

**JOSHUA BASIN  
WATER DISTRICT**

**Report on Audit**

**June 30, 2010 and 2009**

**Joshua Basin Water District**  
**Z of San Bernardino County**  
of San Bernardino County

Joshua Tree, California

June 30, 2010 and 2009

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<b>MEMBER</b>	<b>OFFICE</b>	<b>TERM EXPIRES</b>
Mickey Luckman	President	December 5, 2012
Mike Reynolds	Vice-President	December 5, 2012
Bill Long	Director	December 5, 2012
Steven Whitman	Director	December 5, 2010
Gary Wilson	Director	December 5, 2010

**ADMINISTRATION**

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Joe Guzzetta	General Manager
Susan Greer	Assistant General Manager/Controller
Jim Corbin	Distribution Supervisor
Randy Little	Water Production Supervisor
Keith Faul	GIS Coordinator
Terry Spurrier	HR/Administrative Services Supervisor
Ben Ruffner	Accountant

**Joshua Basin Water District**

(A Special District)

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June 30, 2010 and 2009

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## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Joshua Basin Water District

We have audited the accompanying statements of the business-type activities of Joshua Basin Water District (the "District"), as of and for the years ended June 30, 2010 and 2009, which comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Joshua Basin Water District, as of June 30, 2010 and 2009, and the respective changes in financial position and cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2010, 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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The Board of Directors  
Joshua Basin Water District

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplemental operating statement is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Messmer & Hadley, LLP.*

Victorville , California  
December 8, 2010

## Joshua Basin Water District

(A Special District)

### Management's Discussion and Analysis

June 30, 2010 and 2009

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The management of the Joshua Basin Water District (the "District") presents this Management Discussion and Analysis to achieve two goals:

1. To comply with the requirements of Governmental Accounting Standards Board Statement 34 (GASB 34) that are designed to provide more and easier-to-understand information about the finances of local government agencies such as the District; and
2. To provide readers with narrative information that may help in understanding and interpreting the information presented in the District's financial statements for the year ended June 30, 2010.

Questions or comments regarding this Management Discussion and Analysis may be directed to the Assistant General Manager/Controller via the following methods:

Mailing Address: Joshua Basin Water District  
P.O. Box 675  
Joshua Tree, California 92252-0675

Telephone: (760) 366-8438  
Facsimile: (760) 366-9528  
E-mail: [sgreer@jbwd.com](mailto:sgreer@jbwd.com)

### Financial Highlights

The following items are, in the opinion of District management, among the most significant in assessing the District's overall financial activities and its financial position at the close of the year ended June 30, 2010:

- ✓ The District's assets exceeded its liabilities by \$28,031,402. Approximately 97 percent of the net assets, \$27,161,281, are composed of capital assets of the District – the water transmission and distribution system, land, buildings and equipment. Unrestricted net assets totaled \$5,566,234, down from \$6,639,001 at June 30, 2009. This decrease is due primarily to an increase in the District's investment in capital assets.
- ✓ The District's operating revenues for the year ended June 30, 2010 were \$2,818,039. The majority of revenues came from water sales to customers. The second-largest source of revenue was \$1,071,511 in standby charges.
- ✓ The District's total net long-term liabilities at June 30, 2010, including the 1974 General Obligation Bonds, the 1997 Refunding Revenue Bonds, and the Copper Mountain Mesa Limited Obligation Bonds, are \$4,008,113. This is a decrease of \$638,246 from net long-term liabilities, reflecting the payment of principal on debt.

## Joshua Basin Water District

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### Management's Discussion and Analysis

June 30, 2010 and 2009

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#### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts: (1) management's discussion and analysis; and (2) the financial statements, including the notes to financial statements.

The financial statements provide both long-term and short-term information about the District's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

The District's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units on an accrual basis. Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the Statement of Revenues, Expenses and Changes in Net Assets. All assets and liabilities associated with the operation of the District are included in the Statement of Net Assets.

The Statement of Net Assets presents the financial position of the District on a full accrual historical cost basis and provides information about the nature and amount of resources and obligations at year-end.

#### Statement of Net Assets

As of June 30, 2010, the total net assets of the District were \$28,031,402. The following table summarizes assets, liabilities and net assets at June 30, 2010 and 2009:

	June 30, 2010	June 30, 2009	Net Change
Current assets	\$ 6,753,006	\$ 7,422,404	\$ (669,398)
Capital assets	27,161,281	26,530,936	630,345
<b>Total Assets</b>	<b>\$ 33,914,287</b>	<b>\$ 33,953,340</b>	<b>\$ (39,053)</b>
Current liabilities	\$ 1,874,772	\$ 1,438,403	\$ 436,369
Non-current liabilities	4,008,113	4,646,359	(638,246)
Net assets	28,031,402	27,868,578	162,824
<b>Total Liabilities and Net Assets</b>	<b>\$ 33,914,287</b>	<b>\$ 33,953,340</b>	<b>\$ (39,053)</b>

Total net assets increased \$39,053, or .58 percent from the prior year. At June 30, 2010, the District had \$6,753,006 in current assets as compared to \$7,422,404 at June 30, 2009. The total decrease in current assets of \$669,398 consists primarily of a decrease to cash.

Net assets are reported as restricted when restrictions imposed by creditors (such as through debt covenants) or by law change the nature or normal understanding of the availability of the assets. Restricted assets for the District are cash collections in excess of amounts currently due for the repayment of bond principal.

## Joshua Basin Water District

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### Management's Discussion and Analysis

June 30, 2010 and 2009

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Non-current assets are the least liquid of assets. Assets that are not expected to be consumed or liquidated within one year are classified as non-current. Non-current assets for the District are deferred charges related to the issuance of long-term debt and utility plant (e.g., wells, tanks, pipeline, etc.). The District's non-current assets at June 30, 2010 were \$27,161,281 versus \$26,530,936 at June 30, 2009. Charges against non-current assets, in the form of depreciation and amortization account for a portion of the change in non-current assets.

### Changes in Net Assets

The following table summarizes the changes in net assets for the years ended June 30, 2010 and 2009:

	June 30, 2010	June 30, 2009	Net Change
Operating revenues	\$ 2,818,039	\$ 2,775,396	\$ 42,643
Operating expenses	(4,181,495)	(4,211,693)	30,198
Operating loss	(1,363,456)	(1,436,297)	72,841
Non-operating revenue and expense	1,519,540	1,716,761	(197,221)
Capital contributions	6,740	107,382	(100,642)
<b>Change in Net Assets</b>	<b>\$ 162,824</b>	<b>\$ 387,846</b>	<b>\$ (225,022)</b>

Total operating revenues increased \$42,643 or 1.5 percent, while expenses decreased \$30,198 or .72 percent.

Non-operating revenues of \$2,053,174 exceeded non-operating expenses of \$533,634 by \$1,519,540. Although revenue from standby charges was essentially unchanged, property tax revenue dropped \$46,911 and there was a \$124,408 drop in investment income. While interest expense dropped \$27,202 from 2009, other non-operating expenses increased \$6,298, mainly due to uncollectible prior year standby charges.

Capital contributions decreased by \$100,642.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

As of June 30, 2010, the District's investment in capital assets was \$22,465,168, including: the water transmission and distribution system (underground pipelines, water services, water meters, fire hydrants, and other components); water production facilities (groundwater wells); land; buildings and both mobile and fixed equipment. Invested in capital assets is the component of net assets that consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any borrowings that are attributable to the acquisition of those assets.

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## Management's Discussion and Analysis

June 30, 2010 and 2009

The amounts reported as invested in capital assets for the District at June 30, 2010 include: utility plant, at cost, of \$45,255,841, less accumulated depreciation of \$18,094,500; less all debt related to the acquisition of utility plant of \$4,696,113 for a total of \$22,465,168. At June 30, 2009 the total of invested in capital assets was \$21,229,577. The increase is due to current year capital asset additions and a pay down of the related debt.

The following shows the composition of the District's total capital assets at June 30, 2010:

	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>Net Change</u>
Land	\$ 496,400	\$ 218,371	\$ 278,029
Construction in progress	3,169,928	2,382,140	787,788
Water storage and related equipment	41,301,668	40,551,668	750,000
Office building and equipment	287,845	284,664	3,182
Less accumulated depreciation	<u>(18,094,560)</u>	<u>(16,905,907)</u>	<u>(1,188,653)</u>
Total utility plant, net	<u>\$ 27,161,281</u>	<u>\$ 26,530,936</u>	<u>\$ 630,346</u>

Additional information on the District's capital assets can be found in Note 4, Capital Assets, of the notes to the basic financial statements.

**Debt Administration**

The District has three outstanding bond issues: the Copper Mountain Mesa Limited Obligation Bonds of 1996, the General Obligation Bonds, and the 1997 Revenue Refunding Bonds.

No new debt was incurred by the District in 2010. Principal payments of \$90,000 on the General Obligation Bonds were made as scheduled, as well as \$75,000 principal payments on the Copper Mountain Mesa Limited Obligation Bonds. \$490,000 in principal payments were made on the 1997 Revenue Refunding Bonds.

	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>Net Change</u>
General Obligation Bonds - 1974	\$ 525,000	\$ 615,000	\$ (90,000)
Refunding Revenue Bonds - 1997	515,000	1,005,000	(490,000)
Rural Development - CCM	3,703,438	3,778,438	(75,000)
Less current portion	(688,000)	(655,000)	(33,000)
Less deferred amounts	<u>(47,325)</u>	<u>(97,079)</u>	<u>49,754</u>
	<u>\$ 4,008,113</u>	<u>\$ 4,646,359</u>	<u>\$ (638,246)</u>

## **Joshua Basin Water District**

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### Management's Discussion and Analysis

June 30, 2010 and 2009

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The \$4.5 million Copper Mountain Mesa Limited Obligation Bonds were issued in 1996 to finance the installation and construction of a water distribution system and two booster pumping stations.

The \$5.9 million Revenue Refunding Bonds, issued in 1991 and refinanced in 1997 for \$5.4 million, were sold to finance capital improvements to the current system; specifically, to change existing 4-inch mainlines to 6-inch.

Additional information on debt activity can be found in Note 6, Long-Term Liabilities, of the notes to the basic financial statements.

## **ECONOMIC FACTORS AND FUTURE BUDGET CONSIDERATIONS**

### **Growth**

As of June 30, 2010, growth in the District has stalled again in response to declines in both state and national economies. This follows six years of minimal-to-moderate growth. Prior to that, the 1992 Landers earthquake resulted in more than a decade of virtually no growth. We measure growth in two ways: increased assessed values and new service installations.

Assessed values decreased 7% in the District for the year ending June 30, 2010. This is compared to increases of 12%, 16%, 15%, 29%, and 14% for the years ended June 30, 2009, June 30, 2008, June 30, 2007, June 30, 2006, and June 30, 2005, respectively.

The District installed two new customer-funded meters for the year ended June 30, 2010, a decrease of 78% over the previous year. In prior years, new service installations were 9 for 2009, 24 for 2008, 105 for 2007, 192 in 2006 and 147 in 2005.

In addition to the factors considered above – assessed values and meter installations – the District is seeing decreased water consumption by customers. The water rates are comprised of two components: a fixed charge and a variable charge based upon water consumption. Customers appear to be reducing their water consumption voluntarily in order to reduce their variable water charge. For the year ending June 30, 2010, water consumption was 7% less than the year before.

Management expects growth, measured by assessed values and new meter installations, to slow even more in response to the continuing decline in the economy.

### **Water Rates and Capital Spending**

The District implemented a 6% water rate increase mid year and has another scheduled for January 2011. This will be the final increase authorized by the 2007 independently prepared study, which is designed to provide for the capital needs of the District with small, regular rate increases. For the year ending June 30, 2010, the District completed \$770,000 in capital projects, including land purchase for future facilities, upgrades to the SCADA system, new accounting software and waste water feasibility study.

The District intends to initiate another rate study during the fiscal year ending June 30, 2011.

