

**A REGULAR MEETING OF THE BOARD OF DIRECTORS  
OF THE TWENTYNINE PALMS WATER DISTRICT  
72401 HATCH ROAD, TWENTYNINE PALMS, CA 92277**

**JANUARY 24, 2018 / 6:00 P.M.**

**AGENDA**

This meeting may be viewed on the District's website at [www.29palmswater.net](http://www.29palmswater.net)

Next Resolution #18-01  
Next Ordinance #98

Call to Order and Roll Call

Pledge of Allegiance

Additions/Deletions to the Agenda

Public Comments

Please complete a "Request to be Heard" form prior to the start of the meeting. The public may address the Board for 3 minutes on District-related matters. Government Code prohibits the Board from taking action on matters that are not on the agenda. However, the Board may refer matters for future consideration.

1. Election of Officers
2. Presentation of Audit Report for Fiscal Year 2016/2017 by Cindy Byerrum
3. Discussion and Review of Projects Submitted for Grant Funding Consideration Through Integrated Regional Water Management Program
4. Discussion of District Recognized Holidays
5. Consent Calendar

Matters under the Consent Calendar are to be considered routine and will be enacted in a single motion. There will be no separate discussion of these items unless the Board, staff or the public requests specific items be removed for separate discussion and action before the Board votes on the motion to adopt.

  - Minutes of the Regular Meeting held on December 20, 2017
  - Audit List
6. Items Removed from the Consent Calendar for Discussion or Separate Action
7. Management Reports
  - 7.1 Operations

7.2 Finance

7.3 General Manager

8. Future Agenda Items and Staff Tasks/Directors' Comments and Reports

9. Adjournment

The Board reserves the right to discuss only or take action on any item on the agenda.

**Notice of agenda was posted on or before 4:00 p.m., January 19, 2018.**



Ray Kolisz, General Manager

Upon request, this Agenda will be made available in appropriate alternative formats to persons with disabilities, as required by Section 202 of the Americans with Disabilities Act of 1990. Any person with a disability who requires a modification or accommodation in order to participate in a meeting should direct such request to Cindy Fowlkes at (760) 367-7546 at least 48 hours before the meeting, if possible.

Pursuant to Government Code Section 54957.5, any writing that: (1) is a public record; (2) relates to an agenda item for an open session of a regular meeting of the Board of Directors; and (3) is distributed less than 72 hours prior to that meeting, will be made available for public inspection at the time the writing is distributed to the Board of Directors. Any such writing will be available for public inspection at the District offices located at 72401 Hatch Road, Twentynine Palms, CA 92277. In addition, any such writing may also be posted on the District's website.

1

**NO  
MATERIAL  
PROVIDED**

**2**

**TWENTYNINE PALMS WATER DISTRICT**  
72401 HATCH ROAD, TWENTYNINE PALMS, CA 92277-2935  
760.367.7546 PHONE 760.367.6612 FAX

TO:	BOARD OF DIRECTORS
DATE:	JANUARY 18, 2018
FROM:	CINDY BYERUMM, FINANCIAL CONSULTANT
SUBJECT:	PRESENTATION AND CONSIDERATION TO RECEIVE AND FILE THE TWENTYNINE PALMS WATER DISTRICT'S FISCAL YEAR 2016/2017 AUDITED FINANCIAL STATEMENTS

**BACKGROUND AND DISCUSSION**

The Fiscal Year 2016-17 District's audit consists of five parts, which are provided as attachments:

- Independent Auditor's Report: An audit report cover letter from The Pun Group outlining the auditor's professional responsibilities, accounting basis, and opinion on whether the financial statements comply with Generally Accepted Accounting Practices
- Auditor Report on Internal Controls: A report identifying and disclosing any material weaknesses or significant deficiencies in internal controls.
- Management's Discussion and Analysis: This section summarizes the financial statements and explains any major changes from the prior fiscal year to the current fiscal year.
- Twentynine Palms Water District Financial Statements: A depiction of the agency's governmental and enterprise activities and each major fund for FY 2015-16.
- Notes to the Basic Financial Statements: The footnotes provide information in greater detail on the District's financial policies, accounting, retirement plan, and other financial matters.

In preparation for and during the audit, the District staff and independent CPA jointly prepared materials and worked directly with the auditing team. In addition to a review of these documents, the audit team performed several days of fieldwork at the District office to complete the audit process.

**DISTRICT'S FY 2016-17 AUDITED FINANCIAL STATEMENTS**

The auditor found the District's financial reporting to be in compliance with Generally Accepted Accounting Principles, and as such, issued an Unqualified Opinion, the highest level opinion an entity can receive. Additionally, the Report on Internal Controls noted that the District had no significant deficiencies or material weaknesses in internal

controls. Further, the auditor noted no transactions that were both significant and unusual, and no misstatements were identified during the audit.

### **RECOMMENDATION**

The attached financial statements are in draft format only, and are waiting on the final technical review from the technical audit partner. If there are any changes to report, in amounts or wording, staff will return to the February 2018 meeting after the report is final for a new receive and file. Staff recommends the Board receive and file Twentynine Palms Water District's FY 2016/2017 audited financial statements at this Board meeting, pending no changes brought forward to the February 2018 meeting.

DRAFT - FOR DISCUSSIONS PURPOSES ONLY

# **Twentynine Palms Water District**

Twentynine Palms, California

## **Annual Financial Report**

*For the Fiscal Year Ended June 30, 2017*



**Twentynine Palms Water District  
Annual Financial Report  
For the Fiscal Year Ended June 30, 2017**

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THE UNIVERSITY OF CHICAGO  
DEPARTMENT OF CHEMISTRY  
RESEARCH REPORT

NUMBER 114

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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, 2017, 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, 2017, 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 9 and the Schedule of the District's Proportionate Share of the Plan's Net Pension Liability, the Schedule of the District's Contributions to the Pension Plan and the Schedule of Funding Progress – Other Post-Employment Benefits Plan on pages 63 through 65, 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, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Santa Ana, California  
December 31, 2017

**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 Comptroller 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, 2017, 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, 2017

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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, 2017

**Twentynine Palms Water District  
Management's Discussion and Analysis (Unaudited)  
For the Fiscal Year Ended June 30, 2017**

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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, 2017. 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 2.46%, or (\$734,152) from \$29,830,574 to \$29,096,422, as a result of this year's operations.
- Total revenues from all sources decreased by 11.19%, or (\$628,742) from \$5,619,547 to \$4,990,805, from the prior year, primarily due to a decrease in total governmental-type revenues of (\$968,840) and an increase in business-type revenues of \$340,098. Also, noted is that the District's governmental activities (fire protection funds) were reorganized to the San Bernardino County Fire Protection District on July 1, 2016; therefore, those operations have been discontinued.
- Total expenses for the District's operations decreased by 1.01% or (\$58,378) from \$5,783,335 to \$5,724,957, from the prior year, primarily due to a decrease in total governmental-type expenses of (\$823,884) and an increase in business-type expenses of \$765,506.

**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, 2017**

**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 \$29,096,422 as of June 30, 2017.

**Statements of Net Position**

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
<b>ASSETS:</b>						
Current assets	\$ 160,346	\$ 1,306,393	\$ 7,559,690	\$ 7,151,797	\$ 7,720,036	\$ 8,458,190
Restricted assets	1,098,489	-	-	-	1,098,489	-
Capital assets, net	-	489,495	23,105,770	24,248,317	23,105,770	24,737,812
<b>Total assets</b>	1,258,835	1,795,888	30,665,460	31,400,114	31,924,295	33,196,002
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	456,807	531,540	535,879	196,961	992,686	728,501
<b>LIABILITIES:</b>						
Current liabilities	72,000	460,663	533,519	579,467	605,519	1,040,130
Long-term obligations	240,014	517,356	2,435,955	2,181,819	2,675,969	2,699,175
<b>Total liabilities</b>	312,014	978,019	2,969,474	2,761,286	3,281,488	3,739,305
<b>DEFERRED INFLOWS OF RESOURCES</b>	359,234	99,757	179,837	254,867	539,071	354,624
<b>NET POSITION</b>						
Investment in capital assets	-	489,495	23,105,770	24,248,317	23,105,770	24,737,812
Restricted	1,186,835	-	-	-	1,186,835	-
Unrestricted (Deficit)	(142,441)	760,157	4,946,258	4,332,605	4,803,817	5,092,762
<b>Total net position</b>	\$ 1,044,394	\$ 1,249,652	\$ 28,052,028	\$ 28,580,922	\$ 29,096,422	\$ 29,830,574

**Twentynine Palms Water District**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
**For the Fiscal Year Ended June 30, 2017**

At the end of fiscal year 2017, the District shows a positive balance in its unrestricted net position of \$4,803,817 that may be utilized in future years.

**Statements of Activities**

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
<b>REVENUES:</b>						
Program revenues	\$ -	\$ 1,265,700	\$ 4,382,826	\$ 4,106,807	\$ 4,382,826	\$ 5,372,507
General revenues	361,877	65,017	246,102	182,023	607,979	247,040
<b>Total revenues</b>	<b>361,877</b>	<b>1,330,717</b>	<b>4,628,928</b>	<b>4,288,830</b>	<b>4,990,805</b>	<b>5,619,547</b>
<b>EXPENSES:</b>						
Fire protection	567,135	1,391,019	-	-	567,135	1,391,019
Water operations	-	-	5,157,822	4,392,316	5,157,822	4,392,316
<b>Total expenses</b>	<b>567,135</b>	<b>1,391,019</b>	<b>5,157,822</b>	<b>4,392,316</b>	<b>5,724,957</b>	<b>5,783,335</b>
<b>Change in net position</b>	<b>(205,258)</b>	<b>(60,302)</b>	<b>(528,894)</b>	<b>(103,486)</b>	<b>(734,152)</b>	<b>(163,788)</b>
<b>NET POSITION:</b>						
Beginning of year	1,249,652	1,309,954	28,580,922	28,684,408	29,830,574	29,994,362
End of year	\$ 1,044,394	\$ 1,249,652	\$ 28,052,028	\$ 28,580,922	\$ 29,096,422	\$ 29,830,574

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 (\$734,152), during the fiscal year ended June 30, 2017.

**Governmental Revenues**

Governmental revenues:	Balance June 30, 2017	Balance June 30, 2016	Change
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	99,526	240	99,286
Operating grants and contributions	-	3,919	(3,919)
Investment earnings	29,870	2,955	26,915
Gain on sale of assets	192,481	-	192,481
Transfers in	40,000	62,062	(22,062)
<b>Total governmental revenues</b>	<b>\$ 361,877</b>	<b>\$ 1,330,717</b>	<b>\$ (968,840)</b>

Governmental revenues decreased by (\$968,840) for the fiscal year ended June 30, 2017. The District's governmental activities (fire protection funds) were reorganized to the San Bernardino County Fire Protection District on July 1, 2016; therefore, those operations have been discontinued and the ongoing revenues associated with this activity are being collected by the San Bernardino County Fire Protection District.

**Twentynine Palms Water District**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
**For the Fiscal Year Ended June 30, 2017**

***Business-Type Revenues***

<b>Business-type revenues:</b>	<b>Balance June 30, 2017</b>	<b>Balance June 30, 2016</b>	<b>Change</b>
Water consumption sales	\$ 2,622,789	\$ 2,321,111	\$ 301,678
Water service charges	1,030,621	1,061,643	(31,022)
Water availability charge	606,779	604,184	2,595
Other service charges	122,637	119,869	2,768
Rental revenue	123,332	124,374	(1,042)
Investment earnings	31,676	25,826	5,850
Gain on sale of assets	52,875	-	52,875
Other non-operating revenue	78,219	93,885	-
Transfer out	(40,000)	(62,062)	22,062
<b>Total business-type revenues</b>	<b>\$ 4,628,928</b>	<b>\$ 4,288,830</b>	<b>\$ 340,098</b>

Business-type revenues increased \$340,098 for the fiscal year ended June 30, 2017. On April 7, 2017 the Governor of the State of California declared the drought over in the State. Therefore an increase in water consumption revenue of \$301,678 was noted for the year ended June 30, 2017.

**Expenses**

***Governmental Expenses***

<b>Governmental expenses:</b>	<b>Balance June 30, 2017</b>	<b>Balance June 30, 2016</b>	<b>Change</b>
Salaries and benefits	\$ 56,868	\$ 923,693	\$ (866,825)
Materials and services	78,291	387,644	(309,353)
Depreciation expense	431,976	79,682	352,294
<b>Total expenses</b>	<b>\$ 567,135</b>	<b>\$ 1,391,019</b>	<b>\$ (823,884)</b>

Governmental expenses decreased (\$823,884) for the fiscal year ended June 30, 2017. The District's governmental activities (fire protection funds) were reorganized to the San Bernardino County Fire Protection District on July 1, 2016; therefore, those operations have been discontinued along with the fire protection capital assets being fully depreciated.

***Business-Type Expenses***

<b>Business-type expenses:</b>	<b>Balance June 30, 2017</b>	<b>Balance June 30, 2016</b>	<b>Change</b>
Source of supply	\$ 353,306	\$ 250,941	\$ 102,365
Pumping	263,913	174,177	89,736
Transmission and distribution	869,682	784,798	84,884
Customer accounts	214,750	177,368	37,382
General plant	559,518	552,073	7,445
General and administrative	1,507,275	1,120,776	386,499
Depreciation expense	1,389,378	1,332,183	57,195
<b>Total expenses</b>	<b>\$ 5,157,822</b>	<b>\$ 4,392,316</b>	<b>\$ 765,506</b>

Business-type expenses increased \$805,506 for the fiscal year ended June 30, 2017.

