

TWENTYNINE PALMS WATER DISTRICT FISCAL YEAR 2011-2012 BUDGET

FINAL

As Adopted by the Board of Directors on

MAY 25, 2011

Budgeted Water Availability Assessment revenue represents an estimate based upon the assumption that the Board will approve Fiscal Year 2011-2012 Water Availability Assessments at the level existing in Fiscal Year 2010-2011. Final decisions as to Fiscal Year 2011-2012 Water Availability Assessments will occur following a public hearing in June, 2011. If the assessments are changed, then this budget will be amended to reflect different revenue and expenditure assumptions.

The District is not a "local agency" subject to Article 13B of the California Constitution as the District is not a "special district" as defined in section 7901(e) of the California Government Code

**TWENTYNINE PALMS WATER DISTRICT
FOUR-YEAR BUDGET SUMMARY
FISCAL 2011-2012**

	Fiscal 2010-11 Projected	Fiscal 2011-12 Proposed Budget	Fiscal 2012-13 Estimated	Fiscal 2013-14 Estimated
<u>REVENUES:</u>				
Water Sales and Ready to Serve Charges	\$3,643,000	\$3,826,000	\$3,826,000	\$4,055,000
Other Operating Revenues	221,000	212,200	212,200	212,200
Water Availability Assessment	601,000	601,000	601,000	601,000
Interest Revenues	20,000	20,000	20,000	20,000
Other Non-Operating Revenues	178,000	129,600	129,600	129,600
Grant Funds	0	0	0	0
TOTAL REVENUES	\$4,663,000	\$4,788,800	\$4,788,800	\$5,017,800
<u>OPERATING EXPENDITURES</u>				
Salaries and Benefits	\$1,474,130	\$1,678,657	\$1,805,887	\$1,915,866
Materials and Supplies	614,500	668,500	695,240	723,050
Outside Services	354,500	401,500	413,545	455,951
Equipment Costs	135,000	130,000	130,000	130,000
Telephone and Utilities	398,800	421,000	442,050	464,153
Insurance and Workers' Compensation Ins.	64,000	87,620	92,001	96,601
Permits and Fees	31,000	33,000	33,825	34,671
Uncollectable Accounts	50,000	50,000	50,000	50,000
Training, Seminars, Certifications, Travel, Dues & Subscriptions	44,500	50,000	51,000	52,020
Fire Department Reimbursements	(40,554)	(41,823)	(43,078)	(44,370)
TOTAL OPERATING EXPENDITURES	\$3,125,876	\$3,478,454	\$3,670,471	\$3,877,941
<u>NON-OPERATING EXPENDITURES AND TRANSFERS</u>				
Debt Service	\$632,477	\$632,477	\$485,811	\$339,145
Capital Improvements	220,000	500,000	1,080,000	800,000
Replacement & Rehabilitation Expenditures	510,000	485,000	155,000	175,000
Transfer To (From) Debt Reserve-Internal	0	0	0	0
Proceeds From Debt Offering	0	0	0	0
Debt Retirement	0	0	0	0
TOTAL NON-OPERATING EXPENDITURES & TRANSFERS	\$1,362,477	\$1,617,477	\$1,720,811	\$1,314,145
TOTAL EXPENDITURES & TRANSFERS	\$4,488,353	\$5,095,931	\$5,391,282	\$5,192,086
INCREASE (DECREASE) IN FUND BALANCE	\$174,647	(\$307,131)	(\$602,482)	(\$174,286)