**Joshua Basin Water District**  
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Statements of Net Assets  
For the Years Ended June 30, 2010 and 2009

	2010	2009
<b>ASSETS</b>		
Current assets:		
Cash and investments, unrestricted	\$ 5,581,317	\$ 6,432,275
Accounts receivable	974,240	835,115
Inventory	141,452	125,585
Prepaid expenses	55,997	29,429
Total current assets	6,753,006	7,422,404
Non-current assets:		
Utility plant, net	27,161,281	26,530,936
<b>TOTAL ASSETS</b>	<b>\$ 33,914,287</b>	<b>\$ 33,953,340</b>
 <b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 846,369	\$ 453,699
Current portion of long-term debt	688,000	655,000
Deposits	272,830	256,032
Interest payable	67,573	73,672
Total current liabilities	1,874,772	1,438,403
Non-current liabilities, net	4,008,113	4,646,359
<b>Total Liabilities</b>	<b>5,882,885</b>	<b>6,084,762</b>
 <b>NET ASSETS</b>		
Invested in capital assets	22,465,168	21,229,577
Unrestricted	5,566,234	6,639,001
<b>Total Net Assets</b>	<b>28,031,402</b>	<b>27,868,578</b>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 33,914,287</b>	<b>\$ 33,953,340</b>

**Joshua Basin Water District**

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Statements of Revenues, Expenses and Changes in Net Assets  
For the Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<b>OPERATING REVENUES</b>	\$ 2,818,039	\$ 2,775,396
<b>OPERATING EXPENSES</b>		
Customer accounts	146,421	136,945
Fringe benefits	469,228	447,217
General and administrative	1,540,847	1,668,409
Pumping plant	321,937	314,608
Source of supply	41,725	56,279
Transmission and distribution	356,280	300,207
Vehicle and equipment	109,995	120,421
Depreciation	<u>1,195,062</u>	<u>1,167,607</u>
<b>Total operating expenses</b>	4,181,495	4,211,693
<b>OPERATING LOSS</b>	(1,363,456)	(1,436,297)
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Standby charges	1,071,511	1,159,817
Property taxes	868,967	915,878
Investment income	39,446	163,854
Grant revenue	73,250	31,750
Interest expense	(251,738)	(278,940)
Inter-agency payments	(219,763)	(219,594)
Other non-operating revenue/(expense)	<u>(62,133)</u>	<u>(56,004)</u>
<b>Total non-operating revenues (expenses)</b>	1,519,540	1,716,761
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	156,084	280,464
Capital contributions	<u>6,740</u>	<u>107,382</u>
<b>CHANGE IN NET ASSETS</b>	162,824	387,846
Net Assets, Beginning of year	<u>27,868,578</u>	<u>27,480,732</u>
Net Assets, End of year	<u>\$ 28,031,402</u>	<u>\$ 27,868,578</u>

**Joshua Basin Water District**

(A Special District)

## Statements of Cash Flows

For the Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<b>Cash flows from operating activities</b>		
Receipts from customers	\$ 2,695,712	\$ 2,528,701
Payments to suppliers	(758,591)	(958,032)
Payments to employees and directors for services	<u>(1,877,819)</u>	<u>(1,921,868)</u>
Net cash provided by (used in) operating activities	59,302	(351,199)
<b>Cash flows from non-capital and related financing activities</b>		
Payments on inter-agency maintenance	(219,763)	(219,594)
Other payments	<u>(52,032)</u>	<u>(56,004)</u>
Net cash provided by (used in) non-capital and related financing activities	(271,795)	(275,598)
<b>Cash flows from capital and related financing activities</b>		
Acquisition and construction of utility plant	(1,835,508)	(2,160,917)
Principal paid on long-term debt	(655,000)	(623,000)
Interest paid on long-term debt	(208,083)	(229,186)
Receipts from assessments	1,071,511	1,323,082
Receipts from property tax for debt service	868,967	915,878
Capital contributions	6,740	107,382
Grant revenue	<u>73,250</u>	<u>31,750</u>
Net cash provided by (used in) capital and related financing activities	(678,123)	(635,011)
<b>Cash flows from investing activities</b>		
Interest received	<u>39,446</u>	<u>163,854</u>
NET DECREASE IN CASH	(851,170)	(1,097,954)
<b>Cash and cash equivalents</b>		
Beginning of year	<u>6,432,275</u>	<u>7,530,229</u>
End of year	<u>\$ 5,581,105</u>	<u>\$ 6,432,275</u>

**Joshua Basin Water District**

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## Statements of Cash Flows

For the Years Ended June 30, 2010 and 2009

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	<u>2010</u>	<u>2009</u>
<b>Reconciliation of operating loss to cash used in operating activities</b>		
Operating loss	\$ (1,363,456)	\$ (1,436,297)
Depreciation and amortization	1,195,062	1,167,607
<b>(Increase) decrease in assets</b>		
Accounts receivable and other current assets	(139,125)	(188,537)
Inventory	(15,867)	(4,566)
Prepaid expenses	(26,568)	65,241
<b>Increase (decrease) in liabilities</b>		
Accounts payable	392,670	112,753
Interest payable	-	(9,242)
Deposits	16,798	(58,158)
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<u>\$ 59,514</u>	<u>\$ (351,199)</u>

## **Joshua Basin Water District**

(A Special District)

Notes to Financial Statements

June 30, 2010 and 2009

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### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Reporting Entity**

Joshua Basin Water District (the “District”) was organized under provisions of Division 12 of the Water Code of the State of California in January 1963. The District was formed to finance, construct, operate and maintain a water system serving portions of southwestern San Bernardino County. Currently, the District services approximately 96 square miles in the unincorporated area of Joshua Tree, located in the Morongo Basin of San Bernardino County.

The criteria used in determining the scope of the reporting entity are based on the provisions of GASB Statement No. 14. The District is the primary government unit. Component units are those entities which are financially accountable to the primary government, either because the District appoints a voting majority of the component unit’s board, or because the component unit will provide a financial benefit or impose a financial burden on the District. The District has no component units.

#### **Basis of Presentation and Method of Accounting**

The District accounts for its activities as a single enterprise fund, and the financial statements are accounted for on a flow of economic resources measurement focus, using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the related liability is incurred, regardless of the timing of the cash flows.

The District distinguishes *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 principal ongoing operations. The principal operating revenues of the District are charges to customers for water sales and services. Operating expenses include the cost of water delivery 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.

Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange include grants, entitlements and donations. In accordance with GASB No. 33, *Accounting and Reporting for Non-Exchange Transactions*, revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligible requirements have been satisfied.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. The government has elected not to follow subsequent private-sector guidance.

#### **Budget and Budgeting**

Budget integration is employed as a management control device. Budgets are formally adopted by the Board of Directors and take effect the following July 1. The budgets are used as a management tool and are not a legal requirement.

## Joshua Basin Water District

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Notes to Financial Statements

June 30, 2010 and 2009

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### Restricted Assets

Restricted assets are financial resources generated for a specific purpose such as construction of improvements and financing of debt obligations. These assets are for the benefit of a distinct group and, as such, are legally or contractually restricted.

### Inventory and Prepaid Expenses

Inventories of supplies and expendable equipment are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

### Capital Assets

Purchased capital assets are stated at historical cost or estimated historical cost when original cost is not available. Donated capital assets are recorded at their estimated fair value at the date of donation. The District's policy is to capitalize all capital assets with costs exceeding a minimum threshold of \$5,000. Depreciation is recorded using the straight-line method over the estimated useful lives of the capital assets. The range of estimated useful lives by type of asset is as follows:

Automatic controls	5 – 10 years
Booster station	25 – 45 years
General structures	15 – 40 years
Intangible plant	3 – 5 years
Meters and services	10 – 30 years
Office equipment	5 – 10 years
Reservoirs and tanks	25 – 50 years
Shop tools and equipment	5 – 15 years
Source of supply – wells	5 – 40 years
Transmission and distribution	3 – 50 years
Transportation equipment	5 years
Pumping and equipment	15 – 25 years

Depreciation aggregated \$1,195,062 and \$1,167,607 for the years ended June 30, 2010 and 2009, respectively.

### Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investment instruments purchased with a maturity of three months or less to be cash equivalents.

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Notes to Financial Statements

June 30, 2010 and 2009

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**Compensated Absences**

All earned vacation, floating holiday and administrative leave hours are payable upon termination or retirement and are accrued as compensated absences. The compensated liability is calculated in accordance with GASB Statement No. 16.

**Use of Estimates**

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the American Institute of Certified Public Accountants (AICPA), requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Net Assets**

GASB Statement No. 34 requires that the difference between assets and liabilities be reported as net assets. Net assets are classified as either invested in capital assets, net of related debt, restricted, or unrestricted.

Net assets that are invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, and reduced by the outstanding principal of related debt. Restricted net assets are those net assets that have external constraints placed on them by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions or enabling legislation. Unrestricted net assets consist of net assets that do not meet the definition of invested in capital assets, net of related debt, or restricted net assets. The District did not have any Net Assets restricted by legislation at June 30, 2010.

**NOTE 2 – CASH AND INVESTMENTS**

Cash and investments held by the District were comprised of the following at June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Cash on hand and in banks	\$ 130,829	\$ 144,662
Investments with Local Agency Investment Fund (LAIF)	<u>5,450,488</u>	<u>6,287,613</u>
	<u>\$ 5,581,317</u>	<u>\$ 6,432,275</u>

## **Joshua Basin Water District**

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Notes to Financial Statements

June 30, 2010 and 2009

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### **Custodial Credit Risk of Cash Deposits**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code requires that a financial institution secure the District's cash deposits by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of pledged securities in the collateral pool must equal at least 110% of the District's cash deposits. California law also allows institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the District's total cash deposits.

At June 30, 2010, the recorded amount of the District's deposits was \$130,829 and the bank balances were \$141,200. Of the bank balances, all were covered by Federal Depository Insurance Corporation (FDIC).

### **Investments**

Under the provisions of the District's investment policy, and in accordance with California Government Code, sections 53600 and 53603, the following investments were authorized:

#### Investment Type

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Securities issued by the U.S. Treasury

Securities issued and fully guaranteed as to payment by an agency of the U.S. Government

Bankers' Acceptances

Non-negotiable certificates of deposit

Repurchase Agreements

California Local Agency Investment Fund (State Pool)

Corporate medium-term notes

Mortgage-backed securities

Diversified Management Companies, as defined by Section 23701m of the Revenue Taxation Code

### **Concentration of Credit Risk**

At June 30, 2010, in accordance with State law and the District's Investment Policy, the District did not have 5% or more of its net investment in commercial paper, corporate bonds or medium term notes of a single organization. Investments in obligations of the U.S. government, U.S. government agencies, or government-sponsored enterprises are exempt from these limitations.

## Joshua Basin Water District

(A Special District)

Notes to Financial Statements

June 30, 2010 and 2009

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### Local Agency Investment Fund

The District maintains an investment in the State of California Local Agency Investment Fund (LAIF), managed by the State Treasurer. This fund is not registered with the Securities and Exchange Commission as an investment company, but is required to invest according to California Government Code. Participants in the pool include voluntary and involuntary participants, such as special districts and school districts for which there are legal provisions regarding their investments. The Local Investment Advisory Board (the "Board") has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute.

At June 30, 2010, the District's investment position in the State of California Local Agency Investment Fund (LAIF) included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments included the following:

Structured Notes are 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, the bulk of which are mortgaged-backed securities, 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 (such as Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2010, the District had \$5,450,588 invested in LAIF.

