

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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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.

200 East Sandpointe Avenue, Suite 600, Santa Ana, California 92707

Tel: 949-777-8800 • Fax: 949-777-8850

www.pungroup.com

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

Emphasis of Matter

Transfers of Fire Operation to San Bernardino County Fire Protection District

As discussed in Note 14 to the basic financial statement, 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. Loss on the disposal of operations in the amount of \$309,994 was reported as Special Items in the accompanying statement of activities. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 10 and the 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 January 24, 2018, 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
January 24, 2018



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

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Controller General of the United States, the governmental activities, the business-type activities, and each major fund of the Twentynine Palms Water District (District) as of and for the year ended June 30, 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 January 24, 2018.

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*.

200 East Sandpointe Avenue, Suite 600, Santa Ana, California 92707

Tel: 949-777-8800 • Fax: 949-777-8850

www.pungroup.com

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.

The PwC Group, LLP

Santa Ana, California
January 24, 2018

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

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.

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

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

Condensed Statements of Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
ASSETS:						
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
Total assets	<u>1,258,835</u>	<u>1,795,888</u>	<u>30,665,460</u>	<u>31,400,114</u>	<u>31,924,295</u>	<u>33,196,002</u>
DEFERRED OUTFLOWS OF RESOURCES						
	<u>456,807</u>	<u>531,540</u>	<u>535,879</u>	<u>196,961</u>	<u>992,686</u>	<u>728,501</u>
LIABILITIES:						
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
Total liabilities	<u>312,014</u>	<u>978,019</u>	<u>2,969,474</u>	<u>2,761,286</u>	<u>3,281,488</u>	<u>3,739,305</u>
DEFERRED INFLOWS OF RESOURCES						
	<u>359,234</u>	<u>99,757</u>	<u>179,837</u>	<u>254,867</u>	<u>539,071</u>	<u>354,624</u>
NET POSITION						
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
Total net position	<u>\$ 1,044,394</u>	<u>\$ 1,249,652</u>	<u>\$ 28,052,028</u>	<u>\$ 28,580,922</u>	<u>\$ 29,096,422</u>	<u>\$ 29,830,574</u>

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.

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

Statements of Activities

Condensed Statements of Activities

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
REVENUES:						
Program revenues	\$ -	\$ 1,265,700	\$ 4,382,826	\$ 4,106,807	\$ 4,382,826	\$ 5,372,507
General revenues	169,396	65,017	246,102	182,023	415,498	247,040
Total revenues	169,396	1,330,717	4,628,928	4,288,830	4,798,324	5,619,547
EXPENSES:						
Fire protection	64,660	1,391,019	-	-	64,660	1,391,019
Water operations	-	-	5,157,822	4,392,316	5,157,822	4,392,316
Total expenses	64,660	1,391,019	5,157,822	4,392,316	5,222,482	5,783,335
SPECIAL ITEMS:						
Transfers of Fire Operation to San Beranrdino County Fire District	(309,994)	-	-	-	(309,994)	-
Change in net position	(205,258)	(60,302)	(528,894)	(103,486)	(734,152)	(163,788)
NET POSITION:						
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.

Twentynine Palms Water District
Management's Discussion and Analysis (Unaudited) (Continued)
For 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)
Total governmental revenues	\$ 361,877	\$ 1,330,717	\$ (968,840)

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 District.

Business-Type Revenues

Business-type revenues:	Balance June 30, 2017	Balance June 30, 2016	Change
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	(15,666)
Transfer out	(40,000)	(62,062)	22,062
Total business-type revenues	\$ 4,628,928	\$ 4,288,830	\$ 340,098

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.

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

Expenses

Governmental Expenses

Governmental expenses:	Balance	Balance	Change
	June 30, 2017	June 30, 2016	
Salaries and benefits	\$ 56,868	\$ 923,693	\$ (866,825)
Materials and services	7,792	387,644	(379,852)
Depreciation expense	-	79,682	(79,682)
Transfer to San Bernardino	70,499	-	70,499
Loss on disposal of assets	431,976	-	431,976
Total expenses	\$ 567,135	\$ 1,391,019	\$ (823,884)

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

Business-type expenses:	Balance	Balance	Change
	June 30, 2017	June 30, 2016	
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	1,547,275	1,120,776	426,499
Depreciation expense	1,389,378	1,332,183	57,195
Total expenses	\$ 5,197,822	\$ 4,392,316	\$ 805,506

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

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.

