075</b>

**LIABILITIES**

**Current liabilities:**

Accounts payable and accrued expenses	\$ 198,431
Accrued salaries and related payables	37,305
Unearned revenue and deposits	343,731
Long-term liabilities – due within one year:	
Compensated absences	18,377
<b>Total current liabilities</b>	<b>597,844</b>

**Non-current liabilities:**

Long-term liabilities – due in more than one year:	
Compensated absences	34,129
Net other post-employment benefits obligation	677,110
Net pension liability	1,452,203
<b>Total non-current liabilities</b>	<b>2,163,442</b>
<b>Total liabilities</b>	<b>2,761,286</b>

**DEFERRED INFLOWS OF RESOURCES**

Differences between projected and actual earnings on pension plan investments	44,544
Difference between actual and proportionate share of employer contributions	74,594
Adjustment due to differences in proportions	46,868
Changes in assumptions	88,861
<b>Total deferred inflows of resources</b>	<b>254,867</b>

**NET POSITION**

Net investment in capital assets	24,248,317
Unrestricted	4,332,605
<b>Total net position</b>	<b>28,580,922</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 31,597,075</b>

**Twentynine Palms Water District**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended June 30, 2016**

<b>Operating revenues:</b>	
Water consumption sales	\$ 2,321,111
Water service charges	1,061,643
Water availability charge	604,184
Other service charges	119,869
	4,106,807
<b>Total operating revenues</b>	
<b>Operating expenses:</b>	
Source of supply	250,941
Pumping	174,177
Transmission and distribution	784,798
Customer accounts	177,368
General plant	552,073
General and administrative	1,120,776
	3,060,133
<b>Total operating expenses</b>	
Operating income before depreciation	1,046,674
Depreciation expense	(1,332,183)
	(285,509)
<b>Operating (loss)</b>	
<b>Non-operating revenues(expenses):</b>	
Rental revenue	124,374
Investment earnings	25,826
Other non-operating revenue	93,885
Transfer to fire fund	(62,062)
	182,023
Total non-operating revenues, net	182,023
	(103,486)
<b>Change in net position</b>	
<b>Net position:</b>	
Beginning of year	28,684,408
End of year	\$ 28,580,922

**Twentynine Palms Water District**  
**Statement of Cash Flows**  
**For the Year Ending June 30, 2016**

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**Cash flows from operating activities:**

Cash receipts from customers and others	\$ 4,336,212
Cash paid to employees for salaries and benefits	(884,561)
Cash paid to vendors and suppliers for materials and services	<u>(2,166,348)</u>
<b>Net cash provided by operating activities</b>	<u>1,285,303</u>

**Cash flows from capital and related financing activities:**

Acquisition and construction of capital assets	<u>(2,008,414)</u>
<b>Net cash (used in) capital and related financing activities</b>	<u>(2,008,414)</u>

**Cash flows from investing activities:**

Proceeds from investment earnings	<u>21,454</u>
<b>Net cash provided by investing activities</b>	<u>21,454</u>
<b>Net (decrease) in cash and investments</b>	(701,657)

**Cash and investments:**

Beginning of year	<u>6,760,483</u>
End of year	<u><u>\$ 6,058,826</u></u>

**Twentynine Palms Water District**  
**Statement of Cash Flows (Continued)**  
**For the Year Ending June 30, 2016**

<b>Reconciliation of operating (loss) to net cash provided by operating activities:</b>	
<b>Operating (loss)</b>	<u>\$ (285,509)</u>
<b>Adjustments to reconcile operating (loss) to net cash provided by operating activities:</b>	
Depreciation expense	1,332,183
Rental revenue	124,374
Other non-operating revenue	93,885
Transfer to Fire fund	(62,062)
<b>Changes in assets – (increase)decrease:</b>	
Accounts receivable – water sales and services, net	(54,628)
Special assessments receivable	43,201
Accounts receivable – other	(5,896)
Materials and supplies inventory	11,391
Prepaid items	(51,695)
<b>Change in deferred outflows of resources – (increase)decrease:</b>	
<b>Changes in liabilities – increase(decrease):</b>	
Accounts payable and accrued expenses	55,117
Accrued salaries and related payables	9,531
Unearned revenue and deposits	28,469
Compensated absences	(2,651)
Net other post-employment benefits obligation	115,476
Net pension liability	161,710
<b>Change in deferred inflows of resources – increase(decrease):</b>	
Total adjustments	<u>1,570,812</u>
<b>Net cash provided by operating activities</b>	<u><u>\$ 1,285,303</u></u>

## **NOTES TO THE BASIC FINANCIAL STATEMENTS**

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**Twentynine Palms Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 1 – Reporting Entity and Summary of Significant Accounting Policies**

***Organization and Operations of the Reporting Entity***

The Twentynine Palms Water District (District) was formed in 1954 under the County Water District Law, Division 12 of the Water Code of the State of California, for the purpose of supplying potable water and for other statutory purposes, including fire protection. The District is governed by a five-member Board of Directors whose members are elected by the registered voters in the District to staggered four-year terms.

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. Because the governing bodies are substantially the same as that of the District the component unit is considered a blended component unit, as follows:

The Twentynine Palms Water District Financing Corporation (Corporation) has a financial and operational relationship which meets the reporting entity definition criteria of the Government Accounting Standard Board Statement No. 61, for inclusion of the Corporation as a component unit of the District. The Corporation is governed by a five-member board appointed by the District board. Although it is legally separated from the District, the Corporation is reported as a blended component unit of the primary government because its sole purpose is to provide financing assistance to the District for construction and acquisition of major capital facilities. Accordingly, the financial activities of the Corporation have been included in the financial statements of the District.

***Basis of Accounting and Measurement Focus***

***Government-Wide Financial Statements***

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the activities of the primary government. The effect of inter-fund activity has been removed from these statements and eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**Twentynine Palms Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)**

***Basis of Accounting and Measurement Focus (Continued)***

***Fund Financial Statements***

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and the major individual enterprise funds are reported as separate columns in the fund financial statements.

The District's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States.