### NOTE 3 – RECEIVABLES

The following summarizes the significant categories of receivables and other assets (current and non-current) at June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Receivables:		
Water sales	\$ 513,577	\$ 457,582
Assessments/property taxes	781,416	767,000
Interest	7,570	23,610
Grants	9,607	-
Other	130,720	32,344
Allowance for uncollectible assessment/accounts	(468,650)	(445,421)
	<u>\$ 974,240</u>	<u>\$ 835,115</u>

**Joshua Basin Water District**  
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Notes to Financial Statements  
June 30, 2010 and 2009

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

<b>Capital Assets:</b>	Balance July 01, 2009	Additions	Deletions	Balance June 30, 2010
Land and easements	\$ 218,371	\$ 278,029	\$ -	\$ 496,400
Construction in progress	2,382,140	787,788	-	3,169,928
 Total capital assets not being depreciated	 2,600,511	 1,065,817	 -	 3,666,328
Automatic controls	337,210	115,692	-	452,902
Booster/pump stations	923,484	21,440	-	944,924
Mainlines & fire hydrants	23,512,190	-	-	23,512,190
Meters	3,368,158	809	-	3,368,967
Monitor wells	86,726	-	-	86,726
Production wells	3,081,426	-	-	3,081,426
Pumping plant	539,892	49,436	-	589,328
Tanks	4,968,502	59,154	-	5,027,656
USGS monitoring wells-phase 2	548,615	-	-	548,615
Utility plant	92,843	-	-	92,843
Water sampling stations	20,150	-	-	20,150
Water seepage pits	29,953	-	-	29,953
Buildings	537,937	5,292	-	543,229
Office furniture/equipment	397,743	3,261	-	401,004
Engineering equipment	79,498	3,182	-	82,680
Mapping system	50,888	-	-	50,888
Meter reading equipment	59,010	-	(5,182)	53,827
Shop tools/equipment	205,166	-	-	205,166
Automotive	479,814	-	-	479,814
Large equipment	812,631	66,179	-	878,810
Demographic survey	5,150	-	-	5,150
Ground water monitoring plan	33,336	-	-	33,336
Ground water survey	25,250	-	-	25,250
Personnel manual/class study	49,370	-	-	49,370
Rate & fee study	-	42,566	-	42,566
Strategic plans	33,999	-	-	33,999
Urban water management plan	34,431	15,919	-	50,349
Vulnerability assessment	8,044	-	-	8,044
Waster water feasibility study	31,758	85,874	-	117,632
Water availability evaluation	66,757	4,323	-	71,081
Water master plan	77,399	-	-	77,399
Water model assessment H2O net	46,407	-	-	46,407
Software & Computers	28,837	274,145	(11,326)	291,656
Intangible water rights	263,759	-	-	263,759
Waste water start up	-	22,419	-	22,419
	40,836,332	769,690	(16,508)	41,589,514
Less accumulated depreciation	(16,905,907)	(1,195,062)	6,409	(18,094,560)
Net assets being depreciated	23,930,425	(425,372)	(10,099)	23,494,954
 NET CAPITAL ASSETS	 \$ 26,530,936	 \$ 640,445	 \$ (10,099)	 \$ 27,161,281

**Joshua Basin Water District**  
(A Special District)

Notes to Financial Statements  
June 30, 2010 and 2009

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

<b>Capital Assets:</b>	Balance July 01, 2008	Additions	Deletions	Balance June 30, 2009
Land and easements	\$ 216,027	\$ 2,344	\$ -	\$ 218,371
Construction in progress	2,553,877	38,029	(209,766)	2,382,140
 Total capital assets not being depreciated	 2,769,904	 40,373	 (209,766)	 2,600,511
Automatic controls	319,531	17,679	-	337,210
Booster/pump stations	906,777	16,706	-	923,483
Mainlines & fire hydrants	21,880,474	1,632,945	-	23,513,419
Meters	3,354,555	13,603	-	3,368,158
Monitor wells	86,726	-	-	86,726
Production wells	2,900,017	189,719	-	3,089,736
Pumping plant	539,892	-	-	539,892
Tanks	4,951,106	17,396	-	4,968,502
USGS monitoring wells-phase 2	548,615	-	-	548,615
Utility plant	92,843	-	-	92,843
Water sampling stations	20,150	-	-	20,150
Water seepage pits	21,643	-	-	21,643
Buildings	529,764	8,173	-	537,937
Office furniture/equipment	397,743	40,815	-	438,558
Engineering equipment	67,520	-	-	67,520
Mapping system	50,888	-	-	50,888
Meter reading equipment	57,781	-	-	57,781
Shop tools/equipment	191,368	398,357	(9,410)	580,315
Automotive	612,446	2,238	-	614,684
Large equipment	506,301	-	-	506,301
Demographic survey	5,150	-	-	5,150
Ground water monitoring plan	33,336	-	-	33,336
Ground water survey	25,250	-	-	25,250
Personnel manual/class study	49,370	-	-	49,370
Strategic plans	33,999	-	-	33,999
Urban water management plan	34,431	-	-	34,431
Vulnerability assessment	8,044	-	-	8,044
Waster water feasibility study	31,758	-	-	31,758
Water availability evaluation	66,757	-	-	66,757
Water master plan	77,399	-	-	77,399
Water model assessment H2O net	46,407	-	-	46,407
Intangible water rights	263,759	-	-	263,759
	38,711,799	2,337,631	(9,410)	41,040,020
	(15,941,988)	(1,167,607)		(17,109,595)
	22,769,811	1,170,024	(9,410)	23,930,425
<b>NET CAPITAL ASSETS</b>	<b>\$ 25,539,715</b>	<b>\$ 1,210,397</b>	<b>\$ (219,176)</b>	<b>\$ 26,530,936</b>

**Joshua Basin Water District**  
(A Special District)

Notes to Financial Statements  
June 30, 2010 and 2009

**NOTE 5 – ACCOUNTS PAYABLE**

Accounts payable at June 30, 2010 and 2009 consisted of the following:

	<u>2010</u>	<u>2009</u>
Payables:		
Vendors	\$ 648,315	\$ 284,421
Payroll	49,217	39,841
Vacation	113,803	94,403
Pre-paid capacity	35,034	35,034
	<u>\$ 846,369</u>	<u>\$ 453,699</u>

**NOTE 6 – LONG-TERM LIABILITIES**

**Summary**

The changes in the District's long-term obligations during the past two years consist of the following:

	Balance <u>July 01, 2009</u>	Additions	Reductions	Due in one year	Long-term balance June 30, 2010
General Obligation Bonds - 1974	\$ 615,000	\$ -	\$ 90,000	\$ 95,000	\$ 430,000
Refunding Revenue Bonds - 1997	1,005,000	-	490,000	515,000	-
Rural Development - CMM	3,778,438	-	75,000	78,000	3,625,438
	-				-
Total	<u>5,398,438</u>	-	<u>655,000</u>	<u>\$ 688,000</u>	<u>4,055,438</u>
Less deferred amounts:					
Issuance costs/premiums/ discounts/loss	<u>(97,079)</u>		<u>(49,754)</u>		<u>(47,325)</u>
Total long-term liabilities, net	<u>\$ 5,301,359</u>	<u>\$ -</u>	<u>\$ 605,246</u>		<u>\$ 4,008,113</u>

	Balance <u>July 01, 2008</u>	Additions	Reductions	Due in one year	Long-term balance June 30, 2009
General Obligation Bonds - 1974	\$ 700,000	\$ -	\$ 85,000	\$ 90,000	\$ 525,000
Refunding Revenue Bonds - 1997	1,470,000	-	465,000	490,000	515,000
Rural Development - CMM	3,850,438	-	72,000	75,000	3,703,438
	-				-
Total	<u>6,020,438</u>	-	<u>622,000</u>	<u>\$ 655,000</u>	<u>4,743,438</u>
Less deferred amounts:					
Issuance costs/discounts/loss	<u>(146,837)</u>	-	<u>(49,758)</u>		<u>(97,079)</u>
Total long-term liabilities, net	<u>\$ 5,873,601</u>	<u>\$ -</u>	<u>\$ 572,242</u>		<u>\$ 4,646,359</u>

**Joshua Basin Water District**

(A Special District)

Notes to Financial Statements

June 30, 2010 and 2009

**General Obligation Bonds**

In 1974, the District authorized and issued General Obligation Bonds in the amount of \$2,000,000 at an interest rate of 5%. The bonds mature through 2015 as follows:

<u>Fiscal Year</u>	<u>General Obligation Bonds - 1974</u>	
	<u>Principal</u>	<u>Interest</u>
2011	\$ 95,000	26,250
2012	100,000	21,500
2013	105,000	16,500
2014	110,000	11,250
2015	115,000	5,750
	<u>\$ 525,000</u>	<u>\$ 81,250</u>

**1997 Refunding Revenue Bonds Capital Improvement**

In November 1997, the Joshua Basin-Hi Desert Financing Authority (the "Authority") issued \$5,400,000 in revenue refunding bonds. The proceeds of this issue, together with other lawfully available monies, were used to establish irrevocable escrows to advance refund and defease in their entirety the District's outstanding 1991 Revenue Bonds and the 1978 and 1979 State Safe Drinking Water Act Loans.

The District extinguished \$4,905,000 of 1991 Revenue Bonds and \$282,720 of State Safe Drinking Water Act Loans through a refunding. This resulted in a defeasance of debt. The net proceeds of approximately \$5,750,374 (after payment of issuance costs) were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Revenue Bonds and Safe Drinking Water Act Loans. As a result, this debt is considered to be defeased and the liability for the debt has been removed from long-term debt on the District's financial statements.

Although the refunding resulted in a deferred amount of \$740,419, the District, in effect, reduced its aggregate debt service payments by approximately \$638,567 over the next 18 years and obtained an economic gain (difference between the present value of the old and new debt service payments) of approximately \$301,513. The deferred amount on refunding is being amortized over the remaining life of the refunded debt.

The 1997 Revenue Bonds are limited obligations of the Authority. They are payable from and secured by a first pledge of certain payments received by the Authority from the District under an installment agreement and from interest and other income derived from any funds and accounts held under the indenture of trust. The obligation of the District to make such payments is payable solely from all gross income and revenue received by the District. The 1997 Revenue Bonds bear interest from 3.8% to 5.05% and mature from May 1, 1998 through May 1, 2011.

The bonds mature through 2011 as follows:

<u>Fiscal Year</u>	<u>Refunding Revenue Bonds - 1997</u>	
	<u>Principal</u>	<u>Interest</u>
2011	<u>\$ 515,000</u>	<u>\$ 26,008</u>

**Joshua Basin Water District**

(A Special District)

Notes to Financial Statements

June 30, 2010 and 2009

**Limited Obligation Improvement Bonds**

In March 1996, the District authorized the issuance of \$4,551,389 in Copper Mountain Mesa Limited Obligation Bonds pursuant to the provisions of the Municipal Improvement Act of 1913. The bonds are payable solely from and secured solely by the assessments and the amounts held by the District. The District is not obligated to, but may in its sole discretion, advance available surplus funds from the District treasury. The bonds shall bear interest at 4.5% per annum. Principal and/or the applicable interest are payable on March 2 and September 2 of each year.

The bonds mature through 2036 as follows:

<u>Fiscal Year</u>	<u>Rural Development - CCM</u>	
	<u>Principal</u>	<u>Interest</u>
2011	\$ 78,000	\$ 164,925
2012	82,000	161,325
2013	85,000	157,568
2014	89,000	153,653
2015	93,000	149,558
2016 - 2020	534,000	679,275
2021 - 2025	663,000	545,243
2026 - 2030	823,000	378,788
2031 - 2035	1,025,000	171,608
2036 - 2040	231,438	5,220
	<u>\$ 3,703,438</u>	<u>\$ 2,567,160</u>

**NOTE 7 – MOJAVE WATER AGENCY AGREEMENT**

During the year ended June 30, 1991, the District executed an Agreement for construction, operation and financing of the Morongo Basin Pipeline project with the Mojave Water Agency (the “Agency”). Pursuant to this Agreement, the Agency has constructed a pipeline to supply, on a wholesale basis, certain areas of San Bernardino County, including the Joshua Basin Water District, with water from the State Water Project.

Voters within the area to be served by the pipeline project approved the issuance of \$66,500,000 principal amount of general obligation bonds to finance the pipeline project. This resulted in the formation of Improvement District M of the Mojave Water Agency. In the Agreement, the District has agreed to make certain payments to the Agency to cover the District’s share of fixed project costs, including debt service and fixed operating and maintenance costs of the project on a take-or-pay basis.

The District makes annual payments under the Agreement for Improvement District M’s general obligation bond sales of \$12,000,000 principal amount in May 1991 (Series A) and \$40,735,000 principal amount in 1993 (Series B).