**Twentynine Palms Water District  
Management's Discussion and Analysis (Unaudited) (Continued)  
For the Fiscal Year Ended June 30, 2017**

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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, 2017, the District reported a total fund balance of \$1,186,835. This fund balance is restricted for future payments towards the District exiting its CalPERS Safety Pension Plan program.

**Proprietary Funds:**

As of June 30, 2017, the District reported a net position of \$28,052,028. An amount of \$4,946,258 constitutes the District's *unrestricted net position* balance which is available for future operations.

**Capital Asset Administration**

Changes in capital assets for the year were as follows:

	<b>Balance June 30, 2017</b>	<b>Balance June 30, 2016</b>
Non-depreciable capital assets	\$ 223,431	\$ 1,850,672
Depreciable capital assets	47,481,753	48,523,870
Total capital assets	47,705,184	50,374,542
Accumulated depreciation	(24,599,414)	(25,636,730)
Total capital assets, net	\$ 23,105,770	\$ 24,737,812

At the end of fiscal year 2017, the District's investment in capital assets amounted to \$23,105,770 (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 \$246,831. See Note 5 for further information on the District's capital assets.

**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.

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## **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, 2017**

<u>ASSETS</u>	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Current assets:</b>			
Cash and investments (Note 2)	\$ 142,967	\$ 6,518,392	\$ 6,661,359
Accrued interest receivable	-	7,868	7,868
Accounts receivable, net (Note 3)	-	734,303	734,303
Special assessments receivable (Note 4)	17,379	60,966	78,345
Accounts receivable – other	-	2,746	2,746
Materials and supplies inventory	-	154,666	154,666
Prepaid items	-	80,749	80,749
<b>Total current assets</b>	<b>160,346</b>	<b>7,559,690</b>	<b>7,720,036</b>
<b>Non-current assets:</b>			
Restricted – cash and investments (Note 2)	1,098,489	-	1,098,489
Capital assets – not being depreciated (Note 5)	-	223,431	223,431
Capital assets – being depreciated, net (Note 5)	-	22,882,339	22,882,339
<b>Total non-current assets</b>	<b>1,098,489</b>	<b>23,105,770</b>	<b>24,204,259</b>
<b>Total assets</b>	<b>1,258,835</b>	<b>30,665,460</b>	<b>31,924,295</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Pension related deferred outflows of resources (Note 8)	456,807	535,879	992,686
<b>Total deferred outflows of resources</b>	<b>456,807</b>	<b>535,879</b>	<b>992,686</b>
<b><u>LIABILITIES</u></b>			
<b>Current liabilities:</b>			
Accounts payable and accrued expenses	72,000	86,069	158,069
Accrued salaries and benefits	-	43,033	43,033
Unearned revenues and deposits	-	363,493	363,493
Long-term liabilities – due within one year:			
Compensated absences (Note 6)	-	40,924	40,924
<b>Total current liabilities</b>	<b>72,000</b>	<b>533,519</b>	<b>605,519</b>
<b>Non-current liabilities:</b>			
Long-term liabilities – due in more than one year:			
Compensated absences (Note 6)	-	27,282	27,282
Net other post-employment benefits obligation (Note 7)	-	460,782	460,782
Net pension liability (Note 8)	240,014	1,947,891	2,187,905
<b>Total non-current liabilities</b>	<b>240,014</b>	<b>2,435,955</b>	<b>2,675,969</b>
<b>Total liabilities</b>	<b>312,014</b>	<b>2,969,474</b>	<b>3,281,488</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Pension related deferred inflows of resources (Note 8)	359,234	179,837	539,071
<b>Total deferred inflows of resources</b>	<b>359,234</b>	<b>179,837</b>	<b>539,071</b>
<b><u>NET POSITION</u></b>			
Investment in capital assets	-	23,105,770	23,105,770
Restricted for pension liability (Note 9)	1,186,835	-	1,186,835
Unrestricted (Deficit) (Note 10)	(142,441)	4,946,258	4,803,817
<b>Total net position</b>	<b>\$ 1,044,394</b>	<b>\$ 28,052,028</b>	<b>\$ 29,096,422</b>

See accompanying Notes to the Basic Financial Statements.

**Twentynine Palms Water District**  
**Statement of Activities**  
**For the Year Ended June 30, 2017**

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Capital and Operating Grants
<b>Primary government:</b>			
<b>Governmental activities:</b>			
Fire protection	\$ 567,135	\$ -	\$ -
<b>Business-type activities:</b>			
Water operations	<u>5,157,822</u>	<u>4,382,826</u>	<u>-</u>
<b>Total primary government</b>	<u><u>\$ 5,724,957</u></u>	<u><u>\$ 4,382,826</u></u>	<u><u>\$ -</u></u>

**Twentynine Palms Water District**  
**Statement of Activities (Continued)**  
**For the Fiscal Year Ended June 30, 2017**

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	\$ (567,135)	\$ -	\$ (567,135)
<b>Business-type activities:</b>			
Water operations	-	(774,996)	(774,996)
<b>Total primary government</b>	<u>(567,135)</u>	<u>(774,996)</u>	<u>(774,996)</u>
<b>General revenues:</b>			
Rental revenue	-	123,332	123,332
Investment earnings	29,870	31,676	61,546
Gain on sale of assets	192,481	52,875	245,356
Other revenue	99,526	78,219	177,745
Transfers in/(out) (Note 11)	40,000	(40,000)	-
<b>Total general revenues</b>	<u>361,877</u>	<u>246,102</u>	<u>607,979</u>
<b>Change in net position</b>	<u>(205,258)</u>	<u>(528,894)</u>	<u>(734,152)</u>
<b>Net Position:</b>			
Beginning of year	1,249,652	28,580,922	29,830,574
End of year	<u>\$ 1,044,394</u>	<u>\$ 28,052,028</u>	<u>\$ 29,096,422</u>



## **FUND FINANCIAL STATEMENTS**

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**Twentynine Palms Water District**  
**Balance Sheets**  
**Governmental Funds**  
**June 30, 2017**

	<u>Fire Protection Fund</u>	<u>Special Revenue Fire Explorers Fund</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>			
<b>Assets:</b>			
Cash and cash equivalents	\$ 141,566	\$ 1,401	\$ 142,967
Restricted – cash and investments	1,098,489	-	1,098,489
Special assessments receivable	17,379	-	17,379
<b>Total assets</b>	<b>\$ 1,257,434</b>	<b>\$ 1,401</b>	<b>\$ 1,258,835</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
<b>Liabilities:</b>			
Accounts payable and accrued expenses	\$ 70,599	\$ 1,401	\$ 72,000
<b>Total liabilities</b>	<b>70,599</b>	<b>1,401</b>	<b>72,000</b>
<b>Fund balance:</b>			
Restricted for pension liability (Note 9)	1,186,835	-	1,186,835
<b>Total fund balance</b>	<b>1,186,835</b>	<b>-</b>	<b>1,186,835</b>
<b>Total liabilities and fund balance</b>	<b>\$ 1,257,434</b>	<b>\$ 1,401</b>	<b>\$ 1,258,835</b>



**Twentynine Palms Water District**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Government-Wide Statement of Net Position**  
**June 30, 2017**

<b>Total Fund Balance – Total Governmental Funds</b>	<u>\$ 1,186,835</u>
Amounts reported for governmental activities in the statement of net position are different because:	
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.	456,807
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:	
Net pension liability	(240,014)
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>(359,234)</u>
<b>Total adjustments</b>	<u>(142,441)</u>
<b>Net Position – Governmental Activities</b>	<u><u>\$ 1,044,394</u></u>

**Twentynine Palms Water District**  
**Statements of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2017**

	<u>Fire Protection Fund</u>	<u>Special Revenue Fire Explorers Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
Investment earnings	\$ 29,870	\$ -	\$ 29,870
Sale of assets	250,000	-	250,000
Other revenues	99,526	-	99,526
<b>Total revenues</b>	<u>379,396</u>	<u>-</u>	<u>379,396</u>
<b>Expenditures:</b>			
Fire protection:			
Materials and services	76,890	1,401	78,291
<b>Total expenditures</b>	<u>76,890</u>	<u>1,401</u>	<u>78,291</u>
<b>Revenues over (under) expenditures</b>	<u>302,506</u>	<u>(1,401)</u>	<u>301,105</u>
<b>Other financing sources/(uses):</b>			
Transfers in/(out) (Note 11)	40,000	-	40,000
<b>Total special items</b>	<u>40,000</u>	<u>-</u>	<u>40,000</u>
<b>Net change in fund balance</b>	<u>342,506</u>	<u>(1,401)</u>	<u>341,105</u>
<b>Fund balance:</b>			
Beginning of year	844,329	1,401	845,730
End of year	<u>\$ 1,186,835</u>	<u>\$ -</u>	<u>\$ 1,186,835</u>

**Twentynine Palms Water District**  
**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances of Government-Wide Statement of Activities and Changes in Net Position**  
**For the Fiscal Ended June 30, 2017**

<b>Net Change in Fund Balance – Total Governmental Funds</b>	<u>\$ 341,105</u>
Amounts reported for governmental activities in the statement of activities are 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 follows:	
Net change in compensated absences	31,601
Net change in net pension liability and related deferred resources	(88,469)
The proceeds from the sale of land is reported as revenue in governmental funds. However, the cost of the land sold is removed from the capital assets account in the statement of net position and offset against the sale proceeds in the statement of activities (gain on sale of assets). Thus, more revenue is reported in the governmental funds than in the statement of activities.	
Cost of land	(57,519)
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>(431,976)</u>
<b>Total adjustments</b>	<u>(546,363)</u>
<b>Change in Net Position – Governmental Activities</b>	<u><u>\$ (205,258)</u></u>

**PROPRIETARY FUND FINANCIAL STATEMENTS**

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**Twentynine Palms Water District**  
**Balance Sheet**  
**Enterprise Funds**  
**June 30, 2017**

**ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

**Current assets:**

Cash and investments	\$ 6,518,392
Accrued interest receivable	7,868
Accounts receivable – water sales and services, net	734,303
Special assessments receivable	60,966
Accounts receivable – other	2,746
Materials and supplies inventory	154,666
Prepaid items	80,749
<b>Total current assets</b>	<b><u>7,559,690</u></b>

**Non-current assets:**

Capital assets – not being depreciated	223,431
Capital assets – being depreciated, net	22,882,339
<b>Total non-current assets</b>	<b><u>23,105,770</u></b>
<b>Total assets</b>	<b><u>30,665,460</u></b>

**Deferred outflows of resources:**

Pension related deferred outflows of resources	535,879
<b>Total deferred outflows of resources</b>	<b><u>535,879</u></b>
<b>Total assets and deferred outflows of resources</b>	<b><u>\$ 31,201,339</u></b>

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION**

**Current liabilities:**

Accounts payable and accrued expenses	\$ 86,069
Accrued salaries and related payables	43,033
Unearned revenue and deposits	363,493
Long-term liabilities – due within one year:	
Compensated absences	40,924
<b>Total current liabilities</b>	<b><u>533,519</u></b>

**Non-current liabilities:**

Long-term liabilities – due in more than one year:	
Compensated absences	27,282
Net other post-employment benefits obligation	460,782
Net pension liability	1,947,891
<b>Total non-current liabilities</b>	<b><u>2,435,955</u></b>
<b>Total liabilities</b>	<b><u>2,969,474</u></b>

**Deferred inflows of resources:**

Pension related deferred inflows of resources	179,837
<b>Total deferred inflows of resources</b>	<b><u>179,837</u></b>

**Net position:**

Investment in capital assets	23,105,770
Unrestricted	4,946,258
<b>Total net position</b>	<b><u>28,052,028</u></b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b><u>\$ 31,201,339</u></b>

**Twentynine Palms Water District**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Enterprise Funds**  
**For the Year Ended June 30, 2017**

<b>Operating revenues:</b>	
Water consumption sales	\$ 2,622,789
Water service charges	1,030,621
Water availability charge	606,779
Other service charges	<u>122,637</u>
<b>Total operating revenues</b>	<u><u>4,382,826</u></u>
<b>Operating expenses:</b>	
Source of supply	353,306
Pumping	263,913
Transmission and distribution	869,682
Customer accounts	214,750
General plant	559,518
General and administrative	<u>1,507,275</u>
<b>Total operating expenses</b>	<u><u>3,768,444</u></u>
<b>Operating income before depreciation</b>	614,382
Depreciation expense	<u>(1,389,378)</u>
<b>Operating (loss)</b>	<u><u>(774,996)</u></u>
<b>Non-operating revenues(expenses):</b>	
Rental revenue	123,332
Investment earnings	31,676
Gain on sale of assets	52,875
Other non-operating revenue	78,219
Transfers in/(out) (Note 11)	<u>(40,000)</u>
<b>Total non-operating revenues, net</b>	<u><u>246,102</u></u>
<b>Change in net position</b>	(528,894)
<b>Net position:</b>	
Beginning of year	<u>28,580,922</u>
End of year	<u><u>\$ 28,052,028</u></u>

**Twentynine Palms Water District**  
**Statement of Cash Flows**  
**Enterprise Funds**  
**For the Year Ending June 30, 2017**