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

***Deferred Outflows of Resources*** represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

***Deferred Inflows of Resources*** represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as a revenue until that time.

The government-wide and proprietary fund financial statements are reported using the *economic resources measurement focus* and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources* measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenues to be available if they are collected within 60 days of the end of the current fiscal year and other revenues when collected within one year of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The primary revenue sources susceptible to accrual are property taxes, charges for services, and interests associated with the current fiscal period and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.



**Twentynine Palms Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)**

***Basis of Accounting and Measurement Focus (Continued)***

The District reports the following major funds:

***Governmental Funds:***

***Fire Protection Fund*** – accounts for all financial resources of the District’s fire activities.

***Special Revenue Fund – Explorers Fund*** – accounts for the donations received from a third-party not-for-profit organization that supports the District’s Fire Explorer program

***Proprietary Funds:***

***Water Operations Fund*** – accounts for the funds received and expended for the District’s water utility.

***Use of Estimates***

The preparation of 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 District net position during the reporting period. Actual results could differ from those estimates.

***Cash and Cash Equivalents***

Cash and cash equivalents include all highly liquid investments with original maturities of 90 days or less and are carried at cost, which approximates fair value.

***Investments***

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

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the balance sheet, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels of inputs are as follows:

Level 1 – Inputs are unadjusted, quoted prices for identical assets and liabilities in active markets at the measurement date.

Level 2 – Inputs, other than quoted prices included in Level 1 that are observable for the asset or liability through corroboration with market data at the measurement date.

Level 3 – Unobservable inputs that reflect management’s best estimate of what market participants would use in pricing the asset or liability at the measurement date.

**Twentynine Palms Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)**

***Accounts Receivable and Allowance for Doubtful Accounts***

Customer accounts receivable consist of amounts owed by private individuals and organizations for services rendered in the regular course of business operations. Receivables are shown net of allowances for doubtful accounts. Uncollectable accounts are based on prior experience and management’s assessment of the collectability of existing accounts.

***Special Assessments Receivable***

The District contracts with the County of San Bernardino Tax Collector to collect the District’s special assessments on the annual tax-roll billings. The County of San Bernardino Tax Collector remits the receipts from these collections to the District throughout the year.

***Materials and Supplies Inventory***

Inventories consist of expendable supplies and are valued at the lower of cost or market using first-in first-out basis.

***Prepaid Items***

Payments made to vendors for services that will benefit periods beyond the fiscal year ended are recorded as prepaid items.

***Compensated Absences***

The District’s policy is to permit full time employees to accumulate earned vacation time, sick leave, and compensating time. Earned vacation time shall be earned by each employee subject to the accrual limitations and policies.

***Capital Assets***

Capital assets are recorded in the government-wide financial statements. Included in capital assets is equipment used at the District. 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. Capital outlay is recorded as expenditures of the General Fund and as assets in the government-wide financial statements to the extent the District’s capitalization threshold is met. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Asset Class	Useful Lives
Buildings and structures	20-50 years
Improvements	20-70 years
Pumping and treatment equipment	10-25 years
Office equipment	3-10 years
Other equipment	3-20 years
Vehicles	5 years

**Twentynine Palms Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)**

***Compensated Absences***

Employees are entitled to accumulate vacation leave. The total accumulated vacation time shall not exceed that amount earned by the employee in two years, not to exceed a maximum of 24 days per year, 48 days in a two year period. The employee will be required to accept compensation in lieu of vacation for the vacation time accrued in excess of the maximum in January of each year. Upon termination of employment for any reason, the District shall compensate the employee for his/her accumulated vacation time at his/her straight time rate of pay at the time of termination. In accordance with generally accepted accounting principles, the liability is reflected on the balance sheet and the current year allocation has been expensed.

Sick leave with pay will be granted to each employee at the rate of (1) day per month. Accumulated sick leave will not be paid to employees upon termination of employment. In December of each year, as long as a water department employee has accrued in excess of 5 days sick leave, he/she may choose to either be paid for any sick leave in excess of the 5 days or leave it to accumulate. Employees who do not utilize unused sick leave accrued in excess of 5 days between December 1st and November 30th each year, may be reimbursed at the rate of 100 percent if they have been employed during the entire period. Fire department employees have the same option to be reimbursed for excess accrued sick leave; however, they can only be reimbursed for accruals in excess of 12 days. This payment shall be included in the December payroll. In accordance with generally accepted accounting principles, the liability is reflected on the balance sheet and the current year allocation has been expensed.

***Net Pension Liability***

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans (Note 8). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

The following timeframes are used for pension reporting:

<b><u>CalPERS</u></b>	<b><u>June 30, 2016</u></b>
Valuation date	June 30, 2014
Measurement date	June 30, 2015
Measurement period	July 1, 2014 to June 30, 2015

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

**Twentynine Palms Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)**

***Net Position***

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

***Net Investment in Capital Assets*** – This component of net position consists of capital assets, net of accumulated depreciation and reduced by any outstanding debt outstanding against the acquisition, construction or improvement of those assets.

***Restricted*** – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

***Unrestricted*** – This component of net position consists of net amount of assets that are not included in the determination of *restricted* or *net investment in capital assets*.

***Fund Balance***

The financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the District is bound to honor constraints on how specific amounts can be spent.

***Nonspendable*** – amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.

***Restricted*** – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions enabling legislation.

***Committed*** – amounts that can only be used for specific purposes determined by formal action of the District's highest level of decision-making authority (the Board of Directors) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.

***Assigned*** – amounts that are constrained by the District's intent to be used for specific purposes. The intent can be established at either the highest level of decision-making, or by a body or an official designated for that purpose. This is also the classification for residual funds in the District's special revenue funds.

***Unassigned*** – the residual classification for the District's general fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

The Board of Directors established, modifies or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, followed by the unrestricted, committed, assigned and unassigned resources as they are needed.

**Twentynine Palms Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)**

***Fund Balance Policy***

The District believes that sound financial management principles require that sufficient funds be retained by the District to provide a stable financial base at all times. To retain this stable financial base, the District needs to maintain an unrestricted fund balance in its funds sufficient to fund cash flows of the District and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature. Committed, assigned and unassigned fund balances are considered unrestricted.