**Joshua Basin Water District**

(A Special District)

Notes to Financial Statements

June 30, 2010 and 2009

The District is obligated to pay 27% of the debt service on Improvement District M's general obligation bonds.

Project Participants	Debt Service Obligations
Hi-Desert Water District	59%
Joshua Basin Water District	27%
Bighorn-Desert View Water Agency	9%
San Bernardino County Service Area: No. 70 Improvement Zone W-1	5%
Improvement Zone W-4	0%
Mojave Water Agency	0%

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

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

Payments of fixed project costs to the Agency have been classified as non-operating expenses in the amount of \$219,763 and \$219,594 for the years ended June 30, 2010 and 2009.

**NOTE 8 – JOINT VENTURE, JOSHUA BASIN – HI DESERT FINANCING AUTHORITY**

In February 1991, the District and Hi-Desert Water District created the Joshua Basin – Hi-Desert Financing Authority (the "Authority") pursuant to the laws of the State of California.

The Authority is a joint exercise of powers agreement by and between Joshua Basin Water District and Hi-Desert Water District. The purpose of the Authority is to cause the acquisition and construction of water facilities and to finance such projects through the issuance of bonds.

The Authority has a five-member Board of Directors comprised of: (a) three members of the Board of Directors of Joshua Basin Water District and (b) two members of the Board of Directors of Hi-Desert Water District.

**Joshua Basin Water District**

(A Special District)

Notes to Financial Statements

June 30, 2010 and 2009

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Participation in the joint venture gives the District the ability to finance the cost of the installation and construction of any building, facility, structure, or other improvement which may be used to provide water to the lands and inhabitants of the District.

As provided in the law, the Authority shall be a public entity separate from Joshua Basin Water District and Hi-Desert Water District. The debts, liabilities and obligations of the Authority shall not constitute debts, liabilities or obligations of Joshua Basin Water District or Hi-Desert Water District. The debts, liabilities and obligations of either Joshua Basin Water District or Hi-Desert Water District shall not constitute debts, liabilities or obligations of the other agency.

**NOTE 9 – DEFERRED CHARGES**

The long-term debt issuance costs are capitalized and amortized over the terms of the respective debt using the life of the underlying debt.

**NOTE 10 – EMPLOYEES’ RETIREMENT PLAN DESCRIPTION**

In August, 2008 the District transitioned from a defined contribution plan to a defined benefit pension plan, Public Employees’ Retirement System (PERS) that provides retirement and disability benefits, annual cost - of - living adjustments, and death benefits to plan members and beneficiaries. PERS is part of the Public Agency portion of the California Public Employees’ Retirement System, (CalPERS), a cost-sharing multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers with the State of California. A menu of benefit provisions as well as other requirements is established by State statutes with the Public Employees’ Retirement Law. The District selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance (other local methods). CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS’ annual financial report may be obtained from the CalPERS Executive Office – 400 Q Street – Sacramento, California 95814.

**Funding Policy** – The District contributes the employer shares for the Miscellaneous Plan. The District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The District’s employer contribution rate for 2009/10 was 9.511% for miscellaneous employees. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

**Annual Pension Cost** – For year ended June 30, 2010, the District’s annual pension cost was \$119,308 and was equal to the District’s required and actual contributions. The required contribution was determined as part of the pool’s June 30, 2008 actuarial valuation.

**Information for the District Public Employees’ Retirement Plan**

<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentages APC Contribution</u>	<u>Net Pension Obligation</u>
6-30-2010	\$ 119,308	100%	\$ --

**Joshua Basin Water District**

(A Special District)

Notes to Financial Statements

June 30, 2010 and 2009

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**Schedule of Funding Progress** – The schedule of funding progress for the District’s Miscellaneous Plan is no longer available. Information is available on a pooled-basis only and can be obtained from CalPERS, P.O. Box 942709, Sacramento, California 94229-2709.

**NOTE 11 – COMMITMENTS AND CONTINGENCIES**

The District has entered into various contracts for the purchase of material and construction of facilities. The amounts contracted for are based on the contractor’s estimated cost of construction. At June 30, 2010 and 2009, the total unpaid amounts on these contracts were \$1,022,746 and \$668,630, respectively.

In addition, the District has begun a program to recoat seven of their water storage tanks. The District has contracted with Utility Service Company to perform this recoating program along with a tank inspection program. The total cost to complete the tank recoating and inspection program is \$1,197,056. At June 30, 2010 the District was committed to \$213,763 of the total project cost.

**SUPPLEMENTAL SCHEDULE**

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**Joshua Basin Water District**  
(A Special District)

Schedule of Operating Expenses  
For the Years Ended June 30, 2010 and 2009

	2010	2009
<b>Customer accounts</b>		
Meter repair salaries and wages	\$ 67,138	\$ 62,286
Office salaries	64,904	62,408
Meter repair	14,379	12,251
Total	146,421	136,945
<b>Fringe benefits</b>		
Group insurance and workers compensation	230,422	220,692
Payroll taxes	112,453	109,209
Retirement	119,306	110,681
Uniforms	7,047	4,197
Total	469,228	444,779
<b>General and administration</b>		
Salaries	925,696	963,549
Temporary Labor	27,880	115,861
Directors' fees/education	36,115	29,409
Accounting services	23,582	22,883
Bad debt expense	23,244	25,908
Building repairs	26,537	22,876
Dues and subscriptions	16,526	13,363
Communication	10,730	8,316
Education expense	-	-
Engineering services	33,406	86,380
Insurance - property	63,479	71,832
Legal services	67,689	66,442
Lobbyist	42,000	42,000
Membership fees and public information	42,354	30,681
Miscellaneous expense	41,510	51,050
Office equipment repair and maintenance	79,799	50,468
Office supplies and postage	54,144	69,322
Outside services	37,406	33,394
Telephone and utilities	31,615	35,278
Training	32,004	31,925
Travel and business expenses	15,843	18,511
Expense allocation	(90,712)	(121,039)
Total	1,540,847	1,668,409

**Joshua Basin Water District**  
(A Special District)

Schedule of Operating Expenses  
For the Years Ended June 30, 2010 and 2009

	2010	2009
<b>Pumping plant</b>		
Power purchased for pumping	265,702	250,052
Salaries and wages	13,686	18,525
Maintenance	42,549	46,031
Total	321,937	314,608
<b>Source of supply</b>		
Operation and maintenance	28,426	41,551
Water treatment	13,299	14,728
Total	41,725	56,279
<b>Transmission and distribution</b>		
Salaries and wages	274,814	211,479
Repairs and maintenance	81,466	88,728
Total	356,280	300,207
<b>Vehicle and equipment</b>		
Auto expense	61,017	68,191
Auto repair - salaries and wages	7,476	10,844
Tractor - tool repair	16,014	10,156
Tractor - tool repair salaries and wages	3,415	2,727
Equipment rental	2,878	3,088
Shop and small tools expense	19,195	25,415
Total	109,995	120,421
<b>Depreciation</b>	1,195,062	1,167,607
Total	<u>\$ 4,181,495</u>	<u>\$ 4,209,255</u>

**OTHER INDEPENDENT AUDITORS' REPORT**

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**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***

The Board of Trustees  
Joshua Basin Water District

We have audited the financial statements of the business-type activities of Joshua Basin Water District (the "District"), as of and for the year ended June 30, 2010, and have issued our report thereon dated December 8, 2010. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

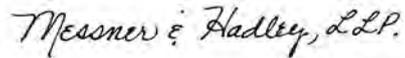
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The Board of Trustees  
Joshua Basin Water District

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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*.

This report is intended solely for the information and use of management, the Governing Board and others within the District, and is not intended to be and should not be used by anyone other than these specified parties.



Messner & Hadley, LLP  
Certified Public Accountants

Victorville, California  
December 8, 2010

**FINDINGS AND RESPONSES SECTION**

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**Joshua Basin Water District**  
(A Special District)

Schedule of Findings and Responses  
For the Year Ended June 30, 2010

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There are no findings to report for the year ended June 30, 2010.

July 1, 2010



# Joshua Basin Water District

## Two Year Budget

Adopted June 30th, 2010



Fiscal Years Ending  
June 30, 2011  
And June 30, 2012



Two Year Budget  
Fiscal Years Ending  
June 30, 2011 and June 30, 2012

June 30, 2010

Dear President and Members of the Board,

As with nearly all governmental agencies, Joshua Basin Water District has seen a dramatic decrease in revenues over previous years. However, as a result of the Board's prudent financial policies there are still positive "net revenues" although they are much less than previously, requiring the District to be mindful of expenses, and re-prioritize some capital and other supplemental projects.

This budget reflects a continuation of reduced personnel by leaving the Chief of Operations position vacant for at least the next two years, and maintaining other programs at the level necessary to continue providing excellent services to our customers.

The budget for the 2010/2011 and 2011/2012 fiscal years is attached. Following is a narrative of the key budget issues.

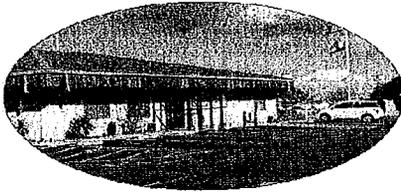
#### **Board and Citizen Advisory Committee Review**

The final budget is approved by the Board. Board approval followed extensive analysis and review by the ad hoc Board Budget Committee and Citizens Advisory Committee. Three major changes to the Draft Budget occurred following review: 1) Water sales revenues were maintained constant without any projected increase in anticipation that customers may reduce water consumption due to the recession, offsetting the planned 3% rate increase in January 2011; 2) The relocation of the C tank to the H-Zone was postponed from 2010/2011 to 2011/2012 and 2012/2013 deferring \$600,000 of supplemental capital expenditure until that time; 3) The design and construction for the replacement of old 4" and 6" steel pipe was postponed pending a thorough evaluation of whether the District should continue its policy of accumulating funds to replace pipes, or embark on a strategy to borrow funds that are available from the United States Department of Agriculture. If the "pay-as-you-go" policy is continued the design will be deferred for several years while the District accumulates construction funds.

#### **Budget Format**

The budget format remains with both the *Program Budget* to give the Board "big picture" information for policy decisions, and a *Detailed Budget* that provides more specific cost information. Both the Detailed and the Program budgets include "roll over" operational expenses only for personnel, utilities, office supplies, etc. They do not include any new equipment, capital, or programs. The *Supplemental Budget* shows all new projects, programs, and equipment. The *Two-year Budget* provides a two-year financial plan to give the Board a broader perspective of on-going needs and resources.

June 30, 2010



Two Year Budget  
Fiscal Years Ending  
June 30, 2011 and June 30, 2012

### Recurring Net Operating Revenues

Assuming that revenues remain flat for the next year the recurring revenues exceed recurring expenditures by \$268,070 in the first year and \$868,875 in the second year (net revenue). This amount will be transferred to capital and reserves. Recurring expenses for both years anticipate cost increases for energy, supplies, and other non-personnel costs. Labor cost-of-living increases are not included pending a new contract with the labor organization.

As presented to the Board at the mid-term review, "net revenues" in previous years' budgets, compared with the next two years, were substantially higher due largely to the following:

#### Reduced revenues

- (\$825,000) Capacity Fees from new development
- (394,000) Water Consumption
- (168,000) Interest Earnings
- (142,000) Taxes and State Borrowing

#### Increased expenses

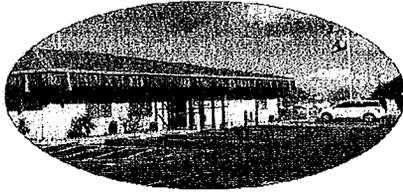
- \$205,000 Tank maintenance and other operational expenses that were previously addressed as "one-time" costs rather than regular, continuing maintenance costs
- 64,000 employee costs
- 46,000 property insurance, public information, computer support
- 31,000 debt service miscalculation on the MWA payment

### Operating Expenses

Operating expenses are stable. During the past several years we have budgeted for tank maintenance and equipment replacement on a regular, consistent basis so that these will not occur as unplanned "urgent needs" in future budgets. We will be considering using the same mechanism for replacing major pumps. Personnel is at an appropriate staffing level in all programs and no additions are expected unless a high level of development resumes.