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

Capital Asset Administration

Changes in capital assets for the year were as follows:

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

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>
Current assets:			
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
Total current assets	160,346	7,559,690	7,720,036
Non-current assets:			
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
Total non-current assets	1,098,489	23,105,770	24,204,259
Total assets	1,258,835	30,665,460	31,924,295
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension related deferred outflows of resources (Note 8)	456,807	535,879	992,686
Total deferred outflows of resources	456,807	535,879	992,686
<u>LIABILITIES</u>			
Current liabilities:			
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
Total current liabilities	72,000	533,519	605,519
Non-current liabilities:			
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
Total non-current liabilities	240,014	2,435,955	2,675,969
Total liabilities	312,014	2,969,474	3,281,488
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Pension related deferred inflows of resources (Note 8)	359,234	179,837	539,071
Total deferred inflows of resources	359,234	179,837	539,071
<u>NET POSITION</u>			
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
Total net position	\$ 1,044,394	\$ 28,052,028	\$ 29,096,422

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
Primary government:			
Governmental activities:			
Fire protection	\$ 64,660	\$ -	\$ -
Total governmental activities	<u>64,660</u>	<u>-</u>	<u>-</u>
Business-type activities:			
Water operations	5,157,822	4,382,826	-
Total business-type activities	<u>5,157,822</u>	<u>4,382,826</u>	<u>-</u>
Total primary government	<u><u>\$ 5,222,482</u></u>	<u><u>\$ 4,382,826</u></u>	<u><u>\$ -</u></u>

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

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
Primary government:			
Governmental activities:			
Fire protection	\$ (64,660)	\$ -	\$ (64,660)
Total governmental activities	(64,660)	-	(64,660)
Business-type activities:			
Water operations	-	(774,996)	(774,996)
Total business-type activities	-	(774,996)	(774,996)
Total primary government	(64,660)	(774,996)	(839,656)
General revenues:			
Rental revenue	-	123,332	123,332
Investment earnings	29,870	31,676	61,546
Gain on sale of capital assets	-	52,875	52,875
Other revenue	99,526	78,219	177,745
Transfers (Note 11)	40,000	(40,000)	-
Total general revenues and transfers	169,396	246,102	415,498
Special Items: (Note 14)			
Transfers of Operation to San Beranrdino County Fire District:			
Transfers of property tax proceeds to San Bernardino County	(70,499)	-	(70,499)
Gain on disposal of land	192,481	-	192,481
Loss on disposal of depreciable capital assets	(431,976)	-	(431,976)
Total special items	(309,994)	-	(309,994)
Change in net position	(205,258)	(528,894)	(734,152)
Net Position:			
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>

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FUND FINANCIAL STATEMENTS

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Twentynine Palms Water District
Balance Sheet
Governmental Funds
June 30, 2017

	Fire Protection Fund	Special Revenue Fire Explorers Fund	Total Governmental Funds
<u>ASSETS</u>			
Assets:			
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
Total assets	\$ 1,257,434	\$ 1,401	\$ 1,258,835
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable and accrued expenses	\$ 70,599	\$ 1,401	\$ 72,000
Total liabilities	70,599	1,401	72,000
Fund balance:			
Restricted for pension liability (Note 9)	1,186,835	-	1,186,835
Total fund balance	1,186,835	-	1,186,835
Total liabilities and fund balance	\$ 1,257,434	\$ 1,401	\$ 1,258,835

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

Total Fund Balance – Total Governmental Funds	<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>
Total adjustments	<u>(142,441)</u>
Net Position – Governmental Activities	<u><u>\$ 1,044,394</u></u>

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

	Fire Protection Fund	Special Revenue Fire Explorers Fund	Total Governmental Funds
Revenues:			
Investment earnings	\$ 29,870	\$ -	\$ 29,870
Other revenues	99,526	-	99,526
Total revenues	129,396	-	129,396
Expenditures:			
Fire protection:			
Materials and services	6,391	1,401	7,792
Total expenditures	6,391	1,401	7,792
Revenues over (under) expenditures	123,005	(1,401)	121,604
Other financing sources/(uses):			
Proceed from sale of capital assets	250,000	-	250,000
Transfers in/(out) (Note 11)	40,000	-	40,000
Total other financing sources/(uses)	290,000	-	290,000
Special Item:			
Transfer of operation to San Bernardino Fire Protection District	(70,499)	-	(70,499)
Total special item	(70,499)	-	(70,499)
Net change in fund balances	342,506	(1,401)	341,105
Fund balances:			
Beginning of year	844,329	1,401	845,730
End of year	\$ 1,186,835	\$ -	\$ 1,186,835

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 Year Ended June 30, 2017

Net Change in Fund Balance – Total Governmental Funds \$ 341,105

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)
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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.