The purpose of the District's fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures.

***Accounting Changes***

The District has implemented the following GASB Statements for the fiscal years ending June 30, 2016 as follows:

Statement No. 72, *Fair Value Measurement and Application*, which provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosure related to all fair value measurements. Application of this statement is effective for fiscal year ending June 30, 2016.

Statement No. 73, *Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (those not covered by GASB Statements 67 and 68). Application of this statement is effective for the District's fiscal year ending June 30, 2016, except those provisions that address employers and governmental nonemployer contributing entities that are not within the scope of GASB Statement 68, which are effective for financial statements for fiscal year ending June 30, 2017.

Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement reduces the generally accepted accounting principles (GAAP) hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the American Institute of Certified Public Accountants that is cleared by the GASB. Application of this statement is effective for fiscal year ending June 30, 2016.

**Twentynine Palms Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 2 – Cash and Investments**

Cash and investments as of June 30, 2016 consisted of the following:

Description	Balance
Cash on hand	\$ 1,550
Deposits held with financial institutions	1,611,404
Investments	5,283,500
Total cash and investments	\$ 6,896,454

***Custodial Credit Risk***

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District’s investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: 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.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Code and the District’s investment policy contains legal and policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government’s indirect investment in securities through the use of mutual funds or external investment pools.

***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 an investment has the greater its fair value has sensitivity to changes in market interest rates. The District’s investment policy follows the Code as it relates to limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

***Credit Risk***

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

***Concentration of Credit Risk***

The District’s investment policy contains 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. There were no investments in any one non-governmental issuer that represent 5% or more of the District’s total investments as of June 30, 2016.

**Twentynine Palms Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 2 – Cash and Investments (Continued)**

***Authorized Investments and Investment Policy***

<u>Investments</u>	<u>Measurement Input</u>	<u>Fair Value June 30, 2016</u>	<u>Maturity 12 Months or Less</u>
California Local Agency Investment Fund (LAIF)	Level 2	\$ 5,283,500	\$ 5,283,500
Total investments		<u>\$ 5,283,500</u>	<u>\$ 5,283,500</u>

The District has adopted an investment policy directing the Fiscal Officer to deposit funds in financial institutions.

Investments are to be made in the following areas:

**External Investment Pools:**

California Local Agency Investment Fund (LAIF)

***Investment in California – Local Agency Investment Fund (LAIF)***

The District is a voluntary participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the entity'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. Further information about LAIF is available on the California State Controller's website: [www.treasurer.ca.gov/pmia-laif/](http://www.treasurer.ca.gov/pmia-laif/)

The District's investments with LAIF at June 30, 2016, included a portion of the pool funds invested in structured notes and asset-backed securities:

***Structured Notes:*** debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

***Asset-Backed Securities:*** generally mortgage-backed securities that entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (for example, Collateralized Mortgage Obligations) or credit card receivables.

The District has \$5,283,500 invested in LAIF, which had invested 2.81% of the pooled investment funds as of June 30, 2016 in structured notes and medium-term asset-backed securities. The LAIF fair value factor of 1.000621222 was used to calculate the fair value of the investments in LAIF as of June 30, 2016.

**Twentynine Palms Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 3 – Accounts Receivable, Net**

The accounts receivable, net balance as of June 30, 2016 consisted of the following:

Description	Balance
Accounts receivable – water sales and services	\$ 896,619
Allowance for doubtful accounts	(228,778)
Total accounts receivable, net	\$ 667,841

**Note 4 – Special Assessments Receivable**

The Water Fund receives water availability assessments of \$30 for each parcel that is one acre or less, whether serviced or unserviced. These amounts are increased by amounts ranging from \$7.50 to \$8.00 per acre for incremental acreage.

The governmental fund receives a fire suppression special tax of \$80 for each unit. The units range in size from .25 to 1.0 for residential and from 1.0 to 4.0 for commercial, industrial and institutional units. The nonresidential units are based on the formula of one unit per each 3,000 square foot or portion thereof, or one unit per business/occupancy, whichever is greater. All parcels (improved or unimproved) greater than 5.0 acres shall be taxed an additional amount of \$2.00 per acre for each acre, or portion thereof, in excess of 5.0 acres.

The large parcel amount shall not exceed the amount of \$150.00 per parcel per fiscal year and shall be in addition to the basic tax amount imposed upon any parcel greater than 5.0 acres.

**Note 5 – Capital Assets**

Changes in capital assets for the year were as follows:

**Governmental Activities**

	Balance July 1, 2015	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2016
Non-depreciable capital assets:				
Land	\$ 57,519	\$ -	\$ -	\$ 57,519
Construction-in-process	-	-	-	-
Total non-depreciable capital assets	57,519	-	-	57,519
Depreciable capital assets:				
Buildings and structures	811,953	-	-	811,953
Fire Trucks	1,382,493	-	-	1,382,493
Fire equipment	435,426	-	-	435,426
Communication equipment	75,221	-	-	75,221
Office equipment	47,143	-	-	47,143
Total depreciable capital assets	2,752,236	-	-	2,752,236
Less accumulated depreciation	(2,240,578)	(79,682)	-	(2,320,260)
Total depreciable capital assets, net	511,658	(79,682)	-	431,976
Total capital assets, net	\$ 569,177	\$ (79,682)	\$ -	\$ 489,495



**Twentynine Palms Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 5 – Capital Assets (Continued)**

Changes in capital assets for the year were as follows:

***Business-Type Activities***

	<u>Balance July 1, 2015</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance June 30, 2016</u>
Non-depreciable capital assets:				
Land	\$ 587,724	\$ -	\$ -	\$ 587,724
Construction-in-process	171,100	2,008,414	(560,987)	1,618,527
Total non-depreciable capital assets	<u>758,824</u>	<u>2,008,414</u>	<u>(560,987)</u>	<u>2,206,251</u>
Depreciable capital assets:				
Source of supply plant	12,023,740	18,870	-	12,042,610
Pumping plant	434,992	-	-	434,992
Transmission and distribution plant	28,286,237	32,377	-	28,318,614
Buildings and structures	1,783,358	-	-	1,783,358
Office equipment	576,247	38,054	(111,020)	503,281
Transportation/heavy equipment	1,344,084	99,991	(35,159)	1,408,916
Radio and communication equipment	141,653	-	-	141,653
Field equipment and tools	353,417	371,695	-	725,112
Total depreciable capital assets	<u>44,943,728</u>	<u>560,987</u>	<u>(146,179)</u>	<u>45,358,536</u>
Less accumulated depreciation	<u>(22,130,466)</u>	<u>(1,332,183)</u>	<u>146,179</u>	<u>(23,316,470)</u>
Total depreciable capital assets, net	<u>22,813,262</u>	<u>(771,196)</u>	<u>-</u>	<u>22,042,066</u>
Total capital assets, net	<u>\$ 23,572,086</u>	<u>\$ 1,237,218</u>	<u>\$ (560,987)</u>	<u>\$ 24,248,317</u>

**Note 6 – Compensated Absences**

Compensated absences comprise unpaid vacation leave, sick leave and compensating time off which is accrued as earned. The District's liability for compensated absences is determined annually.

Changes in compensated absences balances for the year were as follows:

<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>
<u>\$ 61,930</u>	<u>\$ 175,426</u>	<u>\$ (153,249)</u>	<u>\$ 84,107</u>

**Twentynine Palms Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 7 – Net Other Post-Employment Benefits Obligation**

***Plan Description – Eligibility and Benefits***

The District's defined benefit postemployment healthcare plan, Twentynine Palms Water District Post-Retirement Medical Benefits Program (TPWDPRMBP), provides medical benefits to eligible District employees and spouses. TPWDPRMBP is a single employer defined benefit healthcare plan administered by the District. A menu of benefit provisions are established through the District's group health insurance plan, which covers both the active and retired members. The TPWDPRMBP does not issue a publicly available financial report.

***Funding Policy***

The contribution requirements of plan members and the District are established and may be amended by the Board. The District contributes 90 percent of the employee's and 75 percent of the spouse's medical insurance premiums until age 65.

***Annual Cost***

The District is required to contribute the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The plan is financed on a pay-as-you-go basis.

The OPEB payable balance at June 30<sup>th</sup> was calculated as follows:

Description	2016
<b>Annual OPEB cost:</b>	
Annual required contribution (ARC)	\$ 136,573
Interest on beginning net OPEB obligation	19,657
Adjustment to annual required contribution	-
<b>Total annual OPEB cost</b>	<b>156,230</b>
<b>Contributions made:</b>	
Contributions made	(40,754)
<b>Total contributions made</b>	<b>(40,754)</b>
<b>Change in net other post-employment benefits payable</b>	115,476
<b>Net other post-employment benefits payable:</b>	
Beginning of year	561,634
End of year	\$ 677,110

**Twentynine Palms Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 7 – Net Other Post-Employment Benefits Payable (Continued)**

The District’s annual OPEB cost, the percentage of the annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2016 and the two preceding years were as follows:

*Three-Year History of Net OPEB Obligation*

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Contributions Made</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation Payable</b>
June 30, 2016	\$ 156,230	\$ 40,754	26.09%	\$ 677,110
June 30, 2015	153,403	37,134	24.21%	561,634
June 30, 2014	127,364	33,272	26.12%	445,365

***Funded Status and Funding Progress of the Plan***

The most recent valuation (dated June 30, 2015) includes an Actuarial Accrued Liability and Unfunded Actuarial Accrued Liability of \$1,445,635. The funded ratio of the actuarial accrued liability is 0.00%. The covered payroll (annual payroll of active employees covered by the plan) for the year ended June 30, 2016 was \$1,263,000. The ratio of the unfunded actuarial accrued liability to annual covered payroll is 114.46%.

***Actuarial Methods and Assumptions***

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and the pattern of sharing of costs between the employer and plan members to that point. Consistent with the long-term perspective of actuarial calculations, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities for benefits.

The following is a summary of the actuarial assumptions and methods:

The following is a summary of the actuarial assumptions and methods:

Valuation date	June 30, 2015
Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of payroll amortization
Remaining amortization period	24 Years as of the valuation date
Asset valuation method	30 Year smoothed market
Actuarial assumptions:	
Investment rate of return	3.50%
Inflation - discount rate	2.75%
Individual salary growth	3.00% per annum, in aggregate
Health care trend rate	
	<b>Year</b> <b>Percentage</b>
	2016                              6.50%
	2017                              6.00%
	2018                              5.50%
	2019                              5.00%
	2020+                            5.00%

**Twentynine Palms Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 8 – Net Pension Liability and Defined Benefit Pension Plan**