<b>Cash flows from operating activities:</b>	
Cash receipts from customers and others	\$ 4,553,047
Cash paid to employees for salaries and wages	(1,068,264)
Cash paid to vendors and suppliers for materials and services	<u>(2,823,633)</u>
<b>Net cash provided by operating activities</b>	<u>661,150</u>
<b>Cash flows from capital and related financing activities:</b>	
Acquisition and construction of capital assets	(246,831)
Proceeds from sale of assets	52,875
Transfers in/(out)	<u>(40,000)</u>
<b>Net cash (used in) capital and related financing activities</b>	<u>(233,956)</u>
<b>Cash flows from investing activities:</b>	
Proceeds from investment earnings	<u>32,372</u>
<b>Net cash provided by investing activities</b>	<u>32,372</u>
<b>Net increase in cash and investments</b>	459,566
<b>Cash and investments:</b>	
Beginning of year	<u>6,058,826</u>
End of year	<u><u>\$ 6,518,392</u></u>



**Twentynine Palms Water District**  
**Statement of Cash Flows (Continued)**  
**Enterprise Funds**  
**For the Year Ending June 30, 2017**

<b>Reconciliation of operating (loss) to net cash provided by operating activities:</b>	
Operating (loss)	<u>\$ (774,996)</u>
<b>Adjustments to reconcile operating (loss) to net cash provided by operating activities:</b>	
Depreciation expense	1,389,378
Rental revenue	123,332
Other non-operating revenue	78,219
<b>Changes in assets – (increase)decrease:</b>	
Accounts receivable – water sales and services, net	(66,462)
Special assessments receivable	10,418
Accounts receivable – other	4,952
Materials and supplies inventory	38,931
Prepaid items	63,138
<b>Change in deferred outflows of resources – (increase)decrease:</b>	
Pension related deferred outflows of resources	(338,918)
<b>Changes in liabilities – increase(decrease):</b>	
Accounts payable and accrued expenses	(112,362)
Accrued salaries and related payables	5,728
Unearned revenue and deposits	19,762
Compensated absences	15,700
Net other post-employment benefits obligation	(216,328)
Net pension liability	495,688
<b>Change in deferred inflows of resources – increase(decrease):</b>	
Pension related deferred inflows of resources	<u>(75,030)</u>
<b>Total adjustments</b>	<u>1,436,146</u>
<b>Net cash provided by operating activities</b>	<u><u>\$ 661,150</u></u>

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

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**Twentynine Palms Water District**  
**Notes to the Basic Financial Statements**  
**For the Year Ended June 30, 2017**

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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.

On July 1, 2016, the District reorganized its fire protection services to the San Bernardino County Fire Protection District per the San Bernardino County LAFCO decision on February 17, 2016. Therefore, no budgetary-to-actual activity has presented for the governmental funds in the Required Supplementary Information Section.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of U.S. GAAP. 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 for a component that has substantively the same governing body as the District's governing body, and additionally (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility for the activities of the component unit.

The Twentynine Palms Water District Financing Corporation (Corporation) has a financial and operational relationship which meets the reporting entity definition criteria under U.S. GAAP, 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. The Corporation is inactive as the District has no outstanding debt issues.

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

The District's financial statements are prepared in conformity with U.S. GAAP. 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.

***Government-Wide Financial Statements***

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.

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.

**Twentynine Palms Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

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

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

***Government-Wide Financial Statements (Continued)***

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.

In accordance with U.S. GAAP, 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.

***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.

***Governmental Funds***

These statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds. Incorporated into these statements is a schedule to reconcile and explain the differences in net position as presented in these statements to the net position presented in the Government-wide Financial Statements.

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, 2017**

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

The District reports the following major 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:***

Proprietary funds are accounted for using the "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District reports the following major proprietary fund:

***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.

U.S. GAAP 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:

**Twentynine Palms Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

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

***Investments (Continued)***

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.

***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.

***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 acquisition value at the date of donation. Capital outlay is recorded as expenditures of the fire 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, 2017**

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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, 2017</u></b>
Valuation date	June 30, 2015
Measurement date	June 30, 2016
Measurement period	July 1, 2015 to June 30, 2016

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, 2017**

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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:

**Investment in Capital Assets** – This component of net position consists of capital assets, net of accumulated depreciation.

**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, 2017**

**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.

**Note 2 – Cash and Investments**

Cash and investments as of June 30, 2017 were classified in the accompanying financial statements as follows:

Description	Balance
Cash and investments	\$ 6,661,359
Restricted – cash and investments	1,098,489
<b>Total</b>	<b>\$ 7,759,848</b>

Cash and investments as of June 30, 2017 consisted of the following:

Description	Balance
Cash on hand	\$ 1,350
Demand deposits with financial institutions	2,673,486
Investments	5,085,012
<b>Total cash and investments</b>	<b>\$ 7,759,848</b>

***Demand Deposits***

At June 30, 2017 the carrying amount of the District’s demand deposits was \$2,673,486 and the financial institution balance was \$2,717,743. The \$44,257 net difference as of June 30, 2017 represents outstanding checks, deposits-in-transit and/or other reconciling items.

The California Government Code requires California banks and savings and loan associations to secure an entity's deposits by pledging government securities with a value of 110% of an entity's deposits. California law also allows financial institutions to secure entity deposits by pledging first trust deed mortgage notes having a value of 150% of an entity's total deposits. The entity's Treasurer may waive the collateral requirement for deposits which are fully insured up to \$250,000 by the FDIC.

**Twentynine Palms Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

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

***Demand Deposits (Continued)***

The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized agent of depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an agent of depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an agent of depositor has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California agents of depository are considered to be held for, and in the name of, the local government.

***Custodial Credit Risk***

The 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 deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's investment policy requires that collateral be held by an independent third party with whom the District has a current custodial agreement.

The custodial credit risk for *investments* is the risk that in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The District's investment policy requires that all security transactions are conducted on a delivery-versus-payment (DVP) method and that all securities are held by a qualified, third-party custodian, as evidenced by safekeeping receipts. The trust department of the District's bank may act as third-party custodian, provided that the custodian agreement is separate from the banking agreement. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

As of June 30, 2017 none of the District's deposits and investments was exposed to disclosable custodial credit risk.

**Investments**

Investments as of June 30, 2017 consisted of the following:

<u>Investments</u>	<u>Measurement Input</u>	<u>Credit Rating</u>	<u>Fair Value June 30, 2017</u>	<u>Maturity 12 Months or Less</u>
<b>External Investment Pools:</b>				
California Local Agency Investment Fund (LAIF)	Uncategorized	N/A	\$ 2,979,086	\$ 2,979,086
CalTRUST – Short Term Fund	Level 2	AAf	503,358	503,358
CalTRUST – Medium Term Fund	Level 2	A+f	504,079	504,079
<b>Held with Fiscal Agent:</b>				
PARS Pension Trust	Uncategorized	N/A	1,098,489	1,098,489
<b>Total investments</b>			<u>\$ 5,085,012</u>	<u>\$ 5,085,012</u>

**Twentynine Palms Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

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

***Authorized Investments and Investment Policy***

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 Trust of California – CalTRUST  
Non-negotiable certificates-of-deposit  
Governmental agency securities

**Held with Fiscal Agent:**

PARS Pension Trust

***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 investment with LAIF at June 30, 2017 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.

LAIF has indicated to the District that as of June 30, 2017 the value of LAIF's portfolio approximated \$20.678 billion. As of June 30, 2017, the District had \$2,979,086 invested in LAIF, which had invested 2.89% of the pool's investment funds in structured notes and medium-term asset-backed securities.

***Investment Trust of California – CalTRUST***

The Investment Trust of California, doing business as CalTrust, is a California joint powers agency which provides California public agencies with investment management services for surplus funds to consolidate investment activities of its participants and thereby reduces duplication, achieves economies of scale and carries out coherent and consolidated investment strategies through the issuance of shares of beneficial interest in investments purchased by CalTrust. CalTrust currently offers three accounts or series as a means for Public Agencies to invest their funds. The District participates in the CalTrust Short-Term & Medium-Term Fund Series.

**Twentynine Palms Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

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

**Public Agency Retirement Services (PARS) Pension Trust**

The District established an IRS Section 115 pension irrevocable trust account with the Public Agency Retirement Services (PARS) to hold assets that are legally restricted for use in administering the District’s CalPERS Defined Benefit Safety Employees’ Pension Plan. The PARS Trust’s specific cash and investments are managed by a third-party portfolio manager and invested under a pool arrangement using certain investment guidelines offered by PARS.

**Fair Value Measurement Input**

The District categorizes its fair value measurement inputs within the fair value hierarchy established by generally accepted accounting principles. The District has presented its measurement inputs as noted in the table above.

**Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of June 30, 2017, the District’s investment in the LAIF and CalTRUST is noted in the table above.

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the fair values of investments with longer maturities have greater 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. The District has elected to use the segmented time distribution method of disclosure for the maturities of its investments as related to interest rate risk as noted in the table above.

**Concentration of Credit Risk**

The District’s investment policy contains no limitations on the amount that can be invested in any one governmental agency or non-governmental issuer beyond that stipulated by the California Government Code. There were no investments in any one governmental or non-governmental issuer that represented 5% or more of the District’s total investments except for those in LAIF and CalTRUST.

**Note 3 – Accounts Receivable, Net**

The accounts receivable, net balance as of June 30, 2017 consisted of the following:

Description	Balance
Accounts receivable – water sales and services	\$ 989,900
Allowance for doubtful accounts	(255,597)
Total accounts receivable, net	\$ 734,303

**Twentynine Palms Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

**Note 4 – Special Assessments Receivable**

The Water Fund receives water availability charge assessments of \$30 for each parcel that is one acre or less, whether serviced or un-serviced. These amounts are increased by amounts ranging from \$7.50 to \$8.00 per acre for incremental acreage. For the year ended June 30, 2017 the District recorded revenue from this special assessment of \$606,779.

**Note 5 – Capital Assets**

Changes in capital assets for the year were as follows:

***Governmental Activities***

	<u>Balance July 1, 2016</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance June 30, 2017</u>
Non-depreciable capital assets:				
Land	\$ 57,519	\$ -	\$ (57,519)	\$ -
Construction-in-process	-	-	-	-
Total non-depreciable capital assets	<u>57,519</u>	<u>-</u>	<u>(57,519)</u>	<u>-</u>
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	<u>2,752,236</u>	<u>-</u>	<u>(2,752,236)</u>	<u>-</u>
Less accumulated depreciation	<u>(2,320,260)</u>	<u>(431,976)</u>	<u>2,752,236</u>	<u>-</u>
Total depreciable capital assets, net	<u>431,976</u>	<u>(431,976)</u>	<u>-</u>	<u>-</u>
Total capital assets, net	<u>\$ 489,495</u>	<u>\$ (431,976)</u>	<u>\$ (57,519)</u>	<u>\$ -</u>

On July 1, 2016, the District reorganized its fire protection services to the San Bernardino County Fire Protection District per the San Bernardino County LAFCO decision on February 17, 2017. Therefore, the capital assets of the fire fund were fully depreciated and transferred to the San Bernardino County Fire Protection District.

**Twentynine Palms Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

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

Changes in capital assets for the year were as follows:

***Business-Type Activities***

	<u>Balance July 1, 2016</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance June 30, 2017</u>
Non-depreciable capital assets:				
Land	\$ 174,626	\$ -	\$ -	\$ 174,626
Construction-in-process	1,618,527	419,474	(1,989,196)	48,805
Total non-depreciable capital assets	<u>1,793,153</u>	<u>419,474</u>	<u>(1,989,196)</u>	<u>223,431</u>
Depreciable capital assets:				
Source of supply plant	12,042,610	1,667,977	(73,281)	13,637,306
Pumping plant	434,992	-	-	434,992
Transmission and distribution plant	28,318,614	40,363	-	28,358,977
Buildings and structures	2,196,456	14,754	-	2,211,210
Office equipment	503,281	8,207	-	511,488
Transportation/heavy equipment	1,408,916	51,020	(33,153)	1,426,783
Radio and communication equipment	141,653	-	-	141,653
Field equipment and tools	725,112	34,232	-	759,344
Total depreciable capital assets	<u>45,771,634</u>	<u>1,816,553</u>	<u>(106,434)</u>	<u>47,481,753</u>
Less accumulated depreciation	<u>(23,316,470)</u>	<u>(1,389,378)</u>	<u>106,434</u>	<u>(24,599,414)</u>
Total depreciable capital assets, net	<u>22,455,164</u>	<u>427,175</u>	<u>-</u>	<u>22,882,339</u>
Total capital assets, net	<u>\$ 24,248,317</u>	<u>\$ 846,649</u>	<u>\$ (1,989,196)</u>	<u>\$ 23,105,770</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, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>	<u>Current</u>	<u>Non-current</u>
\$ 84,107	\$ 142,541	\$ (158,442)	\$ 68,206	\$ 40,924	\$ 27,282

**Twentynine Palms Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

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

Description	2017
<b>Annual OPEB cost:</b>	
Annual required contribution (ARC)	\$ 144,890
Interest on beginning net OPEB obligation	23,699
Adjustment to annual required contribution	(30,855)
<b>Total annual OPEB cost</b>	<b>137,734</b>
<b>Contributions made:</b>	
Contributions made	(354,062)
<b>Total contributions made</b>	<b>(354,062)</b>
<b>Change in net other post-employment benefits payable</b>	<b>(216,328)</b>
<b>Net other post-employment benefits payable:</b>	
Beginning of year	677,110
End of year	<b>\$ 460,782</b>