TWENTYNINE PALMS WATER DISTRICT
LINE ITEM SUMMARY
FISCAL 2011-2012

<u>Item</u>	<u>Fiscal 2009-10</u> <u>Actual</u>	<u>Fiscal 2010-11</u> <u>Budget</u>	<u>Fiscal 2010-11</u> <u>Projected</u>	<u>Fiscal 2011-12</u> <u>Proposed Budget</u>	
<u>REVENUES:</u>					
<u>Operating Revenues</u>					
201	Water Sales and Ready to Service Charges	\$3,353,199	\$3,631,000	\$3,643,000	\$3,826,000
202	Other Operating Revenues	252,539	181,400	221,000	212,200
203	Total Operating Revenues	\$3,605,738	\$3,812,400	\$3,864,000	\$4,038,200
<u>Non-Operating Revenues</u>					
204	Water Availability Assessment	\$601,025	\$601,000	\$601,000	\$601,000
205	Interest Revenues	37,803	30,000	20,000	20,000
206	Other Non-Operating Revenues	249,910	151,600	178,000	129,600
207	Grant Funds	0	0	0	0
207	Total Non-Operating Revenues	\$888,738	\$782,600	\$799,000	\$750,600
208	TOTAL REVENUES	\$4,494,476	\$4,595,000	\$4,663,000	\$4,788,800
<u>EXPENDITURES:</u>					
<u>Operating Expenditures</u>					
209	Supervision Labor	\$126,274	\$134,173	\$134,000	\$140,919
210	Direct Labor	600,769	727,431	655,130	758,183
211	Employee Benefits, Allocated	489,884	721,230	692,187	817,175
212	Field Supplies and Chemicals	351,593	505,000	480,000	523,000
213	Office Supplies	20,619	28,000	28,000	28,000
214	Other Supplies	67,332	62,500	75,000	79,500
215	Inventory, (Gain) or Loss	(1,428)	0	0	0
216	Outside Repair and Maintenance	9,134	39,000	29,000	35,000
217	Outside Professional Services	95,862	120,000	114,000	120,000
218	Other Outside Services & Lab Fees	187,549	178,500	161,500	196,500
219	Outside Legal Services	54,989	50,000	50,000	50,000
220	Vehicle & Equipment Fuel and Maintenance	114,874	145,000	135,000	130,000
221	Telephone	15,736	16,800	18,300	19,500
222	Gas	794	2,000	1,500	1,500
223	Electric	368,614	397,500	379,000	400,000
224	Postage	20,529	24,000	24,000	28,000
225	Dues and Subscriptions	15,119	19,500	18,000	19,000
226	Travel Expense	2,918	11,000	7,000	8,000
227	Insurance	30,228	50,000	46,000	50,000
228	Workers Compensation Insurance	20,113	48,792	18,000	37,620
229	Printing and Publications	3,192	7,000	6,000	7,000
230	Conferences and Seminars	5,094	8,500	10,500	10,000

**TWENTYNINE PALMS WATER DISTRICT
LINE ITEM SUMMARY
FISCAL 2011-2012**

<u>Item</u>	<u>Fiscal 2009-10 Actual</u>	<u>Fiscal 2010-11 Budget</u>	<u>Fiscal 2010-11 Projected</u>	<u>Fiscal 2011-12 Proposed Budget</u>
231 Public Information	0	5,000	3,000	5,000
232 Miscellaneous, Other	1,369	5,000	1,500	3,000
233 Permits and Fees	22,804	31,000	31,000	33,000
234 Other Operating Expenses	2,869	9,000	6,000	8,000
235 Uncollectable Accounts	44,490	30,000	50,000	50,000
236 <i>Total Operating Expenditures, Before Allocation Variances</i>	\$2,671,320	\$3,375,926	\$3,173,617	\$3,557,897
237 Fire Department Reimbursements	(35,918)	(40,554)	(40,554)	(41,823)
238 Benefits Allocation Variance	106,663	(48,792)	(7,187)	(37,620)
239 <i>TOTAL OPERATING EXPENSES</i>	\$2,742,065	\$3,286,580	\$3,125,876	\$3,478,454
<u>NON-OPERATING EXPENDITURES</u>				
240 Total Debt Service		632,477	632,477	632,477
241 Total Capital Improvement Expenditures		220,000	220,000	500,000
242 Total Replacement & Rehabilitation Expend.		510,000	510,000	485,000
243 <i>TOTAL NON-OPERATING EXPENDITURES</i>		\$1,362,477	\$1,362,477	\$1,617,477
<u>TRANSFERS TO (FROM)</u>				
244 Transfer To (From) Debt Reserve-Internal		0	0	0
245 Debt Retirement		0	0	0
246 <i>TOTAL TRANSFERS</i>		\$0	\$0	\$0
247 <i>TOTAL EXPENDITURES AND TRANSFERS</i>		\$4,649,057	\$4,488,353	\$5,095,931
248 <i>INCREASE (DECREASE) IN FUND BALANCE</i>		(\$54,057)	\$174,647	(\$307,131)