**Summary**

Type of Account	Balance as of July 1, 2015	Additions	Deletions	Balance as of June 30, 2016
<b>Deferred Outflows of Resources:</b>				
Pension contributions made after the measurement date:				
CalPERS – Miscellaneous Plan	\$ 149,026	\$ 163,027	\$ (149,026)	\$ 163,027
CalPERS – Safety Plan	85,123	519,038	(85,123)	519,038
Sub-total	<u>234,149</u>	<u>682,065</u>	<u>(234,149)</u>	<u>682,065</u>
Difference between actual and proportionate share of employer contributions:				
CalPERS – Miscellaneous Plan	2,826	7,111	(2,880)	7,057
CalPERS – Safety Plan	13,416	4,720	(6,033)	12,103
Sub-total	<u>16,242</u>	<u>11,831</u>	<u>(8,913)</u>	<u>19,160</u>
Adjustment due to differences in proportions:				
CalPERS – Miscellaneous Plan	6,990	17,629	(7,135)	17,484
CalPERS – Safety Plan	-	541	(142)	399
Sub-total	<u>6,990</u>	<u>18,170</u>	<u>(7,277)</u>	<u>17,883</u>
Differences between expected and actual experience:				
CalPERS – Miscellaneous Plan	-	12,747	(3,354)	9,393
<b>Total deferred outflows of resources</b>	<u>\$ 257,381</u>	<u>\$ 724,813</u>	<u>\$ (253,693)</u>	<u>\$ 728,501</u>
<b>Aggregate Net Pension Liability:</b>				
CalPERS – Miscellaneous Plan	\$ 1,279,973	\$ 321,256	\$ (149,026)	\$ 1,452,203
CalPERS – Safety Plan	481,797	89,081	(85,123)	485,755
<b>Total aggregate net pension liability</b>	<u>\$ 1,761,770</u>	<u>\$ 410,337</u>	<u>\$ (234,149)</u>	<u>\$ 1,937,958</u>
<b>Deferred Inflows of Resources:</b>				
Differences between projected and actual earnings on pension plan investments:				
CalPERS – Miscellaneous Plan	\$ 425,072	\$ 2,186	\$ (382,714)	\$ 44,544
CalPERS – Safety Plan	149,627	-	(123,772)	25,855
Sub-total	<u>574,699</u>	<u>2,186</u>	<u>(506,486)</u>	<u>70,399</u>
Difference between actual and proportionate share of employer contributions:				
CalPERS – Miscellaneous Plan	18,901	84,744	(29,051)	74,594
Adjustment due to differences in proportions:				
CalPERS – Miscellaneous Plan	368	63,285	(16,785)	46,868
CalPERS – Safety Plan	18,338	-	(6,549)	11,789
Sub-total	<u>18,706</u>	<u>63,285</u>	<u>(23,334)</u>	<u>58,657</u>
Differences between expected and actual experience:				
CalPERS – Safety Plan	-	15,055	(3,962)	11,093
Changes in assumptions:				
CalPERS – Miscellaneous Plan	-	120,597	(31,736)	88,861
CalPERS – Safety Plan	-	69,242	(18,222)	51,020
Sub-total	<u>-</u>	<u>189,839</u>	<u>(49,958)</u>	<u>139,881</u>
<b>Total deferred inflows of resources</b>	<u>\$ 612,306</u>	<u>\$ 355,109</u>	<u>\$ (612,791)</u>	<u>\$ 354,624</u>

**Twentynine Palms Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 8 – Net Pension Liability and Defined Benefit Pension Plan (Continued)**

*General Information about the Pension Plans*

The Plans Description Schedule

The District has engaged with CalPERS to administer the following pension plans for its employees (members):

Miscellaneous Plans

	<b>Miscellaneous Plans</b>	
	<b>Classic Tier 1</b>	<b>PEPRA Tier 2</b>
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.7% @ 55	2.0% @ 62
Benefit vesting schedule	5-years or service	5-years or service
Benefits payments	monthly for life	monthly for life
Retirement age	50 - 67 & up	52 - 67 & up
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required member contribution rates	8.000%	6.250%
Required employer contribution rates	18.041%	6.250%

Safety Plans

	<b>Safety Plans</b>	
	<b>Classic Tier 1</b>	<b>PEPRA Tier 2</b>
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	3.0% @ 55	2.5% @ 57
Benefit vesting schedule	5-years or service	5-years or service
Benefits payments	monthly for life	monthly for life
Retirement age	50 - 67 & up	52 - 67 & up
Monthly benefits, as a % of eligible compensation	2.4% to 3.0%	2.4% to 3.0%
Required member contribution rates	8.000%	N/A for FY 2015
Required employer contribution rates	20.901%	N/A for FY 2015

Plan Description

The District contributes to the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A full description of the pension plan, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2015 Annual Actuarial Valuation Report. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

**Twentynine Palms Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 8 – Net Pension Liability and Defined Benefit Pension Plan (Continued)**

*General Information about the Pension Plans (Continued)*

Members Covered by Benefit Terms

At June 30, 2015 (Valuation Date), the following members were covered by the benefit terms:

<u>Plan Members</u>	<u>Miscellaneous Plans</u>		<u>Total</u>
	<u>Classic</u>	<u>PEPRA</u>	
	<u>Tier 1</u>	<u>Tier 2</u>	
Active members	13	4	17
Transferred and terminated members	23	-	23
Retired members and beneficiaries	17	-	17
<b>Total plan members</b>	<b>53</b>	<b>4</b>	<b>57</b>

  

<u>Plan Members</u>	<u>Safety Plans</u>		<u>Total</u>
	<u>Classic</u>	<u>PEPRA</u>	
	<u>Tier 1</u>	<u>Tier 2</u>	
Active members	5	-	5
Transferred and terminated members	9	-	9
Retired members and beneficiaries	4	-	4
<b>Total plan members</b>	<b>18</b>	<b>-</b>	<b>18</b>

Benefits Provided

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. A Classic CalPERS Miscellaneous member becomes eligible for service retirement upon attainment of age 55 with at least 5 years of credited service. Public Employees' Pension Reform Act (PEPRA) Miscellaneous members become eligible for service retirement upon attainment of age 62 with at least 5 years of service. The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The final compensation is the monthly average of the member's highest 36 full-time equivalent monthly pay. Retirement benefits for Classic Miscellaneous and Safety members are calculated as a percentage of their plan based the average final 36 months compensation. Retirement benefits for PEPRA Miscellaneous members are calculated as a percentage of their plan based the average final 36 months compensation.

Participant members are eligible for non-industrial disability retirement if they become disabled and have at least 5 years of credited service. There is no special age requirement. The standard non-industrial disability retirement benefit is a monthly allowance equal to 1.8% of final compensation, multiplied by service. Industrial disability benefits are not offered to miscellaneous employees.

A member's beneficiary may receive the basic death benefit if the member dies while actively employed. The member must be actively employed with the District to be eligible for this benefit. A member's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit. The basic death benefit is a lump sum in the amount of the members' accumulated contributions, where interest is currently credited at 7.5 percent per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

**Twentynine Palms Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 8 – Net Pension Liability and Defined Benefit Pension Plan (Continued)**

***General Information about the Pension Plans (Continued)***

**Benefits Provided (Continued)**

Upon the death of a retiree, a one-time lump sum payment of \$500 will be made to the retiree's designated survivor(s), or to the retiree's estate.