**Twentynine Palms Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

**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 2017 and the two preceding years were as follows:

*Three-Year History of Net OPEB Obligation*

Fiscal Year Ended	Annual OPEB Cost	Contributions Made	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation Payable
June 30, 2017	\$ 137,734	\$ 354,062	257.06%	\$ 460,782
June 30, 2016	156,230	40,754	26.09%	677,110
June 30, 2015	153,403	37,134	24.21%	561,634

***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, 2017 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:

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													
	<table border="1"> <thead> <tr> <th style="text-align: center;">Year</th> <th style="text-align: center;">Percentage</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">2016</td> <td style="text-align: center;">6.50%</td> </tr> <tr> <td style="text-align: center;">2017</td> <td style="text-align: center;">6.00%</td> </tr> <tr> <td style="text-align: center;">2018</td> <td style="text-align: center;">5.50%</td> </tr> <tr> <td style="text-align: center;">2019</td> <td style="text-align: center;">5.00%</td> </tr> <tr> <td style="text-align: center;">2020+</td> <td style="text-align: center;">5.00%</td> </tr> </tbody> </table>	Year	Percentage	2016	6.50%	2017	6.00%	2018	5.50%	2019	5.00%	2020+	5.00%
Year	Percentage												
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, 2017**

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

Type of Account	Balance as of July 1, 2016	Additions	Deletions	Balance as of June 30, 2017
<b>Deferred Outflows of Resources:</b>				
Pension contributions made after the measurement date:				
CalPERS – Miscellaneous Plan	\$ 163,027	\$ 195,247	\$ (163,027)	\$ 195,247
CalPERS – Safety Plan	519,038	2,654	(519,038)	2,654
Sub-total	682,065	197,901	(682,065)	197,901
Difference between actual and proportionate share of employer contributions:				
CalPERS – Miscellaneous Plan	7,057	-	(7,057)	-
CalPERS – Safety Plan	12,103	422,177	(120,135)	314,145
Sub-total	19,160	422,177	(127,192)	314,145
Adjustment due to differences in proportions:				
CalPERS – Miscellaneous Plan	17,484	58,858	(31,500)	44,842
CalPERS – Safety Plan	399	-	(142)	257
Sub-total	17,883	58,858	(31,642)	45,099
Differences between projected and actual earnings on pension plan investments:				
CalPERS – Miscellaneous Plan	-	291,230	-	291,230
CalPERS – Safety Plan	-	139,751	-	139,751
Sub-total	-	430,981	-	430,981
Differences between expected and actual experience:				
CalPERS – Miscellaneous Plan	9,393	-	(4,833)	4,560
<b>Total deferred outflows of resources</b>	<b>\$ 728,501</b>	<b>\$ 1,109,917</b>	<b>\$ (845,732)</b>	<b>\$ 992,686</b>
<b>Net Pension Liability:</b>				
CalPERS – Miscellaneous Plan	\$ 1,452,203	\$ 658,715	\$ (163,027)	\$ 1,947,891
CalPERS – Safety Plan	483,755	273,297	(519,038)	240,014
<b>Total aggregate net pension liability</b>	<b>\$ 1,937,958</b>	<b>\$ 932,012</b>	<b>\$ (682,065)</b>	<b>\$ 2,187,905</b>
<b>Deferred Inflows of Resources:</b>				
Differences between projected and actual earnings on pension plan investments:				
CalPERS – Miscellaneous Plan	\$ 44,544	\$ -	\$ (44,544)	\$ -
CalPERS – Safety Plan	25,855	-	(25,855)	-
Sub-total	70,399	-	(70,399)	-
Difference between actual and proportionate share of employer contributions:				
CalPERS – Miscellaneous Plan	74,594	83,422	(55,760)	102,256
Adjustment due to differences in proportions:				
CalPERS – Miscellaneous Plan	46,868	-	(25,242)	21,626
CalPERS – Safety Plan	11,789	437,181	(124,706)	324,264
Sub-total	58,657	437,181	(149,948)	345,890
Differences between expected and actual experience:				
CalPERS – Safety Plan	11,093	-	(4,568)	6,525
Changes in assumptions:				
CalPERS – Miscellaneous Plan	88,861	-	(32,906)	55,955
CalPERS – Safety Plan	51,020	-	(22,575)	28,445
Sub-total	139,881	-	(55,481)	84,400
<b>Total deferred inflows of resources</b>	<b>\$ 354,624</b>	<b>\$ 520,603</b>	<b>\$ (336,156)</b>	<b>\$ 539,071</b>

**Twentynine Palms Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

**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	11.995%	6.555%

***Safety Plan***

	<b>Safety Plan</b>
	<b>Classic Tier 1</b>
Hire date	Prior to January 1, 2013
Benefit formula	3.0% @ 55
Benefit vesting schedule	5-years or service
Benefits payments	monthly for life
Retirement age	50 - 67 & up
Monthly benefits, as a % of eligible compensation	2.4% to 3.0%
Required member contribution rates	8.000%
Required employer contribution rates	16.656%

***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, 2017**

**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, 2016 (Valuation Date), the following members were covered by the benefit terms:

<u>Plan Members</u>	<u>Miscellaneous Plans</u>		<u>Total</u>
	<u>Classic Tier 1</u>	<u>PEPRA Tier 2</u>	
Active members	13	5	18
Transferred and terminated members	22	-	22
Retired members and beneficiaries	17	-	17
<b>Total plan members</b>	<b>52</b>	<b>5</b>	<b>57</b>

<u>Plan Members</u>	<u>Safety Plans</u>		<u>Total</u>
	<u>Classic Tier 1</u>	<u>PEPRA 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 7.65 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, 2017**

**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, 2016 (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, 2017, the contributions made to the Plan were as follows:

Contribution Type	Miscellaneous Plans		Total
	Classic Tier 1	PEPRA Tier 2	
Contributions – employer	\$ 183,228	\$ 12,019	\$ 195,247
Contributions – members	68,226	11,322	79,548
<b>Total contributions</b>	<b>\$ 251,454</b>	<b>\$ 23,341</b>	<b>\$ 274,795</b>

  

Contribution Type	Safety Plans		Total
	Classic Tier 1	PEPRA Tier 2	
Contributions – employer	\$ 2,654	\$ -	\$ 2,654
Contributions – members	1,406	-	1,406
<b>Total contributions</b>	<b>\$ 4,060</b>	<b>\$ -</b>	<b>\$ 4,060</b>

**Twentynine Palms Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

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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, 2016 (Measurement Date), the total pension liability was determined by rolling forward the June 30, 2015 total pension liability. The June 30, 2015 total pension liability was 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
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds.
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, 2015 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, 2017**

**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 (Continued)***

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	51.00%	5.25%	5.71%
Global Fixed Income	20.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	1.00%	-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	\$ 3,101,199	\$ 1,947,891	\$ 994,740

  

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	\$ 653,121	\$ 240,014	\$ (99,104)

**Twentynine Palms Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

**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, 2015 (Measurement Date)	\$ 8,004,752	\$ 6,552,549	\$ 1,452,203
Balance as of June 30, 2016 (Measurement Date)	\$ 8,566,425	\$ 6,618,534	\$ 1,947,891
<b>Change in Plan Net Pension Liability</b>	<b>\$ 561,673</b>	<b>\$ 65,985</b>	<b>\$ 495,688</b>
<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 – Safety Plan:</b>			
Balance as of June 30, 2015 (Measurement Date)	\$ 2,849,036	\$ 2,363,281	\$ 485,755
Balance as of June 30, 2016 (Measurement Date)	\$ 3,043,284	\$ 2,803,270	\$ 240,014
<b>Change in Plan Net Pension Liability</b>	<b>\$ 194,248</b>	<b>\$ 439,989</b>	<b>\$ (245,741)</b>



**Twentynine Palms Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

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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, 2015). 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, 2016). 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 (2015-16 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, 2017**

**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:

<u>CalPERS – Miscellaneous Plan</u>	<u>Percentage Share of Risk Pool</u>		<u>Change Increase/ (Decrease)</u>
	<u>Fiscal Year Ending</u>	<u>Fiscal Year Ending</u>	
	<u>June 30, 2017</u>	<u>June 30, 2016</u>	
Measurement Date	June 30, 2016	June 30, 2015	
Percentage of Risk Pool Net Pension Liability	0.056073%	0.052933%	0.003140%
Percentage of Plan (PERF C) Net Pension Liability	0.022511%	0.021157%	0.001354%

<u>CalPERS – Safety Plan</u>	<u>Percentage Share of Risk Pool</u>		<u>Change Increase/ (Decrease)</u>
	<u>Fiscal Year Ending</u>	<u>Fiscal Year Ending</u>	
	<u>June 30, 2017</u>	<u>June 30, 2016</u>	
Measurement Date	June 30, 2016	June 30, 2015	
Percentage of Risk Pool Net Pension Liability	0.004634%	0.017706%	-0.013072%
Percentage of Plan (PERF C) Net Pension Liability	0.002774%	0.007077%	-0.004303%

For the year ended June 30, 2017, the District recognized pension expense/(credit) in the amount of \$368,110 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, 2017**

**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) for PERF C for the measurement date ending June 30, 2016 is 3.7 years, which was obtained by dividing the total service years of 475,689 (the sum of remaining service lifetimes of the active employees) by 127,009 (the total number of participants: active, inactive, and retired) in PERF C. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

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

At June 30, 2017, 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	\$ 197,901	\$ -
Difference between actual and proportionate share of employer contributions	314,145	102,256
Adjustment due to differences in proportions	45,099	345,890
Differences between expected and actual experience	4,560	6,525
Differences between projected and actual earnings on pension plan investments	430,981	-
Changes in assumptions	-	84,400
<b>Total Deferred Outflows/(Inflows) of Resources</b>	<b>\$ 992,686</b>	<b>\$ 539,071</b>

The District will recognize \$197,901 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, 2018, 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/(Inflows) of Resources</u>
2018	\$ (31,510)
2019	(11,779)
2020	187,188
2021	111,815
<b>Total</b>	<b>\$ 255,714</b>

**Twentynine Palms Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

**Note 9 – Restricted Net Position**

On July 1, 2016, the District reorganized its fire protection services to the San Bernardino County Fire Protection District per the San Bernardino County LAFCO decision on February 17, 2017. The District is in the process of closing out its Fire Protection and Fire Explorers funds. The District has a written agreement with the City of Twentynine Palms (City) where the City has taken all responsibility for the payment of the CalPERS UAL/Termination Liability for the District's CalPERS Safety Plan, at a time to be determined by the City. The District established an IRS Section 115 pension irrevocable trust account with the Public Agency Retirement Services (PARS) to hold assets that are legally restricted for use in administering the District's CalPERS Defined Benefit Safety Employees' Pension Plan. The District will be transferring its remaining operational cash balance in the Fire Protection Fund to the PARS Pension Trust to assist the City with the final payment of the CalPERS UAL/Termination Liability for the District's CalPERS Safety Plan as follows:

The following is a calculation of the District's restricted net position.

Account Description	Balance
Cash and investments	\$ 142,967
Less: Accounts payable and accrued expenses	(72,000)
<b>Total cash after payment of accounts payable and accrued expenses</b>	<b>70,967</b>
Add: Special assessments receivable cash received	17,379
<b>Total cash available for transfer to PARS Pension Trust</b>	<b>88,346</b>
Restricted – cash and investments held-in-PARS Pension Trust	1,098,489
<b>Total restricted net position for pension liability</b>	<b>\$ 1,186,835</b>

**Note 10 – Unrestricted Net Position**

The District's governmental activities unrestricted net position deficit is related to the District's net pension liability and related deferred outflows/inflows recorded in accordance with GASB Statement No. 68. As noted in Note 9, the District has a written agreement with the City of Twentynine Palms where the City has taken all responsibility for the payment of the CalPERS UAL/Termination Liability for the District's CalPERS Safety Plan, at a time to be determined by the City. Therefore, this deficit balance will be funded by the City along with the PARS Pension Trust in a future period.

Account Description	Balance
Pension related deferred outflows of resources	\$ 456,807
Net pension liability	(240,014)
Pension related deferred inflows of resources	(359,234)
<b>Total unrestricted net position (deficit)</b>	<b>\$ (142,441)</b>

**Twentynine Palms Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

**Note 11 – Transfers In/(Out)**

<u>Fund Name</u>	<u>Transfers In</u>	<u>Transfers (Out)</u>
Fire protection	\$ 40,000	\$ -
Water operations	-	(40,000)
<b>Total</b>	<b>\$ 40,000</b>	<b>\$ (40,000)</b>

The District has an agreement with the City of Twentynine Palms where the District will transfer \$40,000 per year from its Water Operations Fund annual cell tower site-lease revenues to the City until fiscal year 2019. In 2017, the City directed the District to deposit the \$40,000 into the PARS Pension Trust.

**Note 12 – 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, 2017, there were no claims liabilities to be reported. During the year ended June 30, 2017, 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, 2017, 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.

**Twentynine Palms Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2017**

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**Note 13 – 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.