### Operating Revenues

Indications are that general operating revenues have stabilized, but it is uncertain whether or not property tax revenues will decrease. Foreclosure sales have resulted in payment of past-due taxes. However, we expect that many properties are in the process of being reassessed to lower values which will result in lower tax revenues until housing prices resume previously high sales costs. Rates will increase by 3% in January 2011, but we are projecting no overall increase in revenues due to the above uncertainties.



Two Year Budget  
Fiscal Years Ending  
June 30, 2011 and June 30, 2012

### **Bond Payments Ceasing**

As has been anticipated, in 2011 the District will cease paying bond costs of \$540,000 per year which has been considered the revenue source to purchase water for the ground water recharge project. Since the ground water recharge project has been delayed due to a delay in state Proposition 84 funding, those funds will be available for other maintenance projects which are more important in the short term.

### **Pipe Replacement Program**

A major priority that needs to be revisited by the Board is the replacement of 4" and 6" steel pipe. The Board's policy to this point has been to "pay as you go" to replace about 60,000 feet of pipe in the H zone. Staff has identified about another 70,000 to 90,000 feet of pipe that should be considered in future phases of the replacement program. When "net revenues" return to their previous levels the District will be able to consider "pay as you go" for pipe replacement. In the interim, staff would not recommend using the reserves for that purpose during the next several years because it would reduce reserves to a precarious level not knowing when the general economy will improve. The Board has the opportunity to borrow funds from the United States Department of Agriculture (USDA), currently offering rates from 2.73%, if it wishes to continue with the replacement program without risking reserves.

Taking a loan would allow the District to take advantage of current low construction costs. Deferring the replacement program until cash is available would leave the District unencumbered with loans and would result in higher construction costs.

### **Capacity Fees to Reimburse District in the Future**

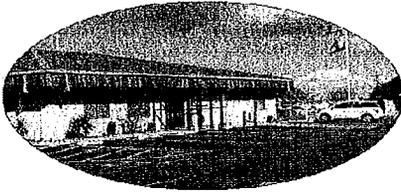
The Board's policy of having new development "pay its own way" will result in new development paying its share of the pipe replacement program, "reimbursing" the District capital budget. This is a long term source of revenue related to future development.

### **Goals and Program of Work**

Following are the goals proposed by staff for the next fiscal year to address the priorities established previously by the Board.

- **Board Priority: Recharge aquifer**

**Program of Work:** Complete the final design of the recharge project and seek grant funding to construct the project. Thus far Mojave Water Agency has appropriated \$1 million toward this project and the IDM reserves provide nearly \$600,000. Proposition 84 funds are expected in the range of \$2-\$4 million. Congressman Jerry Lewis has secured \$291,000 in Congressional funds.



Two Year Budget  
Fiscal Years Ending  
June 30, 2011 and June 30, 2012

- **Board Priority: Implement a Waste Water Treatment Program.**  
**Program of Work:** Construct the District's first public waste water treatment system at the Hi Desert Medical Center (HDMC) with funding from the HDMC District and other potential users.
- **Board Priority: Establish formal routine maintenance programs for reservoirs, booster pumps, fire hydrants, air-vacs, and equipment**  
**Program of Work:** Most of the 3,500 fire hydrants and valves have been identified in the geographic positioning system (GPS) program and have been maintained. The remainder will be completed in 2010-2011. Reservoirs are maintained routinely under contract. All meters have been identified in the GPS program.
- **Board Priority: Water Conservation**  
**Program of Work:** The budget continues its aggressive water conservation programs in order to meet state mandated reductions of water use by 2020. These include programs revolving around the Joshua Tree landscape demonstration garden, school education programs, provision of landscape workshops, participation in a variety of AWAC programs, and participation with Mojave Water Agency in rebate programs.
- **Board Priority: Become more prepared for emergencies.**  
**Program of Work:** The budget provides for continued instruction of staff by the Emergency Services Manager and at California Strategic Training Institute. Supplemental funds have been included for other important emergency preparedness facilities. The District conducted an emergency preparedness exercise in June 2010 and will conduct one in this fiscal year.
- **Board Priority: Acquire property needed for "build-out" facilities:**  
The groundwater recharge site has been acquired. The District Engineer has identified properties needed for reservoirs and owners have been identified. Staff is finalizing review of the proposed sites in order to begin to acquire these properties. A report will be forthcoming to the Board

I would like to thank Susan Greer and Ben Ruffner for their extensive work in developing this budget. In addition, our newly appointed Supervisors, Jim Corbin and Randy Little, provided a great deal of work toward preparing the budget.

Sincerely,

Joe Guzzetta  
General Manager

June 30, 2010

**JOSHUA BASIN WATER DISTRICT  
2010/2012 PROGRAM BUDGET SUMMARY**

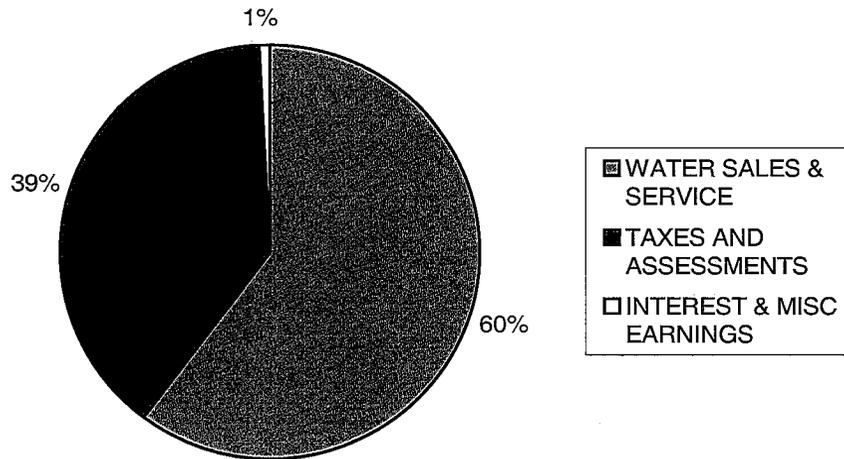
**REVENUE/SOURCE OF FUNDS**

	<b>09/10 BUDGET</b>	<b>10/11</b>	<b>11/12</b>
<b>DESCRIPTION</b>			
WATER SALES AND SERVICE	2,818,281	2,783,801	2,805,943
TAXES AND ASSESSMENTS	1,796,497	1,832,899	1,867,486
INTEREST EARNINGS	91,785	38,900	39,678
MISCELLANEOUS	<u>6,100</u>	<u>1,503</u>	<u>1,533</u>
<b>TOTAL</b>	<b>4,712,663</b>	<b>4,657,103</b>	<b>4,714,640</b>

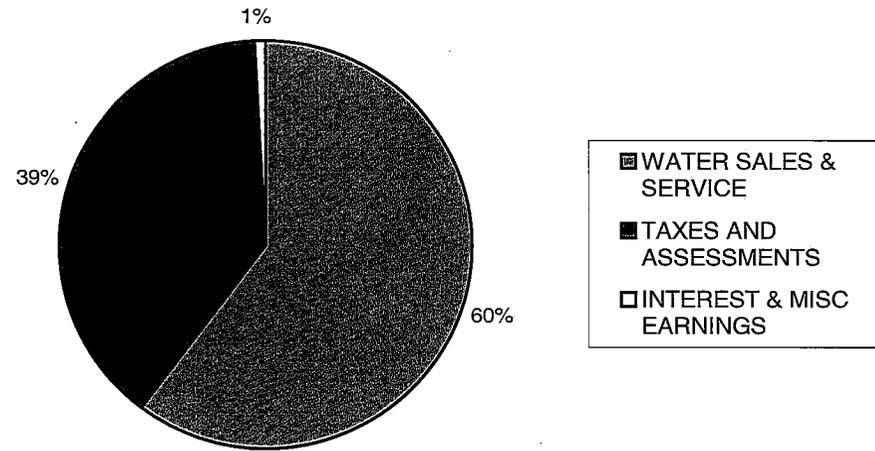
**EXPENSE/USE OF FUNDS**

	<b>09/10 BUDGET</b>	<b>10/11</b>	<b>11/12</b>
<b>DESCRIPTION</b>			
PRODUCTION	823,702	896,636	891,606
DISTRIBUTION	392,925	443,201	458,042
CUSTOMER SERVICE	700,947	701,252	700,627
ENGINEERING AND I.T.	251,526	157,008	156,142
ADMINISTRATION	722,273	611,158	612,800
FINANCE	322,532	312,940	312,384
PERSONNEL	51,242	51,544	32,521
LEGAL	46,800	67,320	68,666
BONDS AND LOANS	<u>1,146,733</u>	<u>1,147,974</u>	<u>612,978</u>
<b>TOTAL</b>	<b>4,458,680</b>	<b>4,389,033</b>	<b>3,845,765</b>
<b>NET REVENUE</b>	<b>253,983</b>	<b>268,070</b>	<b>868,875</b>

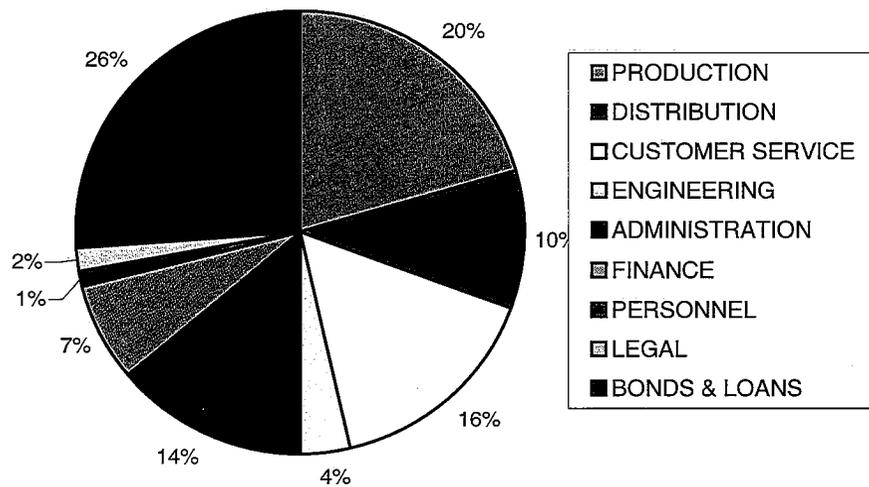
**SOURCE OF FUNDS 2010/2011**



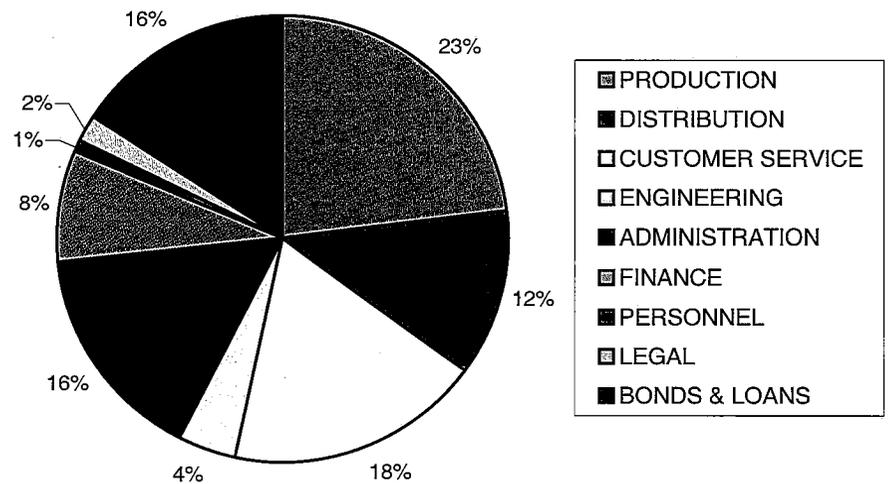
**SOURCE OF FUNDS 2011/2012**



**USE OF FUNDS 2010/2011**



**USE OF FUNDS 2011/2012**



Allocated Expenses are included in departmental expense totals.