TWENTYNINE PALMS WATER DISTRICT
LINE ITEM BUDGET
FISCAL 2011-2012

<u>Item</u>	<u>Fiscal 2009-10 Actual</u>	<u>Fiscal 2010-11 Budget</u>	<u>Fiscal 2010-11 Projected</u>	<u>Fiscal 2011-12 Proposed Budget</u>
<u>REVENUES:</u>				
<u>Operating Revenues</u>				
1 Residential Water	\$ 1,887,775	\$ 2,146,000	\$ 2,122,000	\$ 2,292,000
2 Business Water	348,290	396,000	396,000	426,000
3 Construction Water	22,044	5,000	15,000	5,000
4 Water Sales, Other	24,200	20,000	24,000	38,000
5 Fire Line	75,223	73,000	76,000	76,000
6 Residential R.T.S.	934,041	937,000	950,000	950,000
7 Business R.T.S.	142,707	142,000	148,000	148,000
8 Construction R.T.S.	18,342	5,000	12,000	5,000
9 Penalties	53,122	40,000	50,000	40,000
10 Meter Installation Fees	35,929	2,300	20,000	10,000
11 Opening Fees	51,385	36,000	38,000	38,000
12 Application Fees	560	100	300	200
13 Reconnection Fees	12,120	10,000	12,700	10,000
14 <i>Total Operating Revenues</i>	\$ 3,605,738	\$ 3,812,400	\$ 3,864,000	\$ 4,038,200
<u>Non-Operating Revenues</u>				
15 Capital Impact Fees	\$ 100,047	\$ 40,000	\$ 40,000	\$ 20,000
16 Water Availability Assessment	601,025	601,000	601,000	601,000
17 Interest Revenues, Unrestricted	37,803	30,000	20,000	20,000
18 Interest Revenues, Restricted	-	-	-	-
19 Property Leases	101,469	92,000	90,000	90,000
20 Other Penalties	32,642	15,000	17,000	15,000
21 Reimbursed Expenses	11,229	2,500	4,000	2,500
22 Other Non-Operating Revenue	3,738	2,000	12,000	2,000
23 Meter Test Fees	67	-	-	-
24 Tampering Fees	630	100	400	100
25 Sale of Fixed Assets	-	-	14,600	-
26 Cash, Over/(Short)	88	-	-	-
27 Other Sources, EPA Storage (Restricted)	-	-	-	-
28 <i>Total Non-Operating Revenues</i>	\$ 888,738	\$ 782,600	\$ 799,000	\$ 750,600
29 <i>TOTAL REVENUES</i>	\$ 4,494,476	\$ 4,595,000	\$ 4,663,000	\$ 4,788,800

TWENTYNINE PALMS WATER DISTRICT
LINE ITEM BUDGET
FISCAL 2011-2012

<u>Item</u>	<u>Fiscal 2009-10 Actual</u>	<u>Fiscal 2010-11 Budget</u>	<u>Fiscal 2010-11 Projected</u>	<u>Fiscal 2011-12 Proposed Budget</u>	
<u>EXPENDITURES:</u>					
<u>Source of Supply</u>					
30	Direct Labor	4,204	3,000	4,000	3,000
31	Employee Benefits, Allocated	3,303	2,366	3,280	2,583
32	Field Supplies	10,732	8,000	5,000	5,000
33	Telemetry Supplies	7,205	6,000	6,000	8,000
34	Outside Repair and Maintenance	-	2,000	-	-
35	Outside Services, Other	20,702	8,000	7,000	10,000
36	Electric	268,225	280,000	275,000	285,000
37	Total Expenditures, Source of Supply	\$ 314,371	\$ 309,366	\$ 300,280	\$ 313,583
<u>Pumping</u>					
38	Direct Labor	-	1,000	500	1,000
39	Employee Benefits, Allocated	-	789	410	861
40	Field Supplies	6,028	4,000	5,000	5,000
41	Outside Services, Other	402	5,000	4,000	5,000
42	Electric	72,526	80,000	75,000	80,000
43	Total Expenditures, Pumping	\$ 78,956	\$ 90,789	\$ 84,910	\$ 91,861
<u>Transmission & Distribution</u>					
44	Direct Labor	72,920	72,000	64,000	72,000
45	Employee Benefits, Allocated	51,166	56,777	52,480	61,992
46	Field Supplies Incl. Meter Replacement	106,903	80,000	100,000	90,000
47	Outside Services, Other	1,396	7,000	3,000	5,000
48	Total Expenditures, Trans. & Dist.	\$ 232,385	\$ 215,777	\$ 219,480	\$ 228,992
<u>General Plant</u>					
49	Supervision Labor	\$ -	\$ -	\$ -	\$ -
50	Direct Labor	259,366	329,535	306,630	353,861
51	Employee Benefits, Allocated	179,882	259,862	251,437	304,673
52	Labor Charged to Capital/R & R Projects	(4,384)	(3,000)	-	-
53	Labor Charged to Other Programs	(60,838)	(50,000)	(55,000)	(50,000)
54	Field Supplies	2,935	8,000	10,000	8,000
55	Inventory, (Gain)/Loss	(1,428)	-	-	-
56	Small Tools	2,961	6,000	6,000	6,000
57	Other Supplies	2,469	5,000	14,000	6,000
58	Outside Repairs and Maintenance	-	10,000	6,000	10,000
59	Uniforms and Other Outside Services	7,236	10,500	9,500	10,000