THE UNIVERSITY OF CHICAGO  
DEPARTMENT OF CHEMISTRY  
PHYSICAL CHEMISTRY

Date: \_\_\_\_\_

Page: \_\_\_\_\_

No. \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_

State: \_\_\_\_\_

Country: \_\_\_\_\_

Phone: \_\_\_\_\_

Fax: \_\_\_\_\_

E-mail: \_\_\_\_\_

Postcode: \_\_\_\_\_

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**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**



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**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, 2017**

**Last Ten Fiscal Years**

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

<b>Measurement Date:</b>	<u><b>June 30, 2016<sup>1</sup></b></u>	<u><b>June 30, 2015<sup>1</sup></b></u>	<u><b>June 30, 2014<sup>1</sup></b></u>
District's Proportion of the Net Pension Liability	0.025285%	0.028234%	0.028313%
District's Proportionate Share of the Net Pension Liability	<u>\$ 2,187,905</u>	<u>\$ 1,937,958</u>	<u>\$ 1,761,770</u>
District's Covered Payroll	<u>\$ 1,381,292</u>	<u>\$ 1,341,060</u>	<u>\$ 1,302,000</u>
District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	<u>158.40%</u>	<u>144.51%</u>	<u>135.31%</u>
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	<u>74.06%</u>	<u>78.40%</u>	<u>83.02%</u>

<sup>1</sup> Historical information is presented 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, 2017**

**Last Ten Fiscal Years**

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

<b>Fiscal Year:</b>	<u>2016-17<sup>1</sup></u>	<u>2015-16<sup>1</sup></u>	<u>2014-15<sup>1</sup></u>	<u>2013-14<sup>1</sup></u>
Actuarially Determined Contribution <sup>2</sup>	\$ 197,902	\$ 245,003	\$ 234,149	\$ 225,220
Contribution in Relation to the Actuarially Determined Contribution <sup>2</sup>	<u>(197,902)</u>	<u>(682,065)</u>	<u>(234,149)</u>	<u>(481,274)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ (437,062)</u>	<u>\$ -</u>	<u>\$ (256,054)</u>
District's Covered-Employee Payroll <sup>3</sup>	<u>\$ 1,051,407</u>	<u>\$ 1,381,292</u>	<u>\$ 1,341,060</u>	<u>\$ 1,302,000</u>
Contributions as a Percentage of Covered- Employee Payroll	<u>18.82%</u>	<u>49.38%</u>	<u>17.46%</u>	<u>36.96%</u>

<sup>1</sup> Historical information is presented 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, 2017**

<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.

**3**

**TWENTYNINE PALMS WATER DISTRICT**  
72401 HATCH ROAD, TWENTYNINE PALMS, CA 92277-2935  
760.367.7546 PHONE 760.367.6612 FAX

TO:	BOARD OF DIRECTORS
DATE:	JANUARY 18, 2018
FROM:	RAY KOLISZ, GENERAL MANAGER
SUBJECT:	DISCUSSION AND REVIEW OF PROJECTS SUBMITTED FOR GRANT FUNDING CONSIDERATION THROUGH INTEGRATED REGIONAL WATER MANAGEMENT PROGRAM

**BACKGROUND AND DISCUSSION**

At the December Board meeting I briefed the Board on my attendance and presentation of a project list that are identify District projects eligible for grant funding consideration through the Department of Water Resources (DWR). A brief summary of the five projects that were presented to the Mojave Water Integrated Regional Water Management Plan (IRWMP) Technical Advisory Committee (TAC) that submits the project list to the DWR are as follows:

**Salt and Nutrient Management Plan (SNMP) Groundwater Monitoring**

**Project.** In June of 2014 the District prepared a SNMP that has the primary purpose of developing a strategy for the District, along with the City of Twentynine Palms to monitor and protect the groundwater resources in the Twentynine Palms area. The SNMP recognizes and addresses the increased need to assess potential groundwater quality impacts from salt and nutrient sources that are derived primarily from septic tanks in the Twentynine Palms area. The project proposes to implement the recommendations in the SNMP which include increased sampling of the District's existing production wells, establishing a water quality monitoring well network, and installation of new monitoring wells.

Estimated Cost \$1.0M

**Sustainable Management, Affordability, & Reliability for Twentynine**

**Palms Plan ("SMART Plan").** Twentynine Palms Water District faces challenges in three distinct areas: 1) Thwarting threats to groundwater quality; 2) Maintaining affordability for customers while protecting safe drinking water; 3) Updating our water conservation efforts. The objective of SMART Plan is to protect water quality, affordability and supply. The proposed project would implement efforts of the SMART Plan via technical review and project identification, research into funding and financing,

stakeholder outreach to ensure outreach and transparency, and groundwater data collection.

Estimated Cost \$100K

**AMI/AMR Smart Meter Upgrade Project.** The District is seeking grant funding for the upgrade of its current meters to Advanced Metering Infrastructure (AMI)/Automatic Meter Reading (AMR) technology. This project will help to increase water use efficiency and improve overall water management on a District-wide scale and will address deficiencies noted in the System Wide Audit by providing highly accurate, meter reading capabilities at residential and commercial sites. Implementation of this project will enable leaks and unusual water usage to be identified and addressed, ultimately reducing overall water demand. The District intends to implement a pilot project to determine the potential water savings before implementing the meters on a District-wide scale.

Estimated Cost \$1.0M

**Redundancy Well for Fluoride Treatment Plant Project.** The District currently has one existing supply well for the Fluoride Plant, well #TP-1, which provides approximately 40 percent of District supply. This water supply is equipped with a 3 MGD treatment system which removes naturally-occurring fluoride from the water. Fluoride concentrations within the District range between 0.34 to 5.6 mg/L, at times higher than the statewide MCL of 2.0 mg/L. In 1993, the District was granted a variance from the State fluoride MCL, which allows the District to meet the higher federal drinking water standard of 3.0 mg/L. Anticipating expiration of the variance in 2023, the District is concerned about providing both fluoride treatment capability for two additional wells which contain fluoride at concentrations exceeding the MCL, and also for providing a redundant supply, in the event that well TP-1 is unavailable for an extended period of time.

Estimated Cost \$1.2M

**Development of Well 11B.** The District relies entirely on groundwater to serve its residents for drinking water and a number of District wells have been recently taken offline due to hexavalent chromium levels above water quality levels. In early November 2016, the District's Well No. 11 stopped producing water. Investigation into the cause found major deterioration of the well, likely due to age, and the well was indefinitely taken offline. The District is performing the preliminary investigation to replace the lost capacity of its wells possibly through construction of a "new Well No. 11B". It is understood that any new well must meet the standards for drinking water including the Hexavalent Chromium, Arsenic and Fluoride that is anticipated to be elevated in the water.

\*Drilling and construction of this well has begun and the District will be seeking funding for the required treatment processes needed.

Estimated Cost with Treatment \$1.75M

4

**NO  
MATERIAL  
PROVIDED**



**5**

**MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS  
OF THE TWENTYNINE PALMS WATER DISTRICT  
72401 HATCH ROAD, TWENTYNINE PALMS, CA 92277**

**DECEMBER 20, 2017 / 6:00 P.M.**

Call to Order and Roll Call

Vice President Giannini called the meeting to order at 6:00 p.m., 72401 Hatch Road, Twentynine Palms, California. Those responding to roll call were Directors Bob Coghill, Carol Giannini, Suzi Horn, and Randy Leazer. Director Sam Moore was absent. Also present were General Manager Ray Kolisz, Financial Consultant Cindy Byerrum, Operations Superintendent Mike Minatrea, and District Secretary Cindy Fowlkes.

Pledge of Allegiance

Director Giannini led the pledge.

Additions/Deletions to the Agenda

None

Public Comments

Suzie Horn, as a citizen of Twentynine Palms, commended District employee, Tim Gomieo, for his professionalism and assistance in responding to a major leak at Luckie Park. It was determined the leak was the responsibility of the city, but Tim went above and beyond trying to prevent further water loss.

Ed Vallerand, of Twentynine Palms, commended staff and the Board for their efficiency in running the District.

Kyle Kolisz, son of General Manager Ray Kolisz, asked the Board to consider bring your child to work day.

1. Consider Resolution 17-14 Adopting the Legislative and Regulatory Committee Policy Principles

Adan Ortega with Ortega Strategies Group provided an update to the Board regarding AB 401 and SB 623 that will have a direct impact on the District. SB 623 will create a \$1.00 charge up to \$10.00 per meter, depending on the size, to create funds for disadvantage communities. However, these funds would not be kept within the District. The committee will be watching and commenting on conservation standards set by the state that are not necessarily conducive to living in the desert.

Staff recommends adopting Resolution 17-14.

Director Horn made a motion to approve Resolution 17-14 Adopting the Legislative and Regulatory Committee Policy Principles, seconded by Director Leazer, and approved by the following roll call vote:

Ayes:	Directors Coghill, Giannini, Horn, and Leazer
Noes:	None
Abstain:	None
Absent:	Director Moore

2. Consent Calendar
  - Minutes of a Regular Meeting held on November 15, 2017
  - Audit List

Director Coghill moved to approve the Consent Calendar, seconded by Director Horn, and approved unanimously.

3. Items Removed from the Consent Calendar for Discussion or Separate Action  
None

4. Management Reports

- 4.1 Operations

The District responded to 26 Underground Service Alerts, had 0 water main leaks, 3 water meter leaks, 0 service line leaks, 0 fire hydrant repairs, performed 0 customer pressure checks, replaced 1 meter, replaced 3 customer gate valves, and installed 1 new service. Water production was up 1.5% as compared to the same month in 2013.

- 4.2 Finance

Ms. Byerrum reported that the revenues are at 40% with expenditures just under 33%. The Audit will be provided to the Board in January.

- 4.3 General Manager

Mr. Kolisz attended the Mojave Water Integrated Regional Water Management Plan TAC meeting. Five projects were submitted for consideration: AMR/AMI automated meter reading, Salt Nutrient Management Plan, Fluoride Treatment redundancy, Well 11B, and outreach funding. The projects were approved to be included on a list for further review. A mini excavator was purchased for field staff. Drilling will begin in early January for Well 11B. The District had their first recognition luncheon on the 19<sup>th</sup>. Five employees were recognized for service milestones.

5. Future Agenda Items and Staff Tasks/Directors' Comments and Reports

Director Giannini and Board asked Ray to create a policy for bringing kids to work day. Director Giannini wished everyone a Merry Christmas and commended staff for their hard work.

The District Secretary's son Tyler Fowlkes, was asked by the Board to introduce himself and tell a little about his experiences at UCLA.

6. Adjournment

On motion by Director Horn, seconded by Director Coghill, and approved by the Board, the meeting was adjourned at 6:42 p.m.

\_\_\_\_\_  
Carol Giannini, Vice President  
Board of Directors

Attest:

\_\_\_\_\_  
Ray Kolisz, Board Secretary  
Twentynine Palms Water District

# Twentynine Palms Water District

**Check Date Range:** 12/1/2017 thru 12/30/2017

Ck No	Ck Date	Payable To	Ck Amt	Ck Detail	GL Acct No	Description
9698	12/13/2017	Accela, Inc. #774375	1,363.00	1,363.00	100-600-0000-5408	Web Payments with Online-Bills.com
9699	12/13/2017	ACWA/JPIA	30,920.58	24,114.28	100-310-0000-5140	Health Benefits January 2018
				1,580.37	100-310-0000-5141	Health Benefits January 2018
				352.73	100-310-0000-5142	Health Benefits January 2018
				3,086.10	100-310-0000-5144	Health Benefits January 2018
				1,787.10	100-600-0000-5399	Health Benefits January 2018
9700	12/13/2017	Ansafone Contact Centers	135.38	135.38	100-160-0000-5406	Answering Service
9701	12/13/2017	Customer Refund	27.29	27.29	100-000-0000-2000	Refund Check
9702	12/13/2017	Bailey's Auto Repair	454.00	56.75	100-130-0000-5406	Veh. #2 Smog Check.
				56.75	100-130-0000-5406	Veh. #11 Smog Check.
				56.75	100-130-0000-5406	Smog Inspection
				56.75	100-130-0000-5406	Veh. #20 Smog Check.
				56.75	100-130-0000-5406	Veh. #21 Smog Check.
				56.75	100-130-0000-5406	Veh. #23 Smog Check.
				56.75	100-130-0000-5406	Veh #24 Smog Check.
				56.75	100-130-0000-5406	Veh. #39 Smog Check.
9703	12/13/2017	Customer Refund	31.20	31.20	100-000-0000-2000	Refund Check
9704	12/13/2017	Best Best & Krieger	3,946.82	867.90	100-600-0000-5403	Professional Services Nov. 2017
				764.52	100-600-0000-5403	Professional Services Nov. 2017
				2,314.40	100-600-0000-5403	Professional Services Nov. 2017
9705	12/13/2017	Beyond Software Solutions	1,800.00	1,800.00	100-600-0000-5406	IT Services
9706	12/13/2017	Billings Transfer Inc.	600.00	600.00	100-130-0000-5406	Haul 26 Tons of Asphalt (Trucking Fee Only)
9707	12/13/2017	Blue Diamond Materials	1,967.49	1,967.49	100-130-0000-5220	Cold Mix (26Tons)
9708	12/13/2017	Brithinee Electric	300.00	300.00	100-120-0000-5406	Control/Field Service Labor (2400 South Booster)
9709	12/13/2017	Customer Refund	35.62	35.62	100-000-0000-2000	Refund Check
9710	12/13/2017	Builders Supply - 29 Palms	92.57	7.53	100-130-0000-5220	Super Glue/Nozzle
				12.90	100-130-0000-5220	SCH40 PVC PIPE 1/2"x20'
				9.67	100-130-0000-5220	5 Gal Pail
				11.84	100-130-0000-5220	PVC COUPLING
				50.63	100-130-0000-5220	100' Outdoor Cord