Benefit terms provide for annual cost-of-living adjustments to each member's retirement allowance. Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 3%.

**Contributions**

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers will be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The public agency cost-sharing plans covered by the Miscellaneous risk pool, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of members. For the measurement period ended June 30, 2015 (Measurement Date), the active member contribution rate for the Classic Miscellaneous Plan and the PEPRA Miscellaneous Plan are based above in the Plans Description schedule.

For the year ended June 30, 2016, the contributions made to the Plan were as follows:

<b>Contribution Type</b>	<b>Miscellaneous Plans</b>		<b>Total</b>
	<b>Classic</b>	<b>PEPRA</b>	
	<b>Tier 1</b>	<b>Tier 2</b>	
Contributions – employer	\$ 154,323	\$ 8,704	\$ 163,027
Contributions – members	62,236	8,820	71,056
<b>Total contributions</b>	<b>\$ 216,559</b>	<b>\$ 17,524</b>	<b>\$ 234,083</b>

  

<b>Contribution Type</b>	<b>Safety Plans</b>		<b>Total</b>
	<b>Classic</b>	<b>PEPRA</b>	
	<b>Tier 1</b>	<b>Tier 2</b>	
Contributions – employer	\$ 519,038	\$ -	\$ 519,038
Contributions – members	36,980	-	36,980
<b>Total contributions</b>	<b>\$ 556,018</b>	<b>\$ -</b>	<b>\$ 556,018</b>

**Twentynine Palms Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 8 – Net Pension Liability and Defined Benefit Pension Plan (Continued)**

***Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans***

*Actuarial Methods and Assumptions Used to Determine the Total Pension Liability*

For the measurement period ended June 30, 2015 (Measurement Date), the total pension liability was determined by rolling forward the June 30, 2014 total pension liability. Both the June 30, 2014 and the June 30, 2015 total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds. The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

*Discount Rate*

The discount rate used to measure the total pension liability was 7.65 percent. The long-term expected rate of return on the pension plan investments was determined in which best-estimate ranges of expected future real rates are developed for each major asset class. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were considered. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years.

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



**Twentynine Palms Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 8 – Net Pension Liability and Defined Benefit Pension Plan (Continued)**

*Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)*

Discount Rate

The table below reflects 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 geometric rates of return are net of administrative expenses.

Investment Type	New Strategic Allocation	Real Return Years 1 - 10 <sup>1</sup>	Real Return Years 11+ <sup>2</sup>
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
	<u>100.00%</u>		

<sup>1</sup> An expected inflation rate-of-return of 2.5% is used for years 1 – 10.

<sup>2</sup> An expected inflation rate-of-return of 3.0% is used for years 11+.

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

The following presents the District's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.65%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65%) or 1 percentage-point higher (8.65%) than the current rate:

Plan Type	Plan's Net Pension Liability/(Asset)		
	Discount Rate - 1% 6.65%	Current Discount Rate 7.650%	Discount Rate + 1% 8.65%
CalPERS – Miscellaneous Plan	\$ 2,542,343	\$ 1,452,203	\$ 552,165

  

Plan Type	Plan's Net Pension Liability/(Asset)		
	Discount Rate - 1% 6.65%	Current Discount Rate 7.650%	Discount Rate + 1% 8.65%
CalPERS – Safety Plan	\$ 876,387	\$ 485,755	\$ 165,444

**Twentynine Palms Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 8 – Net Pension Liability and Defined Benefit Pension Plan (Continued)**

*Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)*

Pension Plan Fiduciary Net Position

Detail information about the plan’s fiduciary net position is available in the separately issued CalPERS financial report and can be obtained from CalPERS’ website under Forms and Publications.

Proportionate Share of Net Pension Liability and Pension Expense

The following table shows the plan’s proportionate share of the risk pool collective net pension liability over the measurement period for the CalPERS Miscellaneous and Safety Plans as follows:

<u>Plan Type and Balance Descriptions</u>	<u>Plan Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Change in Plan Net Pension Liability</u>
<b>CalPERS – Miscellaneous Plan:</b>			
Balance as of June 30, 2014 (Measurement Date)	\$ 7,724,419	\$ 6,444,446	\$ 1,279,973
Balance as of June 30, 2015 (Measurement Date)	\$ 8,004,752	\$ 6,552,549	\$ 1,452,203
<b>Change in Plan Net Pension Liability</b>	<b>\$ 280,333</b>	<b>\$ 108,103</b>	<b>\$ 172,230</b>
<b>CalPERS – Safety Plan:</b>			
Balance as of June 30, 2014 (Measurement Date)	\$ 2,653,229	\$ 2,171,432	\$ 481,797
Balance as of June 30, 2015 (Measurement Date)	\$ 2,849,036	\$ 2,363,281	\$ 485,755
<b>Change in Plan Net Pension Liability</b>	<b>\$ 195,807</b>	<b>\$ 191,849</b>	<b>\$ 3,958</b>

**Twentynine Palms Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 8 – Net Pension Liability and Defined Benefit Pension Plan (Continued)**

***Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)***

***Proportionate Share of Net Pension Liability and Pension Expense (Continued)***

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool.

- (1) In determining a cost-sharing plan's proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2014). The risk pool's fiduciary net position ("FNP") subtracted from its total pension liability (TPL) determines the net pension liability (NPL) at the valuation date.
- (2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2015). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool's FNP at the measurement date denotes the aggregate risk pool's FNP at June 30, 2015 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2014-15 fiscal year).
- (3) The individual plan's TPL, FNP and NPL are also calculated at the valuation date.
- (4) Two ratios are created by dividing the plan's individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool's total TPL and FNP, respectively.
- (5) The plan's TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan's FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.
- (6) The plan's NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

**Twentynine Palms Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 8 – Net Pension Liability and Defined Benefit Pension Plan (Continued)**

*Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)*

The District's proportionate share of the net pension liability was as follows:

	<b>Percentage Share of Risk Pool</b>		<b>Change Increase/ (Decrease)</b>
	<b>Fiscal Year Ending</b>	<b>Fiscal Year Ending</b>	
	<b>June 30, 2016</b>	<b>June 30, 2015</b>	
<b>CalPERS – Miscellaneous Plan</b>			
Measurement Date	June 30, 2015	June 30, 2014	
Percentage of Risk Pool Net Pension Liability	0.052933%	0.051790%	0.001143%
Percentage of Plan (PERF C) Net Pension Liability	0.021157%	0.020570%	0.000587%
<b>CalPERS – Safety Plan</b>			
	<b>Fiscal Year Ending</b>	<b>Fiscal Year Ending</b>	<b>Change Increase/ (Decrease)</b>
	<b>June 30, 2016</b>	<b>June 30, 2015</b>	
Measurement Date	June 30, 2015	June 30, 2014	
Percentage of Risk Pool Net Pension Liability	0.017706%	0.012844%	0.004862%
Percentage of Plan (PERF C) Net Pension Liability	0.007077%	0.007743%	-0.000666%

For the year ended June 30, 2016, the District recognized pension expense/(credit) in the amount of \$(552,614) for the CalPERS Miscellaneous and Safety Plans.

The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized over 5-years straight line. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period.

**Twentynine Palms Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 8 – Net Pension Liability and Defined Benefit Pension Plan (Continued)**

*Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)*

*Proportionate Share of Net Pension Liability and Pension Expense (Continued)*

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the risk pool. The EARSL for risk pool for the 2014-15 measurement period is 3.8 years, which was obtained by dividing the total service years of 460,700 (the sum of remaining service lifetimes of the active employees) by 122,789 (the total number of participants: active, inactive, and retired).

*Deferred Outflows of Resources and Deferred Inflows of Resources*

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

<u>Account Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions made after the measurement date	\$ 682,065	\$ -
Difference between actual and proportionate share of employer contributions	19,160	74,594
Adjustment due to differences in proportions	17,883	58,657
Differences between expected and actual experience	9,393	11,093
Differences between projected and actual earnings on pension plan investments	-	70,399
Changes in assumptions	-	139,881
<b>Total Deferred Outflows/(Inflows) of Resources</b>	<b>\$ 728,501</b>	<b>\$ 354,624</b>

The District will recognize \$682,065 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date as a reduction of the net pension liability in the fiscal year ended June 30, 2017, as noted above.

*Amortization of Deferred Outflows of Resources and Deferred Inflows of Resources*

Other remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized to pension expense in future periods as follows:

<u>Amortization Period Fiscal Year Ended June 30</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2017	\$ 19,544	\$ 159,333
2018	17,888	156,650
2019	9,004	127,326
2020	-	(88,685)
<b>Total</b>	<b>\$ 46,436</b>	<b>\$ 354,624</b>

**Twentynine Palms Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 9 – Interfund Transfers**

Interfund transfers for the year ended June 30, 2016 consisted of the following:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>
Fire Protection Fund	Water Operations Fund	\$ 62,062

The amount transferred to Fire Protection Fund from the Water Operations Fund was the Fire Protection’s share of rent revenues from the lease of a cell site on Donnell Hill. Total lease revenues for the year were \$124,124 of which 50% were transferred to the Fire Protection Fund.

**Note 10 – Fund Balances**

Fund balances are presented in the following categories: nonspendable, restricted, committed, assigned, and unassigned (See Note 1 for a description of these categories). A detailed schedule of fund balances and their funding composition at June 30, 2016 is as follows:

<u>Description</u>	<u>General Fund</u>	<u>Special Revenue Explorers Fund</u>	<u>Total Governmental Funds</u>
<b>Nonspendable:</b>			
Prepaid items	\$ 302,427	\$ -	\$ 302,427
<b>Assigned:</b>			
Explorers	-	1,401	1,401
Compensated absences	31,601	-	31,601
Sub-total	31,601	1,401	33,002
<b>Unassigned</b>	521,701	-	521,701
<b>Total fund balances</b>	\$ 855,729	\$ 1,401	\$ 857,130

**Twentynine Palms Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 11 – 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. As of June 30, 2016, there were no claims liabilities to be reported. During the year ended June 30, 2016, the District participated in the following public entity risk pools:

*Association of California Water Agencies Joint Powers Insurance Authority*

The District is a participant in the Association of California Water Agencies Joint Powers Insurance Authority (JPIA), which was organized for the purpose of providing liability insurance for the member agencies. The JPIA is a risk-pooling self-insurance authority created under the provisions of California Government Code Section 6500.

The JPIA is governed by a board consisting of a representative from each member agency. The board controls the operations of the JPIA, including selections of management and approval of operating budgets.

The purpose of the JPIA is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage. At June 30, 2015, the District's participation in the self-insurance programs of the JPIA was as follows:

Property loss is insured up to replacement value with deductibles starting from \$1,000; the JPIA is self-insured up to \$100,000 and has purchased excess insurance coverage. General liability is insured up to \$60,000,000 with no deductible; the JPIA is self-insured up to \$2,000,000 and has purchased excess insurance coverage. Auto liability is insured up to \$60,000,000 with no deductible; the JPIA is self-insured up to \$2,000,000 with \$1,000 deductible for property damage and has purchased excess insurance coverage.

*Special District's Workers' Compensation Authority*

The District is a participant in the Special District's Workers' Compensation Authority (Authority) (formerly California Special Districts Association). The Authority was created for the purpose of providing workers' compensation insurance to its member agencies. The Authority is a risk-pooling insurance authority created under the provisions of California Government Code Section 6500.

The District's coverage consists of statutory limits per occurrence for workers compensation and \$5,000,000 for employers' liability coverage, subject to various terms and conditions.

**Note 12 – Commitments and Contingencies**

***Grants***

The District, from time to time, participates in various federal, state and local grant programs, the principal of which are subject to various program compliance audits. Accordingly, the District's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District anticipates such amounts, if any, will be immaterial.

***Litigation***

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the government's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the government.

**Twentynine Palms Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 13 – Subsequent Events**

***Fire Protection Fund***

On July 1, 2016, the District's Fire Protection Fund operations were annexed to the San Bernardino County Fire Protection District per the San Bernardino County LAFCO decision on February 17, 2016.