TWENTYNINE PALMS WATER DISTRICT
LINE ITEM BUDGET
FISCAL 2011-2012

Item	Fiscal 2009-10 Actual	Fiscal 2010-11 Budget	Fiscal 2010-11 Projected	Fiscal 2011-12 Proposed Budget
60 Telephone	583	700	800	1,000
61 Gas	149	1,000	500	500
62 Electric	1,979	3,000	3,000	3,000
63 Permits and Fees	12,923	16,000	16,000	18,000
64 Certifications, Licenses and Physicals	2,645	6,000	4,000	6,000
65 Materials and Supplies-Safety	442	1,500	2,000	1,500
66 Outside Services-Safety	2,296	2,000	2,000	2,000
67 Conferences and Seminars-Safety	103	500	500	500
68 Dues and Subscriptions-Safety	864	2,000	1,500	1,500
69 Total Expenditures, General Plant	\$ 410,183	\$ 608,597	\$ 578,867	\$ 682,534
<u>Water Quality</u>				
70 Direct Labor	16,194	18,000	19,000	18,000
71 Employee Benefits, Allocated	7,218	14,194	15,580	15,498
72 Chemicals and Other Field Supplies	12,263	45,000	30,000	40,000
73 Lab Services	30,127	34,000	34,000	36,000
74 Permits and Fees	-	-	-	-
75 Total Expenditures, Water Quality	\$ 65,802	\$ 111,194	\$ 98,580	\$ 109,498
<u>Engineering</u>				
76 Engineering Labor	26,154	27,059	24,000	26,894
77 Employee Benefits, Allocated	18,996	21,338	19,680	23,156
78 Other Supplies	1,580	8,000	7,000	8,000
79 Outside Professional Fees	-	-	-	-
80 Professional Fees, Engineering	-	12,000	10,000	12,000
81 Outside Services, Blueprinting	-	500	500	500
82 Total Expenditures, Engineering	\$ 46,730	\$ 68,897	\$ 61,180	\$ 70,550