# Twentynine Palms Water District

**Check Date Range:** 12/1/2017 thru 12/30/2017

9711	12/13/2017	Burrtec Waste & Recycling Svcs	202.36	137.74	100-600-0000-5406	Hatch
				64.62	100-150-0000-5406	Amboy
9712	12/13/2017	Ca-Nv Section Awwa	80.00	80.00	100-130-0000-5242	Cross-connection Specialist Renewal/Minatrea
9713	12/13/2017	Carquest Auto Parts	98.73	91.92	100-130-0000-5222	filters
				(91.92)	100-130-0000-5222	credit
				(15.61)	100-130-0000-5222	credit
				8.70	100-130-0000-5220	Shop Supplies-Hyd. Fitting Caps.
				77.09	100-130-0000-5222	Veh. #17- Air Drier Cartridge.
				6.47	100-130-0000-5222	Veh. #17 Fuel Filter.
				22.08	100-130-0000-5222	Veh. #29 Oil Filter.
9714	12/13/2017	Customer Refund	31.28	31.28	100-000-0000-2000	Refund Check
9715	12/13/2017	Customer Refund	21.17	21.17	100-000-0000-2000	Refund Check
9716	12/13/2017	Diesel Emissions Service	511.12	511.12	100-130-0000-5406	Veh. #17 DPF Service.
9717	12/13/2017	Dlt Solutions Inc.	1,084.42	1,084.42	100-600-0000-5303	Autodesk Infrastructure Design Renewal
9718	12/13/2017	Customer Refund	43.60	43.60	100-000-0000-2000	Refund Check
9719	12/13/2017	Customer Refund	55.74	55.74	100-000-0000-2000	Refund Check
9720	12/13/2017	Customer Refund	48.76	48.76	100-000-0000-2000	Refund Check
9721	12/13/2017	Fedex	4,950.00	4,950.00	100-150-0000-5211	Shipping
9722	12/13/2017	Frontier Communications	164.95	164.95	100-150-0000-5203	Plant
9723	12/13/2017	GoldStreet Designs	997.11	997.11	100-600-0000-5409	Rate Increase Bill Insert
9724	12/13/2017	Customer Refund	43.99	43.99	100-000-0000-2000	Refund Check
9725	12/13/2017	Customer Refund	6.55	6.55	100-000-0000-2000	Refund Check
9726	12/13/2017	Customer Refund	25.70	25.70	100-000-0000-2000	Refund Check
9727	12/13/2017	Home Depot Credit Services	1,768.69	(759.08)	100-130-0000-5220	New Shop tool box (Took it back and received a credit)
				759.08	100-130-0000-5220	Shop tool Box (We exchanged it for a different one)
				759.08	100-130-0000-5220	Shop ToolBox
				107.66	100-150-0000-5220	Tool Set (Treatment Plant)
				32.23	100-130-0000-5220	Utility Knife
				195.80	100-150-0000-5220	Misc Cleaning Supplies
				264.02	100-150-0000-5220	Treatment Plant Irrigation Supplies
				230.98	100-130-0000-5228	18V Drill Combo
				149.64	100-130-0000-5228	20PC Tool Set

# Twentynine Palms Water District

**Check Date Range:** 12/1/2017 thru 12/30/2017

				29.28	100-130-0000-5228	10 " Tool Bag
9728	12/13/2017	Inland Water Works	609.33	84.93	100-000-0000-1499	8"x6" DI flg conc reducer
				36.55	100-000-0000-1499	6" & 8" BOLT and NUT set
				26.88	100-000-0000-1499	4" bolt and nut set
				460.97	100-000-0000-1499	3/4 mil nl brass gate vlv
9729	12/13/2017	Customer Refund	27.13	27.13	100-000-0000-2000	Refund Check
9730	12/13/2017	Kennedy/Jenks Consultants	1,725.00	1,725.00	100-600-0000-5412	Professional Services
9731	12/13/2017	Konica Minolta Premier	155.97	155.97	100-600-0000-5223	12/01/2017 - 12/31/2017
9732	12/13/2017	Customer Refund	15.62	15.62	100-000-0000-2000	Refund Check
9733	12/13/2017	Customer Refund	49.96	49.96	100-000-0000-2000	Refund Check
9734	12/13/2017	Customer Refund	52.67	52.67	100-000-0000-2000	Refund Check
9735	12/13/2017	Customer Refund	4.54	4.54	100-000-0000-2000	Refund Check
9736	12/13/2017	Customer Refund	65.16	65.16	100-000-0000-2000	Refund Check
9737	12/13/2017	Minolta Business Systems	89.98	89.98	100-600-0000-5223	10/23/2017 - 11/22/2017
9738	12/13/2017	Napa Auto Parts	352.37	9.29	100-130-0000-5220	Shop Supplies-Hyd. Fitting Caps
				179.97	100-110-0000-5225	Battery for Stockwell Reservoir.
				163.11	100-130-0000-5222	Veh. #15 Bench Vise.
9739	12/13/2017	Customer Refund	42.28	42.28	100-000-0000-2000	Refund Check
9740	12/13/2017	Customer Refund	40.42	40.42	100-000-0000-2000	Refund Check
9741	12/13/2017	Customer Refund	28.49	28.49	100-000-0000-2000	Refund Check
9742	12/13/2017	Customer Refund	42.67	42.67	100-000-0000-2000	Refund Check
9743	12/13/2017	Customer Refund	28.41	28.41	100-000-0000-2000	Refund Check
9744	12/13/2017	Pitney Bowes	458.85	458.85	100-600-0000-5223	Contract #7260789001
9745	12/13/2017	Pitney Bowes Postage By Phone	1,000.00	1,000.00	100-600-0000-5302	re-fill postage meter
9746	12/13/2017	Customer Refund	31.33	31.33	100-000-0000-2000	Refund Check
9747	12/13/2017	Customer Refund	71.05	71.05	100-000-0000-2000	Refund Check
9748	12/13/2017	Pro Security Systems	432.00	144.00	100-600-0000-5406	Quarterly Monitoring
				144.00	100-150-0000-5406	Quarterly Monitoring
				144.00	100-130-0000-5406	Quarterly Monitoring
9749	12/13/2017	Prudential Overall Supply	185.88	48.35	100-130-0000-5253	Uniforms
				137.53	100-130-0000-5253	Uniforms
9750	12/13/2017	RDO Equipment Company	63,658.08	63,658.08	100-875-0000-6001	New 2017 John Deere 50G. 0060FF 50G Compact Excavator. 3125 400

# Twentynine Palms Water District

**Check Date Range:** 12/1/2017 thru 12/30/2017

9751	12/13/2017	Customer Refund	25.70	25.70	100-000-0000-2000	Refund Check
9752	12/13/2017	S.C.E.	24,297.15	38.74	100-110-0000-5201	Donnell
				11,436.76	100-110-0000-5201	Well TP-1
				1,106.08	100-150-0000-5201	Plant
				28.35	100-150-0000-5201	Michel's
				1,085.04	100-600-0000-5201	Hatch
				32.96	100-110-0000-5201	Well 4
				2,074.11	100-110-0000-5201	Well 17
				3,953.25	100-120-0000-5201	Booster TP-1
				2,620.63	100-110-0000-5201	Well 14
				832.77	100-110-0000-5201	Well 1
				1,088.46	100-120-0000-5201	Booster H1N, H2S
9753	12/13/2017	Satmodo LLC	129.88	129.88	100-600-0000-5203	Iridium Monthly Minute Plans
9754	12/13/2017	Susan L. Simmons	575.00	575.00	100-600-0000-5406	Janitorial Services
9755	12/13/2017	Customer Refund	43.21	43.21	100-000-0000-2000	Refund Check
9756	12/13/2017	Bob Stephenson	125.00	125.00	100-610-0000-5350	Video Recording board meeting
9757	12/13/2017	Customer Refund	34.11	34.11	100-000-0000-2000	Refund Check
9758	12/13/2017	Swrcb Accounting Office	2,088.00	2,088.00	100-130-0000-5303	Annual Permit Fee 7A360120001
9759	12/13/2017	Customer Refund	42.05	42.05	100-000-0000-2000	Refund Check
9760	12/13/2017	Customer Refund	71.12	71.12	100-000-0000-2000	Refund Check
9761	12/13/2017	Customer Refund	61.28	61.28	100-000-0000-2000	Refund Check
9762	12/13/2017	Customer Refund	75.00	75.00	100-000-0000-2000	Refund Check
9763	12/13/2017	Tops'N Barricades Inc.	700.00	700.00	100-130-0000-5406	Tops N Barricades (Road Closure) F.H.Repair Hwy 62/Cienega
9764	12/13/2017	Customer Refund	33.52	33.52	100-000-0000-2000	Refund Check
9765	12/13/2017	Underground Service Alert	92.50	92.50	100-130-0000-5406	50 new tickets
9766	12/13/2017	Customer Refund	44.38	44.38	100-000-0000-2000	Refund Check
9767	12/13/2017	Customer Refund	54.46	54.46	100-000-0000-2000	Refund Check
9768	12/13/2017	Customer Refund	56.32	56.32	100-000-0000-2000	Refund Check
9769	12/13/2017	Customer Refund	69.57	69.57	100-000-0000-2000	Refund Check
9770	12/13/2017	Wienhoff Drug Testing Inc.	70.00	70.00	100-600-0000-5406	Pre-Employment Test
9771	12/13/2017	Customer Refund	32.00	32.00	100-000-0000-2000	Refund Check
9772	12/28/2017	Alternative Hose Inc.	105.29	105.29	100-130-0000-5407	Veh. #37 Hose Reel Hose.

# Twentynine Palms Water District

**Check Date Range:** 12/1/2017 thru 12/30/2017

9773	12/28/2017	Customer Refund	4.31	4.31	100-000-0000-2000	Refund Check
9774	12/28/2017	Autozone Inc.	16.80	16.80	100-130-0000-5220	Shop Supplies-Gasket Maker
9775	12/28/2017	Avalon Urgent Care	90.00	90.00	100-130-0000-5406	Physical
9776	12/28/2017	Aw Associates Inc.	9.00	9.00	100-130-0000-5406	Balance of invoice 10-2926
9777	12/28/2017	Customer Refund	17.84	17.84	100-000-0000-2000	Refund Check
9778	12/28/2017	Customer Refund	75.00	75.00	100-000-0000-2000	Refund Check
9779	12/28/2017	Customer Refund	41.23	41.23	100-000-0000-2000	Refund Check
9780	12/28/2017	Beyond Software Solutions	720.00	720.00	100-600-0000-5406	IT Services
9781	12/28/2017	Customer Refund	43.68	43.68	100-000-0000-2000	Refund Check
9782	12/28/2017	Benjamin D. Brewer	3,350.00	1,150.00	100-825-0000-6001	Repair of Well#11 B Electrical Building
				2,200.00	100-120-0000-5406	Repair of Desert Heights electrical building
9783	12/28/2017	Brithinee Electric	1,348.24	1,348.24	100-120-0000-5406	Repair Voltage-Amp-Phase-Relay (2400 South Booster Pump)
9784	12/28/2017	Builders Supply - 29 Palms	121.36	32.92	100-130-0000-5220	Glue Mouse Traps
				29.07	100-130-0000-5220	3/4" Hose Bibb
				13.71	100-130-0000-5220	Misc. pvc parts
				33.29	100-150-0000-5220	50# 3/8 Pea Gravel (Treatment Plant Irrigation)
				12.37	100-130-0000-5220	Shop Supplies-Electrical Supplies.
9785	12/28/2017	Calpers	275.64	275.64	100-310-0000-5162	Replacement Benefit Contribution
9786	12/28/2017	Carquest Auto Parts	295.46	76.11	100-130-0000-5222	Veh. #29 Transmission Filter.
				89.91	100-130-0000-5220	Shop Supplies-Transmission Fluid.
				11.86	100-130-0000-5222	Veh. #12 Transmission Filter.
				117.58	100-130-0000-5220	Shop Supplies-Transmission Fluid
9787	12/28/2017	Cdw Government	719.39	719.39	100-600-0000-5301	Dell Optiplex 3050 - \$30 Instant Savings Included through 2/03/2
9788	12/28/2017	Centurylink Business Services	32.71	32.71	100-600-0000-5203	Hatch
9789	12/28/2017	Chem-Tech International Inc.	15,632.08	9,861.48	100-150-0000-5211	sodium hydroxide (load of caustic)
				5,770.60	100-150-0000-5211	Load of Acid
9790	12/28/2017	Customer Refund	33.17	33.17	100-000-0000-2000	Refund Check
9791	12/28/2017	Customer Refund	16.75	16.75	100-000-0000-2000	Refund Check
9792	12/28/2017	Customer Refund	16.98	16.98	100-000-0000-2000	Refund Check
9793	12/28/2017	City of Twentynine Palms	159.00	159.00	100-130-0000-5303	City Permit Fee. (6580 Quail Spring)
9794	12/28/2017	Clinical Lab of San Bern.	733.50	733.50	100-140-0000-5405	Water Samples
9795	12/28/2017	Customer Refund	25.85	25.85	100-000-0000-2000	Refund Check