**REQUIRED SUPPLEMENTARY INFORMATION**

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**Twentynine Palms Water District**  
**Required Supplementary Information (Unaudited)**  
**Budgetary Comparison Schedule**  
**Fire Protection Fund**  
**For the Year Ended June 30, 2016**

	<u>Adopted Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES:</b>				
Fire protection special assessment	\$ 1,200,000	\$ 1,200,000	\$ 1,200,537	\$ 537
Charges for services	1,000	1,000	10,547	9,547
Fines, penalties and other	37,000	37,000	50,457	13,457
Other revenues	5,700	5,700	240	(5,460)
Operating grants and contributions	-	-	35	35
Investment earnings	2,000	2,000	2,955	955
<b>Total revenues</b>	<u>1,245,700</u>	<u>1,245,700</u>	<u>1,264,771</u>	<u>19,071</u>
<b>EXPENDITURES:</b>				
Current:				
Salaries and benefits	867,160	867,160	1,420,585	(553,425)
Materials and services	367,550	367,550	383,926	(16,376)
Capital outlay	50,000	50,000	-	50,000
<b>Total expenditures</b>	<u>1,284,710</u>	<u>1,284,710</u>	<u>1,804,511</u>	<u>(519,801)</u>
<b>REVENUES OVER(UNDER)EXPENDITURES</b>	(39,010)	(39,010)	(539,740)	(500,730)
<b>OTHER FINANCING SOURCES(USES):</b>				
Transfers in(out)	-	-	62,062	62,062
<b>Total other financing sources(uses)</b>	<u>-</u>	<u>-</u>	<u>62,062</u>	<u>62,062</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ (39,010)</u>	<u>\$ (39,010)</u>	(477,678)	<u>\$ (438,668)</u>
<b>FUND BALANCES:</b>				
Beginning of year			<u>1,322,007</u>	
End of year			<u>\$ 844,329</u>	

**Notes to the Budgetary Comparison Schedule:**

The District follows specific procedures in establishing the budgetary data reflected in the financial statements. Each year the District prepares and submits an operating budget to the Board of Directors no later than June of each year. The basis used to prepare the budget does not differ substantially from the modified accrual basis of accounting. The adopted budget becomes operative on July 1. The Board of Directors must approve all supplemental appropriations to the budget and transfers between major accounts.

**Twentynine Palms Water District**  
**Required Supplementary Information (Unaudited)**  
**Schedule of the District's Proportionate Share of the Plan's Net Pension Liability**  
**For the Year Ended June 30, 2016**

**Last Ten Fiscal Years**

**California Public Employees' Retirement System (CalPERS)**

<b>Measurement Date:</b>	<b>June 30, 2015<sup>1</sup></b>	<b>June 30, 2014<sup>1</sup></b>
District's Proportion of the Net Pension Liability	<u>0.028234%</u>	<u>0.028313%</u>
District's Proportionate Share of the Net Pension Liability	<u>\$ 1,937,958</u>	<u>\$ 1,761,770</u>
District's Covered-Employee Payroll	<u>\$ 1,341,060</u>	<u>\$ 1,302,000</u>
District's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	<u>144.51%</u>	<u>135.31%</u>
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	<u>82.14%</u>	<u>83.02%</u>

<sup>1</sup> Historical information is required only for measurement periods for which GASB No. 68 is applicable.

**Twentynine Palms Water District**  
**Required Supplementary Information (Unaudited)**  
**Schedule of the District's Contributions to the Pension Plan**  
**For the Year Ended June 30, 2016**

**Last Ten Fiscal Years**

**California Public Employees' Retirement System (CalPERS)**

<b>Fiscal Year:</b>	<b>2015-16<sup>1</sup></b>	<b>2014-15<sup>1</sup></b>	<b>2013-14<sup>1</sup></b>
Actuarially Determined Contribution <sup>2</sup>	\$ 245,003	\$ 234,149	\$ 225,220
Contribution in Relation to the Actuarially Determined Contribution <sup>2</sup>	(682,065)	(234,149)	(481,274)
Contribution Deficiency (Excess)	\$ (437,062)	\$ -	\$ (256,054)
District's Covered-Employee Payroll <sup>3</sup>	\$ 1,381,292	\$ 1,341,060	\$ 1,302,000
Contributions as a Percentage of Covered-Employee Payroll	49.38%	17.46%	36.96%

<sup>1</sup> Historical information is required only for measurement periods for which GASB No. 68 is applicable.

<sup>2</sup> Employers are assumed to make contributions equal to the actuarially determined contributions (which is the actuarially determined contribution). However, some employers may choose to make additional contributions towards their side-fund or their unfunded liability. Employer contributions for such plan exceed the actuarial determined contributions. CalPERS has determined that employer obligations referred to as *side-funds* are not considered separately financed specific liabilities.

<sup>3</sup> Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB No. 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

**Notes to the Schedule:**

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

**Twentynine Palms Water District**  
**Required Supplementary Information (Unaudited)**  
**Schedule of Funding Progress – Other Post-Employments Benefits Plan**  
**For the Year Ended June 30, 2016**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Plan Assets (a)</b>	<b>Actuarial Accrued Liability (b)</b>	<b>Unfunded Actuarial Accrued Liability (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
June 30, 2015	\$ -	\$ 1,445,635	\$ 1,445,635	0.00%	\$ 1,263,000	114.46%
June 30, 2012	\$ -	\$ 697,138	\$ 697,138	0.00%	\$ 1,398,670	49.84%
June 30, 2009	\$ -	\$ 510,496	\$ 510,496	0.00%	\$ 1,395,966	36.57%

**Note 1 – Other Post-Employment Benefits**

Funding progress is presented for the year(s) that an actuarial study has been prepared since the effective date of GASB Statement No. 45. Actuarial review and analysis of the post-employment benefits liability and funding status is performed every three years or annually, if there are significant changes in the plan. The next scheduled actuarial review and analysis of the post-employment benefits liability and funding status will be performed in fiscal year 2018, based on the year ending June 30, 2017.