TWENTYNINE PALMS WATER DISTRICT
LINE ITEM BUDGET
FISCAL 2011-2012

<u>Item</u>	<u>Fiscal 2009-10</u> <u>Actual</u>	<u>Fiscal 2010-11</u> <u>Budget</u>	<u>Fiscal 2010-11</u> <u>Projected</u>	<u>Fiscal 2011-12</u> <u>Proposed Budget</u>	
<u>Treatment Facility</u>					
83	Direct Labor	\$ 91,851	\$ 120,000	\$ 92,000	\$ 120,000
84	Employee Benefits, Allocated	-	94,628	75,440	103,320
85	Bulk Chemicals and Media	212,732	360,000	330,000	375,000
86	Lab, Testing and Other Supplies	52,675	36,000	40,000	50,000
87	Repairs and Maintenance	7,738	20,000	20,000	20,000
88	Outside Services, Lab Fees	13,204	12,000	14,000	16,000
89	Telephone	3,556	3,600	5,000	5,000
90	Electric	15,202	22,000	14,000	18,000
91	Permits and Fees	9,881	15,000	15,000	15,000
92	<i>Total Expenditures, Treatment Fac.</i>	\$ 406,839	\$ 683,228	\$ 605,440	\$ 722,320
<u>Customer Service</u>					
93	Direct Labor	62,888	71,822	61,000	73,854
94	Employee Benefits, Allocated	45,385	56,637	50,020	63,588
95	Office Supplies	5,297	8,000	8,000	8,000
96	Outside Services, Other	1,872	2,500	3,000	3,000
97	Uncollectable Account Expense	44,490	30,000	50,000	50,000
98	<i>Total Expenditures, Customer Service</i>	\$ 159,932	\$ 168,959	\$ 172,020	\$ 198,442
<u>Finance and Accounting</u>					
99	Direct Labor	87,751	87,756	91,000	88,635
100	Employee Benefits, Allocated	62,739	69,202	74,620	76,315
101	Outside Professional Fees	86,014	96,000	92,000	96,000
102	Outside Services, Other	14,524	10,000	14,000	16,000
103	<i>Total Expend., Finance and Acctg.</i>	\$ 251,028	\$ 262,958	\$ 271,620	\$ 276,950
<u>General Manager</u>					
104	Supervision Labor	\$ 126,274	\$ 134,173	\$ 134,000	\$ 140,919
105	Employee Benefits, Allocated	89,488	105,805	109,880	121,331
106	<i>Total Expenditures, General Manager</i>	\$ 215,762	\$ 239,978	\$ 243,880	\$ 262,250

TWENTYNINE PALMS WATER DISTRICT
LINE ITEM BUDGET
FISCAL 2011-2012

<u>Item</u>	<u>Fiscal 2009-10</u> <u>Actual</u>	<u>Fiscal 2010-11</u> <u>Budget</u>	<u>Fiscal 2010-11</u> <u>Projected</u>	<u>Fiscal 2011-12</u> <u>Proposed Budget</u>	
<u>General Administration</u>					
107	Direct Labor	44,663	50,259	48,000	50,938
108	Employee Benefits, Allocated	31,707	39,632	39,360	43,858
109	Office Supplies	15,322	20,000	20,000	20,000
110	Outside Services, Banking Fees	36,847	42,000	42,000	46,000
111	Outside Services, Other	59,189	50,000	30,000	50,000
112	Equipment Rental	1,150	2,000	1,500	2,000
113	Telephone	11,597	12,500	12,500	13,500
114	Gas	645	1,000	1,000	1,000
115	Electric	10,682	12,500	12,000	14,000
116	Postage	20,529	24,000	24,000	28,000
117	Dues and Subscriptions	14,255	17,500	16,500	17,500
118	Travel Expense	165	3,000	1,000	2,000
119	Insurance	30,228	50,000	46,000	50,000
120	Workers Compensation Insurance	20,113	48,792	18,000	37,620
121	Printing and Publications	3,192	7,000	6,000	7,000
122	Conferences and Seminars	2,320	4,000	2,000	3,500
123	Public Information	-	5,000	3,000	5,000
124	Miscellaneous, Other	1,369	5,000	1,500	3,000
125	Fire Department Reimbursements	(35,918)	(40,554)	(40,554)	(41,823)
126	<i>Total Expenditures, General Admin.</i>	\$ 268,055	\$ 353,629	\$ 283,806	\$ 353,093
<u>Board of Directors</u>					
127	Directors' Fees	9,848	12,000	12,000	12,000
128	Conferences and Seminars	2,671	4,000	8,000	6,000
129	Travel Expense	2,753	8,000	6,000	6,000
130	Miscellaneous, Other	224	3,000	2,000	2,000
131	Outside Services, Legal	54,989	50,000	50,000	50,000
132	<i>Total Expend., Board of Directors</i>	\$ 70,485	\$ 77,000	\$ 78,000	\$ 76,000