# Twentynine Palms Water District

**Check Date Range:** 12/1/2017 thru 12/30/2017

9796	12/28/2017	County Of San Bernardino	472.93	202.60	100-150-0000-5406	Treatment Plant Waste
				106.69	100-150-0000-5406	Treatment Plant Waste
				163.64	100-150-0000-5406	Treatment Plant Waste
9797	12/28/2017	Desert Hardware	12.89	12.89	100-130-0000-5220	Misc. pvc supplies
9798	12/28/2017	Engineering Resources	2,663.32	2,459.50	100-825-0000-6001	Professional Services
				203.82	100-130-0000-5405	Professional Services
9799	12/28/2017	Frontier Communications	142.37	142.37	100-600-0000-5203	Hatch
9800	12/28/2017	Customer Refund	47.41	47.41	100-000-0000-2000	Refund Check
9801	12/28/2017	Customer Refund	75.00	75.00	100-000-0000-2000	Refund Check
9802	12/28/2017	Customer Refund	60.00	60.00	100-000-0000-2000	Refund Check
9803	12/28/2017	Christopher Grabow	450.00	450.00	100-600-0000-5406	Removal of old swamp coolers off main office building
9804	12/28/2017	Customer Refund	55.55	55.55	100-000-0000-2000	Refund Check
9805	12/28/2017	Customer Refund	3.46	3.46	100-000-0000-2000	Refund Check
9806	12/28/2017	Hemet Valley Tool & Supply	131.83	80.83	100-130-0000-5222	Chop Saws-Air Filter
				51.00	100-130-0000-5222	Chop Saws-Bushings.
9807	12/28/2017	Hi-Grade Materials Co.	121.39	121.39	100-130-0000-5406	Recyding Fee
9808	12/28/2017	Home Depot Credit Services	287.70	287.70	100-130-0000-5220	Jet Blower
9809	12/28/2017	Customer Refund	22.91	22.91	100-000-0000-2000	Refund Check
9810	12/28/2017	Inland Water Works	4,161.31	573.23	100-130-0000-5220	1" Sched 40 pvc pipe
				3,588.08	100-000-0000-1499	2" Compound meter
9811	12/28/2017	J n J Mechanical	232.78	232.78	100-130-0000-5407	MIG Welder Repair.
9812	12/28/2017	Customer Refund	54.54	54.54	100-000-0000-2000	Refund Check
9813	12/28/2017	Konica Minolta Premier	333.94	333.94	100-600-0000-5223	12/01/2017 - 12/31/2017
9814	12/28/2017	Customer Refund	62.37	62.37	100-000-0000-2000	Refund Check
9815	12/28/2017	Customer Refund	45.97	45.97	100-000-0000-2000	Refund Check
9816	12/28/2017	Customer Refund	26.96	26.96	100-000-0000-2000	Refund Check
9817	12/28/2017	Mcmaster-Carr Supply Co.	339.14	339.14	100-150-0000-5220	Feit Filter Bag (Treatment Plant)
9818	12/28/2017	Customer Refund	62.52	62.52	100-000-0000-2000	Refund Check
9819	12/28/2017	Customer Refund	7.41	7.41	100-000-0000-2000	Refund Check
9820	12/28/2017	Customer Refund	4.88	4.88	100-000-0000-2000	Refund Check
9821	12/28/2017	Napa Auto Parts	310.54	155.27	100-130-0000-5222	Veh. #35 Battery.
				155.27	100-130-0000-5222	Veh. #34 Battery.

# Twentynine Palms Water District

Check Date Range: 12/1/2017 thru 12/30/2017

9822	12/28/2017	Customer Refund	20.27	20.27	100-000-0000-2000	Refund Check
9823	12/28/2017	Customer Refund	54.22	54.22	100-000-0000-2000	Refund Check
9824	12/28/2017	Customer Refund	42.59	42.59	100-000-0000-2000	Refund Check
9825	12/28/2017	Pitney Bowes Postage By Phone	1,005.00	1,005.00	100-600-0000-5302	Postage Meter Refill
9826	12/28/2017	Customer Refund	12.71	12.71	100-000-0000-2000	Refund Check
9827	12/28/2017	Customer Refund	12.33	12.33	100-000-0000-2000	Refund Check
9828	12/28/2017	Prudential Overall Supply	1,054.56	240.37	100-130-0000-5253	Uniforms
				48.35	100-130-0000-5253	Uniforms
				48.35	100-130-0000-5253	Uniforms
				214.01	100-130-0000-5253	Uniforms
				202.81	100-130-0000-5253	Uniforms
				48.35	100-130-0000-5253	Uniforms
				48.35	100-130-0000-5253	Uniforms
				203.97	100-130-0000-5253	Uniforms
9829	12/28/2017	Customer Refund	27.26	27.26	100-000-0000-2000	Refund Check
9830	12/28/2017	Customer Refund	1.60	1.60	100-000-0000-2000	Refund Check
9831	12/28/2017	Customer Refund	48.74	48.74	100-000-0000-2000	Refund Check
9832	12/28/2017	S.C.E.	5,458.42	1,024.91	100-120-0000-5201	Booster - Sullivan
				1,397.10	100-120-0000-5201	Booster - Lupine
				261.93	100-110-0000-5201	Well 15
				792.77	100-120-0000-5201	Booster 11A, 11B
				1,040.63	100-110-0000-5201	Well 6, 12
				47.71	100-110-0000-5201	Well 9, Booster 6A, 6B
				808.05	100-120-0000-5201	Booster Two Mile
				41.63	100-110-0000-5201	Well 11
43.69	100-120-0000-5201	D.H. Resv. & Hydro				
9833	12/28/2017	Customer Refund	9.97	9.97	100-000-0000-2000	Refund Check
9834	12/28/2017	Shoplet.Com	700.22	427.10	100-600-0000-5301	Office Supplies
				184.53	100-600-0000-5301	Office Supplies
				88.59	100-600-0000-5301	Office Supplies
9835	12/28/2017	Customer Refund	2.32	2.32	100-000-0000-2000	Refund Check
9836	12/28/2017	Spectrum Business	289.97	149.99	100-150-0000-5203	Plant

# Twentynine Palms Water District

**Check Date Range:** 12/1/2017 thru 12/30/2017

				139.98	100-600-0000-5203	La Luna
9837	12/28/2017	Customer Refund	243.54	243.54	100-000-0000-1000	Refund duplicate payments: 18755,18757
9838	12/28/2017	Customer Refund	65.00	65.00	100-130-0000-5330	Water Treatment II test reimbursement
9839	12/28/2017	Tops'N Barricades Inc.	184.53	184.53	100-130-0000-5226	Barricades/Battery
9840	12/28/2017	TPX Communications	672.36	672.36	100-600-0000-5203	Hatch
9841	12/28/2017	UPS	98.32	98.32	100-160-0000-5302	Shipping
9842	12/28/2017	Usa Blue Book	426.67	426.67	100-600-0000-5301	US Flags/California State Flag
9843	12/28/2017	Van Dyke Corp.	250.00	250.00	100-130-0000-5223	Rental of New Holland Mini Excavator
9844	12/28/2017	Customer Refund	27.65	27.65	100-000-0000-2000	Refund Check
9845	12/28/2017	Versatel	95.00	95.00	100-600-0000-5406	Labor Remote Support
9846	12/28/2017	Customer Refund	28.64	28.64	100-000-0000-2000	Refund Check
			<b>Total</b>	<b>\$194,599.85</b>		

7

# 7.1

# TWENTYNINE PALMS WATER DISTRICT

72401 Hatch Road/P. O. Box 1735

Twentynine Palms, CA 92277-1000

PHONE (760) 367-7546 FAX (760) 367-6612

**TO:** Board of Directors  
**FROM:** Mike Minatrea, Operations Superintendent  
**DATE:** January 9, 2018  
**SUBJECT:** Management Report

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**A. The Operations and Maintenance Department performed the following tasks during the month of December 2017:**

1. Responded to 32 Underground Service Alerts
2. Responded to and repaired
  - a. 2 water main leaks
  - b. 3 water meter leaks
  - c. 0 service line leaks
  - d. 0 fire hydrant repairs/maintenance
3. Installed 0 new services
4. Replaced 5 customer gate valves
5. Performed 4 leak audits
6. Painted 0 fire hydrants
7. Performed 3 customer pressure checks
8. Replaced 20 water meters
9. Tested and exercised emergency generators
10. Sounded wells for December
11. 0 water waste complaints reported

**B. The following customer service tasks were performed:**

1. 188 work orders were generated from reading meters
2. 24 work orders were generated from billing variance list
3. 296 work orders were generated for turn on or turn off
4. 305 termination notices were distributed
5. 40 non-pay turn offs were performed
6. 75 extensions were granted
7. 10 extensions were shut off for non-payment
8. 5 payment schedules have been granted
9. 0 payment schedules failed, total outstanding \$0
10. 7 customer requests and 0 complaints were logged and investigated

**C. Valve and Hydrant Maintenance Update**

	Valves Exercised (Began 06/15)	Dead Ends Flushed (Began 7/17)
Current Month	100	21
Year to Date	*3,127	103

\*Triennial cycle

**D. Status of Cross-Connection Control Program (Quarterly)**

	In District	2017 Test/Surveys
Cross-Connection Devices	340	334

TWENTYNINE PALMS WATER DISTRICT  
DECEMBER WATER QUALITY AND ENGINEERING REPORT

1. **ENGINEERING**

A. No items to report.

2. **WATER QUALITY**

A. **Chlorine Levels:** Average levels maintained in the storage and distribution system ranged from a low of 0.12 mg/L to a high of 0.30 mg/L. Chlorination point (the point where chlorine is introduced into the distribution system) averages ranged from 0.25 mg/L to 0.55 mg/L.

B. **Bacteria Samples:** A total of 38 routine bacteria samples were collected at test points for the storage and distribution system during this past month. In addition 8 special bacteria samples were collected. All routine and special samples indicated ABSENT for Colilert.

C. **Fluoride Samples:** A total of 15 fluoride samples were collected at established test points for the storage and distribution system, and 6 fluoride samples were taken from potable water production wells. Fluoride levels in the distribution system ranged from a low of .74 mg/L to a high of 1.7 mg/L. Fluoride measurements collected at the wells ranged from a low of 0.33 to a high of 1.8 mg/L.

D. **General Physical:** A total of 11 general physical samples were collected from established locations as a part of routine testing requirements. Levels reported for color are <3.0, 1 for threshold odor and <0.1 – 0.3 for turbidity.

**TWENTYNINE PALMS WATER DISTRICT**  
**Water Production Report**  
**FY 2017/2018**

Groundwater Source													
	Mesquite Springs Basin	Fortynine Palms Basin	Eastern Basin	Indian Cove Basin	Total Produced	Total Prior Yr	%Increase Decrease prior year	%Increase Decrease from 2013	New Service	Active Account	Prior Year	%Increase (Decrease)	Main Leaks
July	99.119	128.442	41.659	23.565	292.785	281.965	3.84%	-5.60%	2				1
August	123.835	94.006	30.503	20.795	269.139	275.286	-2.23%	-7.90%	0	7,750	7,703	0.63%	0
Sept.	115.034	80.942	22.277	13.753	232.006	241.554	-5.20%	-5.20%	0				0
October	122.11	58.325	23.787	9.666	213.888	214.323	-0.30%	-0.01	0	7,678	7,610	0.90%	0
Nov.	103.169	55.519	20.440	10.813	189.941	185.785	2.25%	1.50%	1				0
Dec.	85.121	63.505	19.980	7.235	175.841	169.662	3.64%	6.76%	0	7,660	7,497	2.17%	2
Jan.													
Feb.													
March													
April													
May													
June													
<b>Totals</b>	<b>648.388</b>	<b>480.739</b>	<b>158.646</b>	<b>85.827</b>	<b>1373.600</b>	<b>1368.575</b>	<b>0.37%</b>		<b>3</b>				<b>3</b>

Production Totals Expressed in Acre Feet

**NOTE:** Year to Date Mesquite Springs Basin regeneration production of **11.183** acre feet = **1.70%** treatment loss.

**Total Meters in District = 8,090**



# 7.2

**TWENTYNINE PALMS WATER DEPARTMENT**

**FINANCIAL REPORT**

**For The Month Of**

**November 2017**

***PRELIMINARY -SUBJECT TO YEAR-END  
AND AUDIT ADJUSTMENTS***

**TWENTYNINE PALMS WATER DEPARTMENT  
STATEMENT OF INVESTMENTS AND RESERVES  
For the Period Ending November 30, 2017  
(Unaudited)**

<u>Operating Funds &amp; Internal Reserves:</u>	<u>Prior Balance</u>	<u>Deposits</u>	<u>Disbursements</u>	<u>Current Balance</u>	<u>Market</u>
Operating Funds - LAIF	\$ 2,701,545	\$ -	\$ 250,000	\$ 2,951,545	\$ 2,948,717
Election Fund Reserve - LAIF	20,925	-	-	20,925	20,905
Internal Operating Reserve - LAIF	166,638	-	-	166,638	166,478
Internal Debt Retirement Reserve - LAIF	-	-	-	-	-
Capital Funds for Primary Infrastructure - LAIF	57,891	-	-	57,891	57,836
Capital Funds for Secondary Infrastructure - LAIF	49,881	-	-	49,881	49,833
Investment Funds - CalTrust	1,012,977	1,163	-	1,014,140	1,013,169
<b>Total Investments</b>	<b>\$ 4,009,857</b>	<b>\$ 1,163</b>	<b>\$ 250,000</b>	<b>\$ 4,261,020</b>	<b>\$ 4,256,938</b>

CERTIFICATION

I certify that (1) all investment actions executed since the last report have been made in full compliance with the District's Investment Policy and, (2) the District will meet its expenditure obligations for the next six months as required by California Government Code Sections 53646(b)(2) and (3), respectively.