**SUPPLEMENTAL BUDGET PROJECTS**

**2010-2013**

**OFFICE PROJECTS**

***Carpet for Office***

\$10,000

***Fire Cabinet for Maps***

\$6,000

***Record Archival System***

This will eventually enable the District to maintain more electronic files for easier access and less physical storage.

\$30,000

***Custom Software Programming***

Adds lacking features to the District's main software program, such as reports or functions, and specific items not yet identified

\$20,000

***Update Rate Study***

This will determine what rate changes are needed in the next several years to maintain services.

\$25,000

***Update Urban Water Management Plan***

State law requires this update to be completed by July 1, 2011

\$30,000

\$30,000

***Space Needs Assessment for Office Building Addition***

A needs assessment will determine how much space the District needs for an Emergency Operating Center in order to apply for grant construction funds

\$10,000

***LAFCO Mandatory Municipal Services Review***

State law requires LAFCO to conduct a review of each agency's boundaries and services (at agency cost) to determine the appropriateness and to recommend any changes.

\$10,000

**FIELD PROJECTS**

***Relocate C-2 Tank & J Booster***

This project has already been designed and would relocate a 500,000 gallon tank from the "C zone" where it is no longer needed, to the "H Zone" where it is severly needed. The cost will eventually be reimbursed to the operational budget from future capacity fees in the H-Zone.

\$300,000

\$300,000

***D-3-1 New Booster pumps and Housing***

The pumps at this booster station operate at a very low efficiency rate such that it is timely to replace them.

\$250,000

***Security (Motion Sensors) at Shop and Well 10***

This would provide security to an expanded area at the shop. More study needs to be done to confirm the need for this project.

\$20,000

***Chlorine analyzers w/telemetry programming***

Install analyzers to monitor chlorine residual at up to four remote sites.

\$20,000

	<i>Year 1</i>	<i>Year 2</i>	<i>Year 3</i>												
<p><b>GIS Server for Field Login</b> Field crew are about to receive laptop computers to be used in the field for more accuracy and efficiency. This server is needed in order to connect to the GIS system.</p>	\$8,000														
<p><b>Field Laptop Computers</b></p>	\$5,000														
<p><b>Flow Meter Refurbishment</b>  4 remaining flow meters (2 this year) with digital displays and telemetry plus DTS programming</p>		\$20,000													
<p><b>Pressure Reducing Station replace/refurbishment</b> Assess and overhaul or replace PRV/PSV/Altitude valve over a three year period. 12 in use, one completed. Estimated completion of 6 more at \$3,000 each plus \$2,000 for incidentals.</p>	\$10,000	\$10,000													
<p><b>Asphalt Installation Equipment - Under Study</b></p> <table style="margin-left: 20px;"> <tr> <td>Vibratory Plate – for in-house asphalt repair</td> <td style="text-align: right;">\$2,000.00</td> <td></td> <td></td> </tr> <tr> <td>Tack Pot Trailer – for in-house asphalt installation</td> <td style="text-align: right;">\$6,000.00</td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">\$8,000.00</td> <td></td> <td></td> </tr> </table>	Vibratory Plate – for in-house asphalt repair	\$2,000.00			Tack Pot Trailer – for in-house asphalt installation	\$6,000.00				\$8,000.00				\$8,000	
Vibratory Plate – for in-house asphalt repair	\$2,000.00														
Tack Pot Trailer – for in-house asphalt installation	\$6,000.00														
	\$8,000.00														
<p><b>Storage Bays for Rock, Sand, Asphalt</b> This will allow for more orderly storage of rock, sand, and asphalt which are used regularly in normal district operations.</p>	\$6,300														
<p><b>Property Acquisition for Future Water Facilities</b> The Master Plan identifies 27 to 37 million gallons of additional reservoir storage that will be needed to operate the District in the future. Staff proposes to begin acquiring the land before the most ideal parcels are developed, especially for reservoirs which are constrained by altitude, proximity to the existing system, and other considerations.</p>	\$50,000														
<p><b>Hauling Station Coin/Card Reader – Under Study</b> Staff is considering a system to enable selling of water at the hauling station. There is insufficient information to provide a full report at this time.</p>	\$4,000														
<p><b>Pipe Holder</b>  This District stores small amounts of plastic pipe for repairs. There is nowhere out of the sun to do so. Over time the pipe can deteriorate when exposed to the sun. This will provide shade</p>		\$2,500													
<p><b><u>EMERGENCY PREPAREDNESS IMPROVEMENTS</u></b></p>															
<p><b>System Reliability Upgrade for Hospital and County Complex C, B and D-3 Zones</b> This entire area has one single water supply feed. It doesn't have a redundant water supply for emergency situations. Staff has proposed a secondary, "emergency," source.</p> <table style="margin-left: 20px;"> <tr> <td>Boring</td> <td style="text-align: right;">\$90,000.0</td> <td></td> <td></td> </tr> <tr> <td>Construction</td> <td style="text-align: right;">\$168,000.0</td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">\$258,000.0</td> <td></td> <td></td> </tr> </table>	Boring	\$90,000.0			Construction	\$168,000.0				\$258,000.0				\$90,000	\$168,000
Boring	\$90,000.0														
Construction	\$168,000.0														
	\$258,000.0														
<p><b>Well 10 &amp; 14 Soft Start Bypass - Generator Controls</b> The new 600 KV generators need this equipment in order to operate properly at the two largest producing wells, well 10 and well 14.</p>	\$20,000														

**Altitude Valves at C2B, SCADA Electric Controls C-1, and C-3 Tanks**

The three tanks in the C zone are at different altitudes. If the one at the highest altitude is filled, the other two overflow. These valves will prevent the overflowing.

**Earthquake Shut Off Valves for Three Tanks**

Currently, if a pipe from a reservoir is broken the entire reservoir can be drained unless a valve is manually located and shut off. This, or another similar system, will provide a feature to the two major C tanks and the B tank serving the hospital, that will shut off in the event of an earthquake or other event that results in an unusually large amount of water draining from the tank.

**C2-B and C-1**

**B**

**Transfer Switches at Remaining Booster Sites**

These switches are needed in order to be able to use the emergency generators at the pump stations.

**Large Meter Bypasses**

Currently, in order to test or remove a large meter, the service needs to be disconnected. This is a serious problem for some large meters such as the hospital. The bypass will allow the meter to be removed and replaced without discontinuing service.

**Hot Master + Backup Computer – SCADA**

This computer will provide backup to the Telemetry System. Previously it was hoped that the old GIS computer would provide this service; however it was not sufficient to do so.

**Emergency Supplies**

These include food, water, cots, etc for serious emergencies for employees

**Total Capital Improvement Costs**

	Year 1	Year 2	Year 3
		\$46,000	
	\$40,000		\$40,000
	\$50,000		
	\$15,000		
	\$15,000		
	\$8,500	\$8,500	
	<b>\$362,800</b>	<b>\$795,000</b>	<b>\$528,000</b>

**Grant Funded Items**

**Recharge Site Evaluation - Project Design**

**IDM Reserves**

**Replacement Reserve**

**Replacement Reserve Annual Allotment**

**Replacement Reserve Funded Items**

**Personal Computers for Office & Shop**

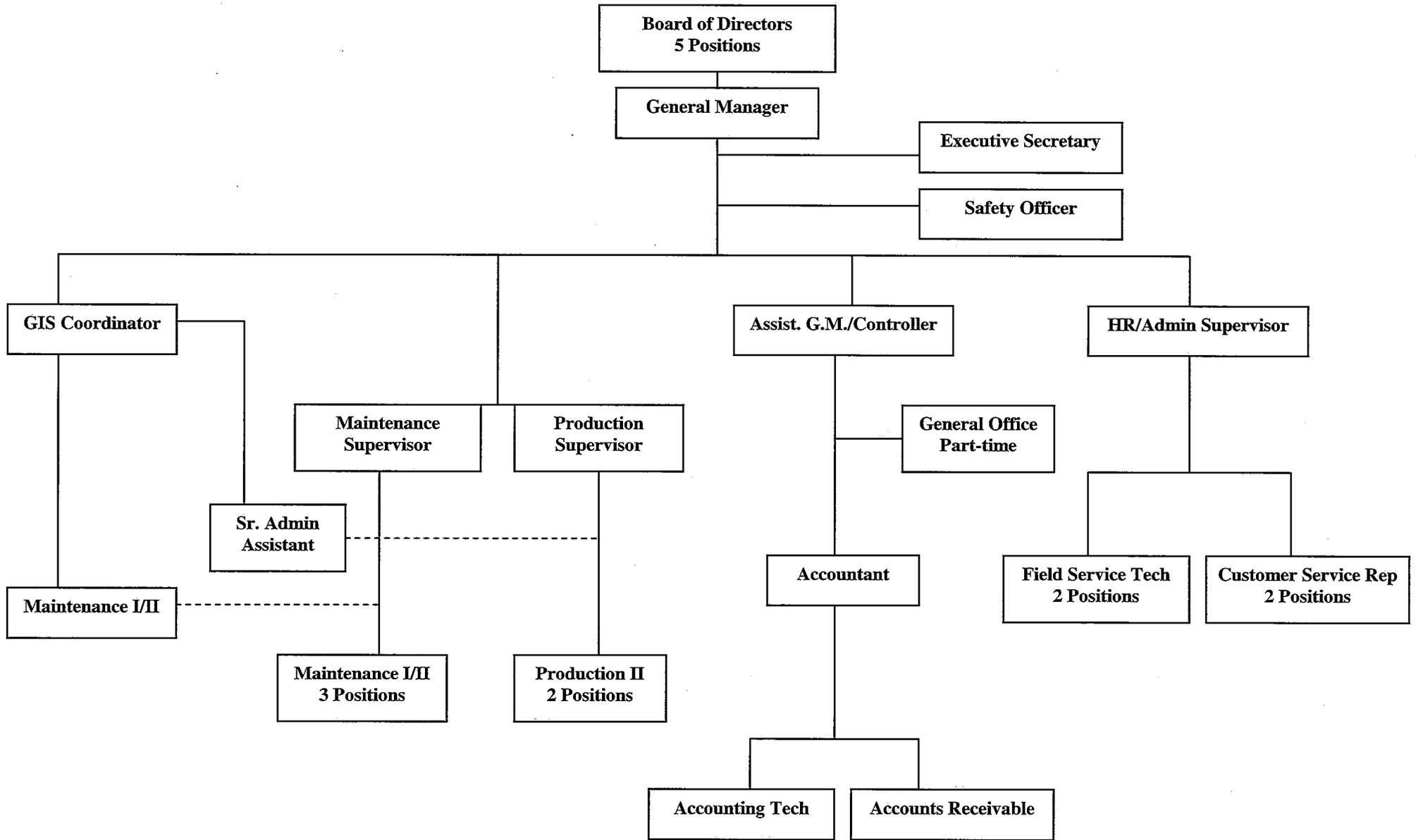
**Plotter**

**Vacuum Trailer – for pot holing and valve maintenance.**

**3 Inch Trash Pump – for leaks, backup, and emergency preparedness**

	Year 1	Year 2	Year 3
	\$400,000		
	(\$400,000)		
	\$100,000	\$100,000	\$100,000
	\$20,000		
	\$10,000		
	\$7,000		
	\$2,600		
	<b>\$39,600</b>		

# JOSHUA BASIN WATER DISTRICT TABLE OF ORGANIZATION



**Approved Positions**

JOSHUA BASIN WATER DISTRICT  
2009/2010 PAYROLL BUDGET

JOSHUA BASIN WATER DISTRICT  
2010-2011 PAYROLL BUDGET

(No changes for 2011/2012)

**PAYROLL SCHEDULE**

PRODUCTION (3 Positions)

Production Supervisor  
Production II (2)

DISTRIBUTION (6Positions)

Chief of Operations  
Maintenance Supervisor  
Maintenance II (2)  
Maintenance I (2)

CUSTOMER SERVICE (5 Positions)

HR/Administrative Services  
Customer Service/Cashier (2)  
Field Service Tech (2)

ENGINEERING (2 Positions)

GIS Coordinator  
Senior Administrative Assistant

ADMINISTRATION (2.5 Positions)

General Manager  
Executive Secretary  
Safety Officer - Part Time

FINANCE (4.5 Positions)