TWENTYNINE PALMS WATER DISTRICT
LINE ITEM BUDGET
FISCAL 2011-2012

<u>Item</u>	<u>Fiscal 2009-10 Actual</u>	<u>Fiscal 2010-11 Budget</u>	<u>Fiscal 2010-11 Projected</u>	<u>Fiscal 2011-12 Proposed Budget</u>
	<u>Equipment Costs</u>			
133 Equipment Cost	\$ 114,874	\$ 145,000	\$ 135,000	\$ 130,000
	<u>Employee Benefits</u>			
134 Paid Leave	\$ 114,843	\$ 103,178	\$ 120,000	\$ 114,799
135 Payroll Tax Expense	75,451	84,860	90,000	95,389
136 Group Medical Expense	193,380	234,000	230,000	283,000
137 Dental and Vision Expense	29,832	30,000	35,000	37,000
138 Group Life Insurance	4,543	6,000	5,000	6,000
139 Retirement Expense	178,497	214,400	205,000	243,365
140 Employee Benefit Clearing	(489,883)	(721,230)	(692,187)	(817,173)
141 Total Expenditures, Employee Benefits	\$ 106,663	\$ (48,792)	\$ (7,187)	\$ (37,620)
142 TOTAL OPERATING EXPENSES	\$ 2,742,065	\$ 3,286,580	\$ 3,125,876	\$ 3,478,454

**TWENTYNINE PALMS WATER DISTRICT
CAPITAL IMPROVEMENTS &
REPLACEMENT AND REHABILITATION BUDGET
FISCAL 2011-2012**

Capital Improvement Projects

PROJECT:	Fiscal 2011-12 Budget	Estimated Fiscal 2012-13	Estimated Fiscal 2013-14	Estimated Fiscal 2014-15	Estimated Fiscal 2015-16
<i>a.</i> Engineering, Treatment Plant Expansion	500,000	0	0	0	0
<i>b.</i> Additional Reservoirs	0	1,000,000	800,000	0	0
<i>c.</i> Updates to Regulatory Plans	0	80,000	0	0	80,000
<i>d.</i> Treatment Plant Expansion, Additional 3 MGD	0	0	0	10,000,000	0
<i>Total Capital Improvement Projects</i>	\$500,000	\$1,080,000	\$800,000	\$10,000,000	\$80,000

**TWENTYNINE PALMS WATER DISTRICT
CAPITAL IMPROVEMENTS &
REPLACEMENT AND REHABILITATION BUDGET
FISCAL 2011-2012**

Replacement & Rehabilitation Projects

PROJECT:	Fiscal 2011-12 Budget	Estimated Fiscal 2012-13	Estimated Fiscal 2013-14	Estimated Fiscal 2014-15	Estimated Fiscal 2015-16
<i>e.</i> Vehicle Replacements	55,000	25,000	5,000	5,000	5,000
<i>f.</i> Emergency Repairs, Unspecified	15,000	15,000	15,000	15,000	15,000
<i>g.</i> Reservoir Recoating and/or Cathodic Protection	0	0	150,000	0	0
<i>h.</i> Computer & Software Replacements	15,000	15,000	5,000	15,000	5,000
<i>j.</i> District Office Parking Lot Replacement	250,000	0	0	0	0
<i>k.</i> Operations & Maint. Paving and Equipment Protection	150,000	0	0	0	0
<i>l.</i> Well Rehabilitation Program	0	100,000	0	75,000	0
<i>Total Replacement & Rehabilitation</i>	\$485,000	\$155,000	\$175,000	\$110,000	\$25,000
Grand Total, All Projects	\$985,000	\$1,235,000	\$975,000	\$10,110,000	\$105,000

**TWENTYNINE PALMS WATER DISTRICT
PROGRAM BUDGETS
FISCAL 2011-2012**

OPERATIONS AND MAINTENANCE

Beginning Unrestricted Balance **\$ 1,247,099**

Revenues

Operating Revenues	\$ 4,038,200	
Non-Operating Revenues	750,600	
Less: Capital Impact Fees	<u>(20,000)</u>	
Total Revenues		\$ 4,768,800

Expenditures and Transfers

Operating Costs	\$ 3,478,454	
Debt Service	632,477	
Transfer to R. & R. Program	485,000	
Transfer to Capital Improvement Program	480,000	
Transfer to Debt Service Reserve	<u>-</u>	
Total O & M Costs & Transfers		\$ 5,075,931