**Cindy Byerrum, CPA**  
**Contract CPA**

*\*\* Market values are adjusted on this report on a quarterly basis and recorded in the District's financials statements at the end of the fiscal year*

**Twentynine Palms Water Department  
Statement of Revenues and Expenses  
For the Period Ending November 30, 2017  
(Unaudited)**

	Nov-17	Oct-17	YTD	Budget	YTD 42%	Prior YTD
1 Operating Revenues	\$ 319,211	\$ 361,332	\$ 1,859,004	\$ 3,880,260	48%	\$ 1,761,812
2 Non-Operating Revenues	69,773	62,986	289,861	654,200	44%	258,995
<b>3 Total Revenue Available to Fund Operations &amp; Capital/R&amp;R</b>	<b>388,983</b>	<b>424,318</b>	<b>2,148,865</b>	<b>4,534,460</b>	<b>47%</b>	<b>2,020,807</b>
4 Operating Expenses	274,847	251,463	1,418,547	3,709,380	38%	1,307,248
5 Non-Operating Expenses	16,357	16,357	81,787	199,400	41%	73,932
<b>6 Net Revenues Available to Fund Capital Related Expenditures</b>	<b>97,779</b>	<b>156,498</b>	<b>648,531</b>	<b>625,680</b>	<b>104%</b>	<b>639,627</b>

*No assurance is provided on these financial statements.*

*The financial statements do not include a statement of cash flows.*

*Substantially all disclosures required by accounting principles generally accepted in the United States are not included.*

**Twentynine Palms Water Department**  
**Detail Statement of Revenues and Expenses**  
**For the Period Ending November 30, 2017**  
**(Unaudited)**

	Nov-17	Oct-17	YTD	Budget	YTD 42%	Prior YTD
<b>1 Operating Revenues</b>						
2 Water Sales	\$ 214,501	\$ 254,305	\$ 1,325,010	\$ 2,580,500	51%	\$ 1,264,043
3 RTS	96,049	95,434	477,953	1,185,800	40%	445,843
4 Other Operating Revenue	8,661	11,593	56,041	113,960	49%	51,926
<b>5 Total Operating Revenues</b>	<b>319,211</b>	<b>361,332</b>	<b>1,859,004</b>	<b>3,880,260</b>	<b>48%</b>	<b>1,761,812</b>
<b>6 Non-Operating Revenues</b>						
7 Capital Impact Fees	-	-	2,725	-	0%	1,300
8 Water Availability Assessment	49,258	49,258	246,292	591,100	42%	246,292
9 Interest Revenue	3,401	11,386	18,112	30,700	59%	6,474
10 Other Penalties	18,282	-	20,980	23,700	89%	-
11 Reimbursed Expenses	119	3,240	7,569	5,000	151%	3,588
12 Other Non-Operating Revenue	(1,288)	(899)	(5,817)	3,700	-157%	1,341
<b>13 Total Non-Operating Revenues</b>	<b>69,773</b>	<b>62,986</b>	<b>289,861</b>	<b>654,200</b>	<b>44%</b>	<b>258,995</b>
<b>14 Total Revenues</b>	<b>388,983</b>	<b>424,318</b>	<b>2,148,865</b>	<b>4,534,460</b>	<b>47%</b>	<b>2,020,807</b>
<b>15 Operating Expenditures</b>						
<b>16 Source of Supply</b>						
17 Labor & Benefits	539	267	2,157	9,700	22%	5,563
18 Direct Expenses	18,783	21,691	108,292	323,300	33%	116,254
<b>19 Total Source of Supply</b>	<b>19,322</b>	<b>21,958</b>	<b>110,448</b>	<b>333,000</b>	<b>33%</b>	<b>121,817</b>
<b>20 Pumping</b>						
21 Labor & Benefits	440	2,015	2,455	2,000	123%	764
22 Direct Expenses	13,768	8,804	55,307	139,100	40%	41,005
<b>23 Total Pumping</b>	<b>14,208</b>	<b>10,818</b>	<b>57,762</b>	<b>141,100</b>	<b>41%</b>	<b>41,770</b>
<b>24 Transmission &amp; Distribution</b>						
25 Labor & Benefits	56,681	53,971	310,404	835,700	37%	253,346
26 Direct Expenses	10,544	19,939	92,705	294,900	31%	93,811
<b>27 Total Transmission &amp; Distribution</b>	<b>67,224</b>	<b>73,911</b>	<b>403,109</b>	<b>1,130,600</b>	<b>36%</b>	<b>347,157</b>
<b>28 Treatment Wells</b>						
29 Labor & Benefits	2,539	3,342	17,824	50,700	35%	15,583
30 Direct Expenses	-	2,624	9,112	25,800	35%	10,708
<b>31 Total Treatment Wells</b>	<b>2,539</b>	<b>5,966</b>	<b>26,936</b>	<b>76,500</b>	<b>35%</b>	<b>26,291</b>
<b>32 Treatment Facility</b>						
33 Labor & Benefits	12,623	15,003	80,439	186,000	43%	62,309
34 Direct Expenses	50,113	21,344	189,694	401,400	47%	125,764
<b>35 Total Treatment Facility</b>	<b>62,736</b>	<b>36,347</b>	<b>270,133</b>	<b>587,400</b>	<b>46%</b>	<b>188,073</b>
<b>36 Customer Accounts</b>						
37 Labor & Benefits	16,083	12,669	78,540	241,500	33%	63,445
38 Direct Expenses	7,000	3,012	10,730	51,700	21%	15,602
<b>39 Total Customer Accounts</b>	<b>23,083</b>	<b>15,680</b>	<b>89,270</b>	<b>293,200</b>	<b>30%</b>	<b>79,047</b>

**Twentynine Palms Water Department**  
**Detail Statement of Revenues and Expenses**  
**For the Period Ending November 30, 2017**  
**(Unaudited)**

	Nov-17	Oct-17	YTD	Budget	YTD 42%	Prior YTD
<b>40 General Administration</b>						
41 Outside Services	35,048	25,253	153,462	299,400	51%	132,445
42 Direct Expenses	13,806	23,301	100,762	319,780	32%	83,029
43 Fire Department Reimbursements	-	-	-	-	0%	-
<b>44 Total General Admin.</b>	<b>48,855</b>	<b>48,554</b>	<b>254,224</b>	<b>619,180</b>	<b>41%</b>	<b>215,475</b>
<b>45 Employee Salaries</b>						
46 Direct Labor	83,451	82,835	477,618	1,169,500	41%	476,225
47 Less Transfer to Operations	62,307	61,799	354,148	894,400	40%	352,005
<b>48 Total General &amp; Admin. Salaries</b>	<b>21,144</b>	<b>21,036</b>	<b>123,470</b>	<b>275,100</b>	<b>45%</b>	<b>124,220</b>
<b>49 Employee Benefits</b>						
49 Health Benefits	10,171	9,870	53,323	149,900	36%	26,653
50 Vacation / Sick Payouts	642	-	3,146	34,300	9%	54,889
51 Retirement Expenses	3,383	3,232	15,967	47,600	34%	71,644
<b>52 Total Employee Benefits</b>	<b>14,196</b>	<b>13,102</b>	<b>72,435</b>	<b>231,800</b>	<b>31%</b>	<b>153,186</b>
<b>53 Board of Directors</b>						
54 Directors' Fees	1,425	1,825	5,250	12,600	42%	5,200
55 Direct Expenses	115	2,265	5,510	8,900	62%	5,013
<b>56 Total Board of Directors</b>	<b>1,540</b>	<b>4,090</b>	<b>10,760</b>	<b>21,500</b>	<b>50%</b>	<b>10,213</b>
<b>57 Total Operating Expenditures</b>	<b>274,847</b>	<b>251,463</b>	<b>1,418,547</b>	<b>3,709,380</b>	<b>38%</b>	<b>1,307,248</b>
<b>58 Non-Operating Expenditures</b>						
59 Debt Service, Principle	-	-	-	-	0%	-
60 Debt Service, Interest	-	-	-	-	0%	-
<b>61 Total Debt Service</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0%</b>	<b>-</b>
62 Depreciation Expense	-	-	-	-	0%	-
63 Unfunded PERS	7,824	7,824	39,120	97,000	40%	33,694
64 Unfunded OPEB Liability	8,533	8,533	42,667	102,400	42%	40,238
<b>65 Total Non-Operating Expenditures</b>	<b>16,357</b>	<b>16,357</b>	<b>81,787</b>	<b>199,400</b>	<b>41%</b>	<b>73,932</b>
<b>66 Total Expenditures</b>	<b>291,205</b>	<b>267,820</b>	<b>1,500,334</b>	<b>3,908,780</b>	<b>38%</b>	<b>1,381,180</b>
<b>Net Revenues Available to Fund Capital</b>						
<b>67 Related Expenditures</b>	<b>97,779</b>	<b>156,498</b>	<b>648,531</b>	<b>625,680</b>	<b>104%</b>	<b>639,627</b>
68 Carryover Projects	-	(525)	(11,927)	(425,000)	3%	(43,861)
69 Capital Improvement Projects	-	(1,452)	(19,332)	(2,350,000)	1%	-
70 Repair, Rehabilitation, & Maintenance	-	(58,288)	(70,760)	(185,000)	38%	(59,046)
71 Capital Outlay	(79,658)	(134)	(112,832)	(300,000)	38%	(32,124)
72 Transfer To CalPERS	-	-	-	-	0%	-
73 Transfer From Special Revenue	5,665	10,030	37,458	80,700	46%	31,502
74 Transfers in from SRF for Election	-	-	-	-	0%	-
75 Debt Retirement	-	-	-	-	0%	-
<b>76 Increase (Decrease) In Fund Balance</b>	<b>\$ 23,786</b>	<b>\$ 106,129</b>	<b>\$ 471,138</b>	<b>\$ (2,553,620)</b>	<b>-18%</b>	<b>\$ 536,099</b>

*No assurance is provided on these financial statements.*

*The financial statements do not include a statement of cash flows.*

*Substantially all disclosures required by accounting principles generally accepted in the United States are not included.*

**Twentynine Palms Water Department  
Special Revenue Fund  
For the Period Ending November 30, 2017  
(Unaudited)**

	<u>Nov-17</u>	<u>Oct-17</u>	<u>YTD</u>	<u>Budget</u>	<u>YTD 42%</u>	<u>Prior YTD</u>
1 Tower Revenues	\$ 8,998.60	\$ 13,363.20	\$ 54,125.14	\$ 117,400.00	46%	\$ 48,168.60
2 Less Transfers Out to Fire	\$ -	\$ -	\$ -	\$ -	N/A	\$ -
3 Less Transfers Out To Water	\$ (5,665.27)	\$ (10,029.87)	\$ (37,458.49)	\$ (77,400.00)	48%	\$ (31,501.95)
4 Transfer to PARS Trust	\$ (3,333.33)	\$ (3,333.33)	\$ (16,666.65)	\$ (40,000.00)	42%	\$ (16,666.65)
<b>Ending Balance To Retain In LAIF</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ -</u>

**Twentynine Palms Water Department**  
**Carryover CIP/Current CIP and R&M/Capital Outlay**  
**For the Period Ending November 30, 2017**  
**(Unaudited)**

<b>Carryover Capital Approved in Previous Years</b>	<b>Budget FY 17/18</b>	<b>Current Year Expenditures</b>	<b>Remaining Budget / (Over Budget)</b>
<b>District Projects</b>			
1 USGS Study	150,000	\$ -	150,000
2 Hazard Mitigation Plan	-	4,525	(4,525)
3 Treatment Feasibility & Exploration Costs	100,000	4,415	95,585
4 SGMA	75,000	-	75,000
5 Salt Nutrient Monitoring Wells	100,000	2,987	97,013
<b>6 Total Carryover Capital Approved in Previous Years</b>	<b>425,000</b>	<b>11,927</b>	<b>413,073</b>
<b>7 Capital Improvement Plan</b>			
8 Chromium VI and Flouride for Well 11B	1,000,000	634	999,366
9 Fluoride Variance (Expiring) - TP-2, W12, W16	600,000	-	600,000
10 Well 11B	750,000	18,699	731,301
<b>11 Total Capital Improvement Plan</b>	<b>2,350,000</b>	<b>19,332</b>	<b>2,330,668</b>
<b>12 Repairs, Rehabilitation, &amp; Maintenance</b>			
13 Plant 6 Electrical and Well Upgrade	-	1,148	
14 Emergency Repairs, Unspecified	50,000	20,522	29,478
15 Repiping/Distribution System Upgrades	50,000	1,716	48,284
16 Meter Replacement Program	75,000	-	75,000
17 Asphalt Repair Vista Del Sol	-	47,374	(47,374)
18 Fluoride Plant Instrumentation\Coating	10,000	-	10,000
<b>19 Total Repairs &amp; Maintenance</b>	<b>185,000</b>	<b>70,760</b>	<b>115,388</b>
<b>20 Capital Outlay</b>			
21 Vehicle/Equipment Replacements	100,000	94,316	5,684
22 Computer/Technology Replacements	30,000	558	29,442
23 GIS	30,000	-	30,000
24 Lobby Remodel	100,000	1,958	98,043
25 Fencing Upgrade	15,000	16,000	(1,000)
26 One-Time Existing Conditions Sampling Event	25,000	-	25,000
<b>27 Total Capital Outlay</b>	<b>300,000</b>	<b>112,832</b>	<b>187,168</b>
<b>28 TOTAL</b>	<b>\$ 3,260,000</b>	<b>\$ 214,852</b>	<b>\$ 3,046,297</b>



**7.3**

**NO  
MATERIAL  
PROVIDED**