Loss on disposal of Fire operation	<u>(431,976)</u>
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Total adjustments	<u><u>(546,363)</u></u>
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Change in Net Position – Governmental Activities \$ (205,258)

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
Total current assets	<u>7,559,690</u>

Non-current assets:

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

Deferred outflows of resources:

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

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
Total current liabilities	<u>533,519</u>

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
Total non-current liabilities	<u>2,435,955</u>
Total liabilities	<u>2,969,474</u>

Deferred inflows of resources:

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

Net position:

Investment in capital assets	23,105,770
Unrestricted	4,946,258
Total net position	<u>28,052,028</u>

Total liabilities, deferred inflows of resources and net position	<u>\$ 31,201,339</u>
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Twentynine Palms Water District
Statement of Revenues, Expenses, and Changes in Net Position
Enterprise Funds
For the Year Ended June 30, 2017

Operating revenues:	
Water consumption sales	\$ 2,622,789
Water service charges	1,030,621
Water availability charge	606,779
Other service charges	<u>122,637</u>
Total operating revenues	<u>4,382,826</u>
 Operating expenses:	
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>
Total operating expenses	<u>3,768,444</u>
Operating income before depreciation	614,382
Depreciation expense	<u>(1,389,378)</u>
Operating (loss)	<u>(774,996)</u>
 Non-operating revenues(expenses):	
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>
Total non-operating revenues, net	<u>246,102</u>
Change in net position	(528,894)
 Net position:	
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

Cash flows from operating activities:

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>
Net cash provided by operating activities	<u>661,150</u>

Cash flows from capital and related financing activities:

Acquisition and construction of capital assets	(246,831)
Proceeds from sale of assets	52,875
Transfers in/(out)	<u>(40,000)</u>
Net cash (used in) capital and related financing activities	<u>(233,956)</u>

Cash flows from investing activities:

Proceeds from investment earnings	<u>32,372</u>
Net cash provided by investing activities	<u>32,372</u>

Net increase in cash and investments	459,566
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Cash and investments:

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

Reconciliation of operating (loss) to net cash provided by operating activities:

Operating (loss)	<u>\$ (774,996)</u>
Adjustments to reconcile operating (loss) to net cash provided by operating activities:	
Depreciation expense	1,389,378
Rental revenue	123,332
Other non-operating revenue	78,219
Changes in assets – (increase)decrease:	
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
Change in deferred outflows of resources – (increase)decrease:	
Pension related deferred outflows of resources	(338,918)
Changes in liabilities – increase(decrease):	
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
Change in deferred inflows of resources – increase(decrease):	
Pension related deferred inflows of resources	<u>(75,030)</u>
Total adjustments	<u>1,436,146</u>
Net cash provided by operating activities	<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

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

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

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 U.S. GAAP 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

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

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:

<u>CalPERS</u>	<u>June 30, 2017</u>
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

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 *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
Total	\$ 7,759,848

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
Total cash and investments	\$ 7,759,848

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>
External Investment Pools:				
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
Held with Fiscal Agent:				
PARS Pension Trust	Uncategorized	N/A	1,098,489	1,098,489
Total investments			<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

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/

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

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:

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

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 as water availability charges. At June 30, 2017, the outstanding balance of the special assessment receivable was \$78,345.

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>-</u>	<u>2,320,260</u>	<u>-</u>
Total depreciable capital assets, net	<u>431,976</u>	<u>-</u>	<u>(431,976)</u>	<u>-</u>
Total capital assets, net	<u>\$ 489,495</u>	<u>\$ -</u>	<u>\$ (489,495)</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 related to the Fire operation were 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

	Balance July 1, 2016	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2017
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:

Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017	Current	Non-current
\$ 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

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 30th was calculated as follows:

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

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	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
Deferred Outflows of Resources:				
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
Total deferred outflows of resources	\$ 728,501	\$ 1,109,917	\$ (845,732)	\$ 992,686
Net Pension Liability:				
CalPERS – Miscellaneous Plan	\$ 1,452,203	\$ 658,715	\$ (163,027)	\$ 1,947,891
CalPERS – Safety Plan	485,755	273,297	(519,038)	240,014
Total aggregate net pension liability	\$ 1,937,958	\$ 932,012	\$ (682,065)	\$ 2,187,905
Deferred Inflows of Resources:				
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
Total deferred inflows of resources	\$ 354,624	\$ 520,603	\$ (336,156)	\$ 539,071