Assistant G.M./Controller  
Accountant  
Accounting Tech  
Accounts Receivable  
General Office - Part Time

TOTAL PAYROLL 23                      1,469,794

**PAYROLL SCHEDULE**

PRODUCTION (3 Positions)

Production Supervisor  
Production II (2)

DISTRIBUTION (6 Positions)

\*Chief of Operations  
Maintenance Supervisor  
Maintenance II (2)  
Maintenance I (2)

CUSTOMER SERVICE (5 Positions)

HR/Administrative Services  
Customer Service/Cashier (2)  
Field Service Tech (2)

ENGINEERING (2 Positions)

GIS Coordinator  
Senior Administrative Assistant

ADMINISTRATION (2.5 Positions)

General Manager  
Executive Secretary  
Safety Officer - Part Time

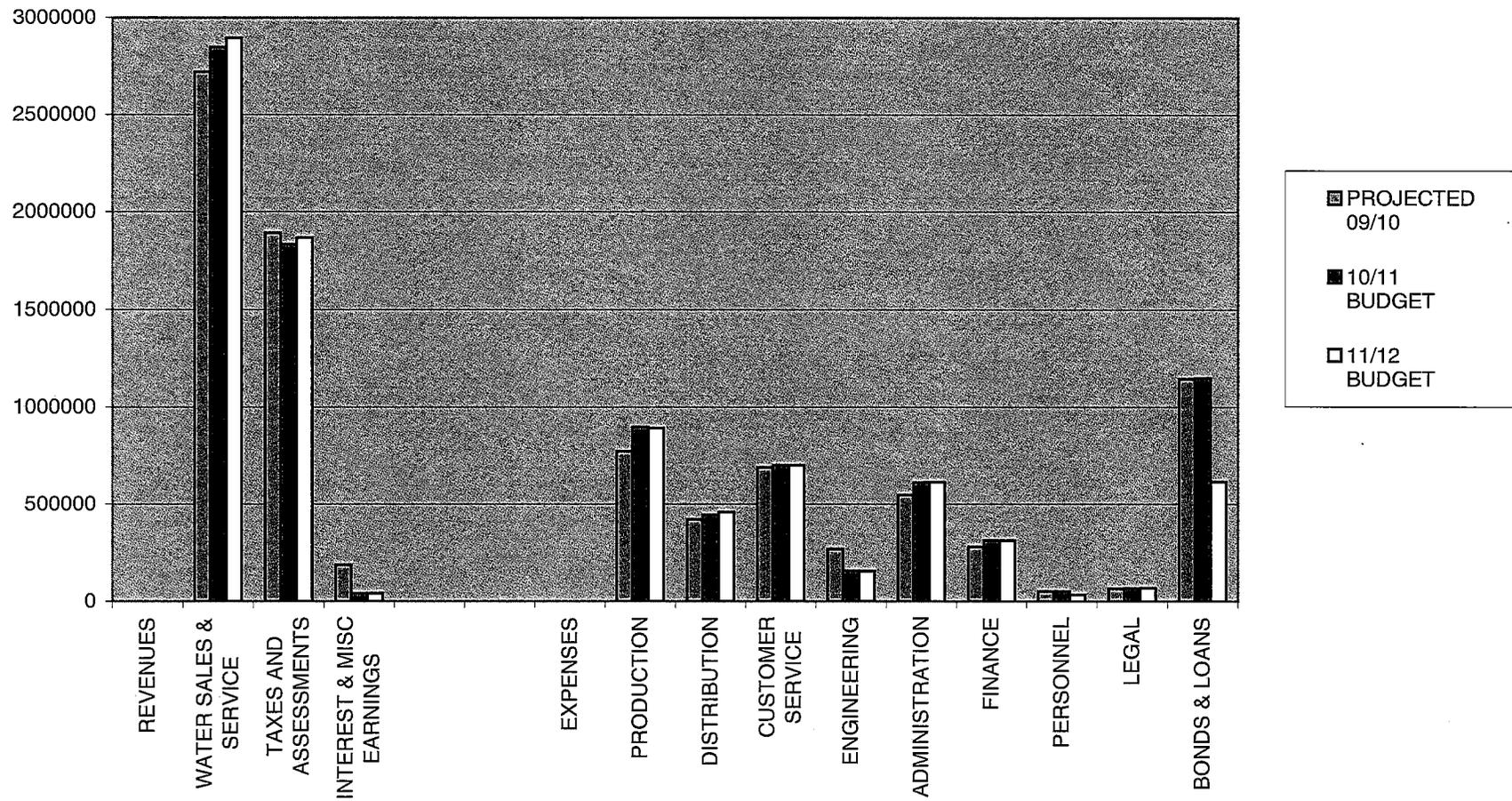
FINANCE (4.5 Positions)

Assistant G.M./Controller  
Accountant  
Accounting Tech  
Accounts Receivable  
General Office - Part Time

TOTAL PAYROLL 23                      1,432,726

\*Chief of Operations Salary is no longer funded.

# REVENUE AND EXPENSE COMPARISONS 09/10 THROUGH 11/12



JOSHUA BASIN WATER DISTRICT

DETAILED OPERATING BUDGET

<b>REVENUE</b>		07-08	08/09	09/10	4/30/10	09/10	10/11	11/12
		ACTUAL	ACTUAL	Budget	Y-T-D	Projection	Budget	Budget
41010	Metered Water Sales	1,338,041	1,374,765	1,433,847	1,098,961	1,332,808	1,332,808	1,332,808
41012	WAAP Adjustments	(2,796)	(918)	(918)	(5,384)	(6,461)	(3,459)	(3,529)
41015	Basic Fees	1,166,560	1,212,729	1,252,812	1,044,444	1,262,846	1,319,228	1,338,834
41016	Basic Fees Locked & Pulled	24,527	26,229	0	0	0	0	0
41030	Private Fire Protection	16,896	17,540	17,540	15,081	18,097	19,127	19,410
41040	Special Services Rev	108,148	111,990	115,000	94,851	113,821	116,098	118,420
42100	Standby Rev Current	1,158,204	1,159,817	1,158,204	1,163,341	1,163,341	1,163,341	1,163,341
42110	Standby Current Uncollectible	0	0	(250,000)	(175,000)	(200,000)	(250,000)	(250,000)
42200	Standby Rev Prior	63,007	163,266	137,000	125,971	161,460	161,460	161,460
42341	Prior Year Refunded Rev	0	0	0	(2,979)	(3,575)	0	0
43000	Property Taxes G.D.	452,059	482,067	370,975	414,829	378,854	381,643	414,829
43010	Property Taxes ID#2	160,001	169,484	120,750	141,058	141,058	121,250	121,500
43020	CMM Assessments Current	256,087	264,327	259,568	250,836	250,836	255,205	256,356
45000	Interest Rev G.D.	368,421	155,278	91,780	31,781	38,137	38,900	39,678
45010	Dividend Income US Bank (3)	571	9	5	0	0	0	0
46100	Grant Rev	0	31,750	0	148,250	148,250	0	0
47000	Miscellaneous Rev	4,549	6,145	6,100	1,228	1,474	1,503	1,533
<b>TOTAL REVENUE</b>		<b>5,114,275</b>	<b>5,174,478</b>	<b>4,712,663</b>	<b>4,347,268</b>	<b>4,800,947</b>	<b>4,657,103</b>	<b>4,714,640</b>

ALLOCATED EXPENSES (BENEFITS, FIELD AND OFFICE) ARE DETAILED ON FINAL PAGE

**EXPENSES**

**PRODUCTION**

	<b>Production Salaries</b>	(98,309)	(151,359)	(107,975)	(111,659)	(133,991)	(222,134)	(205,399)
501-02205	Water Treatment Expense	(15,369)	(14,728)	(15,153)	(10,351)	(12,421)	(12,670)	(12,923)
501-03105	Well Expense	(866)	(8,496)	0	0	0	0	0
501-03110	Cross Connection Control Exp	(1,975)	(1,800)	(1,800)	(544)	(653)	(666)	(679)
501-03115	Pumping Plant Repair & Maint	(40,531)	(45,395)	(46,000)	(15,157)	(18,188)	(18,552)	(18,923)
501-03120	Tanks/Reservoirs Exp	(1,842)	(7,016)	(173,562)	(12,517)	(173,562)	(186,028)	(186,028)
501-04005	Laboratory Services	(15,842)	(16,090)	(15,043)	(5,140)	(6,168)	(6,291)	(6,417)
501-04010	Lead & Copper Sampling	0	0	(607)	0	0	(2,500)	0
501-06105	Power - Electric	(240,213)	(250,052)	(262,500)	(192,386)	(230,863)	(245,338)	(257,605)
501-07005	Property Insurance	(77,158)	(71,832)	(62,000)	(52,893)	(63,472)	(64,741)	(66,036)
	Benefits Expenses Allocated	(88,036)	(114,684)	(112,008)	(96,207)	(114,974)	(117,840)	(117,864)
	Field Expenses Allocated	3,206	(12,099)	(27,054)	(55,813)	(17,196)	(19,876)	(19,731)
	<b>Total</b>	<b>(576,935)</b>	<b>(693,551)</b>	<b>(823,702)</b>	<b>(552,667)</b>	<b>(771,488)</b>	<b>(896,636)</b>	<b>(891,606)</b>

JOSHUA BASIN WATER DISTRICT

DETAILED OPERATING BUDGET

		07-08	08/09	09/10	4/30/10	09/10	10/11	11/12
		ACTUAL	ACTUAL	Budget	Y-T-D	Projection	Budget	Budget
<b>DISTRIBUTION</b>								
	<b>Distribution Salaries</b>	(86,864)	(230,688)	(193,009)	(168,467)	(202,160)	(216,351)	(229,464)
502-02920	Inventory Over/Short	251	(7,285)	(6,000)	(2,102)	(2,102)	(3,106)	(3,168)
502-03105	Mainline/Leak Repair	(79,670)	(50,939)	(50,000)	(66,739)	(80,087)	(81,689)	(83,322)
502-03110	Equipment Rental	(3,428)	(3,088)	(3,500)	(2,421)	(2,905)	(2,963)	(3,023)
502-04005	Contract Locating Exp	(7,467)	(4,286)	(4,500)	(3,829)	(4,595)	(4,687)	(4,780)
	Benefits Expenses Allocated	(85,563)	(111,462)	(108,862)	(93,504)	(111,744)	(114,530)	(114,553)
	Field Expenses Allocated	3,206	(12,099)	(27,054)	(55,813)	(17,196)	(19,876)	(19,731)
	<b>Total</b>	<b>(259,535)</b>	<b>(419,847)</b>	<b>(392,925)</b>	<b>(392,875)</b>	<b>(420,789)</b>	<b>(443,201)</b>	<b>(458,042)</b>
<b>CUSTOMER SERVICE</b>								
	<b>Customer Service Salaries</b>	(231,390)	(328,317)	(298,282)	(253,697)	(304,436)	(310,664)	(314,286)
503-03105	Meter Service Repair	(63,019)	(12,251)	(12,600)	(12,759)	(15,311)	(15,617)	(15,929)
503-07005	Credit Card Discount	(6,533)	(7,356)	(8,400)	(5,966)	(7,159)	(7,302)	(7,448)
503-07010	Bad Debt	(36)	(250)	(20,000)	(552)	(20,000)	(20,000)	(20,400)
503-07015	Public Information/Education	(21,645)	(30,681)	(43,000)	(31,686)	(43,000)	(43,860)	(44,737)
503-07020	Water Conservation Exp	(16,931)	(16,965)	(18,000)	(12,759)	(18,000)	(18,360)	(18,727)
	Benefits Expenses Allocated	(123,646)	(161,073)	(157,315)	(135,122)	(161,480)	(165,506)	(165,539)
	Office Expenses Allocated	(205,444)	(160,131)	(143,350)	(96,517)	(119,867)	(119,943)	(113,559)
	<b>Total</b>	<b>(668,643)</b>	<b>(717,024)</b>	<b>(700,947)</b>	<b>(549,058)</b>	<b>(689,253)</b>	<b>(701,252)</b>	<b>(700,627)</b>
<b>ADMINISTRATION</b>								
	<b>Administration Salaries</b>	(235,888)	(227,959)	(388,454)	(178,534)	(214,241)	(271,032)	(271,032)
504-01205	Director's Exp	(13,422)	(18,816)	(20,836)	(18,795)	(22,554)	(23,005)	(23,465)
504-01210	Director's Education	(1,719)	(10,593)	(6,000)	(7,764)	(9,317)	(9,503)	(9,693)
504-01215	Employee Training Exp	(1,990)	(24,875)	(20,000)	(13,612)	(16,334)	(16,661)	(16,994)
504-04005	Lobbyist	(56,340)	(42,000)	(42,000)	(31,500)	(42,000)	(42,000)	(42,000)
504-07000	Miscellaneous Exp	(6,587)	(7,391)	(7,600)	(1,976)	(2,371)	(2,419)	(2,467)
504-07005	Business Exp	(14,715)	(18,511)	(14,164)	(12,865)	(15,438)	(15,747)	(16,062)
504-07006	Subscriptions	(1,210)	(3,425)	(3,500)	(2,492)	(2,990)	(3,050)	(3,111)
504-07010	Emergency Preparedness	(8,585)	(7,050)	(7,262)	(3,750)	(7,262)	(7,407)	(7,555)
504-07015	Outside Services	(28,965)	(33,394)	(39,587)	(31,328)	(37,594)	(38,345)	(39,112)
504-07016	Membership Fees & Dues	(7,582)	(9,938)	(11,800)	(14,442)	(17,330)	(17,677)	(18,031)
	Benefits Expenses Allocated	(107,819)	(140,455)	(137,179)	(117,826)	(140,810)	(144,321)	(144,350)
	Office Expenses Allocated	(34,241)	(26,689)	(23,892)	(16,086)	(19,978)	(19,991)	(18,927)
	<b>Total</b>	<b>(519,062)</b>	<b>(571,096)</b>	<b>(722,273)</b>	<b>(450,970)</b>	<b>(548,220)</b>	<b>(611,158)</b>	<b>(612,800)</b>

JOSHUA BASIN WATER DISTRICT

DETAILED OPERATING BUDGET

		07-08 ACTUAL	08/09 ACTUAL	09/10 Budget	4/30/10 Y-T-D	09/10 Projection	10/11 Budget	11/12 Budget
<b>ENGINEERING AND I.T.</b>								
	<b>Engineering Salaries</b>	(68,786)	(91,202)	(88,202)	(63,356)	(76,027)	(44,184)	(44,184)
503-04005	Plan Check	(10,233)	(13,366)	0	0	0	0	0
505-02305	Maps/Drafting Supplies	(4,263)	(9,127)	(10,000)	(1,294)	(1,553)	(1,584)	(1,616)
505-04005	Engineering Services	(36,380)	(78,408)	(96,408)	(61,036)	(96,408)	(60,000)	(60,000)
505-04010	Mapping System Upgrades	(13,668)	(10,736)	(11,000)	(6,600)	(7,920)	(8,078)	(8,240)
	Benefits Expenses Allocated	(17,310)	(22,550)	(22,024)	(18,917)	(22,607)	(23,171)	(23,175)
	Office Expenses Allocated	(34,241)	(26,689)	(23,892)	(16,086)	(19,978)	(19,991)	(18,927)
	<b>Total</b>	(184,881)	(252,078)	(251,526)	(167,289)	(224,493)	(157,008)	(156,142)
<b>FINANCE</b>								
	<b>Finance Salaries</b>	(50,798)	(128,863)	(186,197)	(121,609)	(145,931)	(175,786)	(175,786)
506-04005	Accounting Services	(22,510)	(22,883)	(24,347)	(23,582)	(24,000)	(24,480)	(24,970)
	Benefits Expenses Allocated	(69,241)	(90,201)	(88,096)	(75,668)	(90,429)	(92,683)	(92,702)
	Office Expenses Allocated	(34,241)	(26,689)	(23,892)	(16,086)	(19,978)	(19,991)	(18,927)
	<b>Total</b>	(176,790)	(268,635)	(322,532)	(236,945)	(280,338)	(312,940)	(312,384)
<b>PERSONNEL</b>								
	<b>Personnel Salaries</b>	(698)	0	(7,575)	(19,622)	(23,546)	(7,575)	(7,575)
507-01905	Employment Recruiting Exp	(17,055)	(5,823)	(6,000)	(1,639)	(1,967)	(2,006)	(2,046)
507-01910	Labor Negotiation Exp	(43,467)	0	(10,000)	0	(2,000)	(18,000)	0
	Benefits Expenses Allocated	(2,967)	(3,866)	(3,776)	(3,243)	(3,876)	(3,972)	(3,973)
	Office Expenses Allocated	(34,241)	(26,689)	(23,892)	(16,086)	(19,978)	(19,991)	(18,927)
	<b>Total</b>	(98,428)	(36,377)	(51,242)	(40,590)	(51,367)	(51,544)	(32,521)
<b>LEGAL</b>								
508-04000	Legal Services	(46,923)	(66,442)	(46,800)	(54,133)	(66,000)	(67,320)	(68,666)
	<b>Total</b>	(46,923)	(66,442)	(46,800)	(54,133)	(66,000)	(67,320)	(68,666)

JOSHUA BASIN WATER DISTRICT

DETAILED OPERATING BUDGET

		07-08 ACTUAL	08/09 ACTUAL	09/10 Budget	4/30/10 Y-T-D	09/10 Projection	10/11 Budget	11/12 Budget
<b>BONDS AND LOANS</b>								
<b>PRINCIPAL</b>								
509-08105	Cap Imp Bond Principal (3)	(445,000)	(465,000)	(490,000)	0	(490,000)	(515,000)	0
509-08110	ID#2 Bonds Principal	(99,500)	(85,000)	(90,000)	(90,000)	(90,000)	(95,000)	(100,000)
509-08115	CMM Bond Principal	(70,000)	(75,000)	(77,000)	(75,000)	(75,000)	(80,000)	(84,000)
509-08120	Morongo Basin Pipeline Pmt	(213,992)	(219,594)	(219,763)	0	(219,763)	(224,158)	(228,641)
<b>INTEREST</b>								
509-08205	Interest Exp (3)	(94,750)	(68,856)	(50,508)	(50,508)	(50,508)	(26,008)	0
509-08210	Interest Exp ID#2		(33,497)	(30,750)	(30,750)	(30,750)	(26,250)	(21,500)
509-08215	CMM Interest Exp	(176,562)	(168,350)	(171,428)	(168,342)	(171,428)	(164,205)	(160,356)
<b>BOND FEES &amp; CHARGES</b>		(18,144)	(21,994)	(17,284)	(12,323)	(16,229)	(17,353)	(18,481)
<b>Total</b>		(1,117,948)	(1,137,291)	(1,146,733)	(426,923)	(1,143,678)	(1,147,974)	(612,978)
Grand Total Revenues		5,114,275	5,174,478	4,712,663	4,347,268	4,800,947	4,657,103	4,714,640
Grand Total Expenses		(3,649,146)	(4,162,341)	(4,458,680)	(2,871,451)	(4,195,625)	(4,389,033)	(3,845,765)
Net Gain (Loss)		1,465,129	1,012,137	253,983	1,475,817	605,322	268,070	868,875

JOSHUA BASIN WATER DISTRICT

DETAILED OPERATING BUDGET

DETAL - ALLOCATED EXPENSES

		07-08	08/09	09/10	4/30/10	09/10	10/11	11/12
		ACTUAL	ACTUAL	Budget	Y-T-D	Projection	Budget	Budget
<b>BENEFITS TO BE ALLOCATED</b>								
551-01205	Employee Education	(837)	(2,438)	(2,438)	(210)	(252)	(257)	(262)
551-01210	Compensated Leave	(150,307)	(189,874)	(144,411)	(162,949)	(185,000)	(185,000)	(185,000)
551-01215	Cafeteria Plan Exp	(113,010)	(180,200)	(200,100)	(163,125)	(195,750)	(195,750)	(195,750)
551-01220	Group Insurance	(3,792)	(5,089)	(4,225)	(5,256)	(6,307)	(6,433)	(6,562)
551-01225	Workers Comp Insurance	(41,092)	(35,403)	(30,512)	(21,094)	(28,000)	(31,606)	(31,606)
551-01230	Retirement	(92,524)	(110,681)	(122,875)	(96,311)	(119,301)	(127,921)	(127,921)
551-01235	Vehicle Allowance Sal	(8,900)	(7,200)	(10,800)	(1,800)	(2,160)	0	0
551-01240	Uniforms	(6,159)	(4,197)	(7,200)	(6,518)	(6,518)	(6,770)	(6,770)
551-01305	Payroll Taxes	(77,961)	(109,209)	(106,699)	(83,224)	(102,631)	(108,285)	(108,285)
	<b>Total</b>	(494,582)	(644,291)	(629,260)	(540,487)	(645,919)	(662,022)	(662,156)
<b>FIELD COSTS TO BE ALLOCATED</b>								
552-02205	Shop Expense Combined	(10,600)	(7,306)	(10,786)	(9,055)	(10,786)	(11,002)	(11,222)
552-02210	Small Tools Exp Combined	(9,933)	(18,109)	(18,109)	(8,294)	(10,000)	(10,200)	(10,404)
552-02215	Employee Safety Expense	(10,193)	(1,979)	(4,000)	(4,933)	(5,920)	(6,500)	(5,132)
552-03205	Tractor Tool Repair	(1,069)	(8,389)	(8,389)	(2,985)	(3,984)	(4,064)	(4,145)
552-03905	Building Repair & Maint	(16,125)	(22,876)	(23,500)	(22,420)	(27,046)	(29,787)	(28,787)
552-05005	Fuel Vehicles	(31,620)	(36,568)	(40,225)	(30,078)	(35,077)	(35,779)	(36,494)
552-05010	Automotive Exp	(23,308)	(31,624)	(32,573)	(20,631)	(26,000)	(26,520)	(27,050)
552-05015	Equipment Clearing	8,006	2,490	3,000	1,376	1,651	1,684	1,718
552-06305	Communications	(9,706)	(8,316)	(9,000)	(8,254)	(9,905)	(10,103)	(10,305)
552-07005	Regulatory Permits, etc.	(16,242)	(10,208)	(11,000)	(6,809)	(7,800)	(7,956)	(8,115)
552-07010	Other Overhead 17	114,229	112,696	96,093	189	96,093	96,093	96,093
552-07015	Labor Overhead 16	12,972	5,991	4,381	268	4,381	4,381	4,381
	<b>Total</b>	6,411	(24,198)	(54,108)	(111,626)	(34,392)	(39,752)	(39,463)
		07-08	08/09	09/10	4/30/10	09/10	10/11	11/12
		ACTUAL	ACTUAL	Budget	Y-T-D	Projection	Budget	Budget
							Proposed	Proposed
<b>OFFICE COSTS TO BE ALLOCATED</b>								
553-01405	Temporary Labor Fees	(193,968)	(115,861)	(25,000)	(20,721)	(32,155)	(28,929)	(14,870)
553-02105	Office Supplies	(28,784)	(36,874)	(36,000)	(25,019)	(30,000)	(30,600)	(31,212)
553-02110	Postage	(25,385)	(23,321)	(26,579)	(18,315)	(21,978)	(22,418)	(22,866)
553-04005	Computer Programming Exp	(12,906)	(5,083)	(11,081)	(2,613)	(2,613)	(2,665)	(2,719)
553-04010	Office Equip Repair & Maint	(16,489)	(20,356)	(40,256)	(28,561)	(34,273)	(34,959)	(35,658)
553-04015	System Administration	(28,740)	(30,112)	(60,000)	(39,535)	(47,442)	(48,391)	(49,359)
553-06205	Telephone & Utilities	(36,134)	(35,278)	(40,000)	(26,098)	(31,318)	(31,944)	(32,583)
	<b>Total</b>	(342,406)	(266,885)	(238,916)	(160,862)	(199,779)	(199,905)	(189,266)