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

	Miscellaneous Plans	
	Classic Tier 1	PEPRA Tier 2
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

	Safety Plan Classic Tier 1
	Hire date
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</u>	<u>PEPRA</u>	
	<u>Tier 1</u>	<u>Tier 2</u>	
Active members	13	5	18
Transferred and terminated members	22	-	22
Retired members and beneficiaries	17	-	17
Total plan members	52	5	57

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

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:

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

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

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

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 ¹	Real Return Years 11+ ²
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>		

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

² 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>
CalPERS – Miscellaneous Plan:			
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
Change in Plan Net Pension Liability	<u>\$ 561,673</u>	<u>\$ 65,985</u>	<u>\$ 495,688</u>
<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>
CalPERS – Safety Plan:			
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
Change in Plan Net Pension Liability	<u>\$ 194,248</u>	<u>\$ 439,989</u>	<u>\$ (245,741)</u>

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 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:

CalPERS – Miscellaneous Plan	Percentage Share of Risk Pool		Change Increase/ (Decrease)
	Fiscal Year Ending	Fiscal Year Ending	
	June 30, 2017	June 30, 2016	
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%

CalPERS – Safety Plan	Percentage Share of Risk Pool		Change Increase/ (Decrease)
	Fiscal Year Ending	Fiscal Year Ending	
	June 30, 2017	June 30, 2016	
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
Total Deferred Outflows/(Inflows) of Resources	\$ 992,686	\$ 539,071

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
Total	\$ 255,714

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)
Total cash after payment of accounts payable and accrued expenses	70,967
Add: Special assessments receivable cash received	17,379
Total cash available for transfer to PARS Pension Trust	88,346
Restricted – cash and investments held-in-PARS Pension Trust	1,098,489
Total restricted net position for pension liability	\$ 1,186,835

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)
Total unrestricted net position (deficit)	\$ (142,441)

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

Note 11 – Transfers In/(Out)

Fund Name	Transfers In	Transfers (Out)
Fire protection	\$ 40,000	\$ -
Water operations	-	(40,000)
Total	\$ 40,000	\$ (40,000)

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

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.

Note 14 – Transfers of Fire Operation to San Bernardino County Fire Protection District

On July 1, 2016, the District reorganized its fire protection services to the San Bernardino County Fire District per the San Bernardino County LAFCO decision on February 17, 2016. In accordance with GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, the District recognized a loss totaling \$309,994 and reported as Special Items in the accompanying Statement of Activities. Details of the loss are as follows:

- The District received \$250,000 land and fire station owned by the District. The cost of the land and fire station was \$57,519. As a result, a gain was recognized in the amount of \$192,481.
- The District disposed all of the depreciable assets and transferred some to the County at no cost. The carrying amount of all the depreciable assets at July 1, 2016 was \$431,976.
- The District transferred the Property Tax proceeds received in the amount of \$70,499 to San Bernardino County Fire District.

According to the executed Assignment and Assumption Agreement between the City of Twentynine Palms (City) and the District, the District closed its CalPERS Defined Benefit Safety Employees' Pension Plan (Plan) to new members as of June 30, 2017. The District will continue to adjust its net pension liability for the Plan as the net pension obligation changes annually with changes in the CalPERS annual actuarial valuation. In an effort to facilitate the annexation, the City has agreed to pay all future Plan obligation payments regardless of whether the Safety Employees PARS 115 Trust Fund has sufficient funds to make any and all future CalPERS obligation payments. The City has also agreed to pay the Plan's withdrawal liability, as required, directed, or permitted by CalPERS, and the City has the discretion to choose and direct the Water District on when that liability will be paid.

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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)

Measurement Date:	June 30, 2016¹	June 30, 2015¹	June 30, 2014¹
District's Proportion of the Net Pension Liability	<u>0.025285%</u>	<u>0.028234%</u>	<u>0.028313%</u>
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>

¹ 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)				
Fiscal Year:	<u>2016-17¹</u>	<u>2015-16¹</u>	<u>2014-15¹</u>	<u>2013-14¹</u>
Actuarially Determined Contribution ²	\$ 197,902	\$ 245,003	\$ 234,149	\$ 225,220
Contribution in Relation to the Actuarially Determined Contribution ²	<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 ³	<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>

¹ Historical information is presented only for measurement periods for which GASB No. 68 is applicable.

² 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.

³ 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

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c)
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.