**Increase (Decrease) In
Unrestricted Balance** **\$ (307,131)**

Ending Unrestricted Balance **\$ 939,968**

***TWENTYNINE PALMS WATER DISTRICT
PROGRAM BUDGETS
FISCAL 2011-2012***

DEBT SERVICE RESERVE- INTERNAL

Beginning Reserve Balance	\$ 550,000
<u>Revenues</u>	
Transfer fro Operations & Maintenance (Unrestricted)	\$ -
<u>Expenditures & Transfers</u>	
Transfer To Operations & Maintenance (Unrestricted)	<u>\$ -</u>
Ending Reserve Balance	<u><u>\$ 550,000</u></u>

**TWENTYNINE PALMS WATER DISTRICT
PROGRAM BUDGETS
FISCAL 2011-2012**

CAPITAL IMPROVEMENTS & EXPANSION

Beginning Balance		\$ -
 <u>Revenues</u>		
Transfer From Operations & Maintenance	\$ 480,000	
Capital Impact Fees	20,000	
	<hr/>	
Total Revenues		\$ 500,000
 <u>Expenditures</u>		
Buildings and Grounds	-	
Operational Equipment and Infrastructure	500,000	
	<hr/>	
Total Capital Improvement Costs		\$ 500,000
 Increase (Decrease) In Reserve Balance		 \$ -
		<hr/>
Ending Balance		\$ -
		<hr/> <hr/>

**TWENTYNINE PALMS WATER DISTRICT
PROGRAM BUDGETS
FISCAL 2011-2012**

REPLACEMENT & REHABILITATION - INTERNAL

Beginning Balance		\$ -
 <u>Revenues</u>		
Capital Impact Fees	\$ -	
Transfer From Operations and Maintenance Program	<u>485,000</u>	
Total Revenues		\$ 485,000
 <u>Expenditures</u>		
Vehicles and Motorized Equipment	\$ 55,000	
Operational Equipment and Infrastructure	15,000	
Buildings and Grounds	400,000	
Office Equipment	<u>15,000</u>	
Total Replacement & Rehabilitation Costs		<u>\$ 485,000</u>
Increase (Decrease) In Reserve Balance		<u>\$ -</u>
Ending Balance		<u><u>\$ -</u></u>

**TWENTYNINE PALMS WATER DISTRICT
PERSONNEL AND BENEFITS
FISCAL 2011-2012**

	Fiscal 2009-10 Actual	Fiscal 2010-11 Budget	Fiscal 2010-11 Projected	Fiscal 2011-12 Proposed Budget
<u>Salary and Wages</u>				
Total Regular Salary and Overtime	\$727,043	\$861,604	\$789,130	\$899,102
Vacation and Sick Leave	114,843	103,178	120,000	114,799
<i>Total Salary and Wages</i>	\$841,886	\$964,782	\$909,130	\$1,013,901
<u>Employee Benefits</u>				
PERS	\$178,497	\$214,400	\$205,000	\$243,365
Payroll Taxes	75,451	84,860	90,000	95,389
Group Medical Insurance	193,380	234,000	230,000	283,000
Group Dental and Vision Insurance	29,832	30,000	35,000	37,000
Group Life Insurance	4,543	6,000	5,000	6,000
<i>Total Employee Benefits</i>	\$481,703	\$569,260	\$565,000	\$664,754
<i>TOTAL SALARY AND BENEFITS</i>	\$1,323,589	\$1,534,042	\$1,474,130	\$1,678,655

**TWENTYNINE PALMS WATER DISTRICT
MONTHLY USER RATES
FISCAL 2011-2012**

Ready to Serve:		Water Charges:	
<u>Meter Size:</u>	<u>Monthly Charge</u>	<u>Water Sales</u>	<u>\$2.33 per 100 Cubic Feet (HCF)</u>
5/8" X 3/4"	11.00		
1" Dual Service-Residential	11.00		
1.0"	27.50	<u>Pay Stations:</u>	
1.5"	55.00	Large Tokens	\$3.80 Each
2.0"	88.00	Small Tokens	\$0.95 Each
3.0"	247.50		
4.0"	550.00		
6.0"	825.00	<u>Non-Potable Water Sales</u>	<u>\$0.80 per 100 Cubic Feet (HCF)</u>
<u>Fireline Charges:</u>			
2" FL	23.00		
3" FL	46.00		
4" FL	86.00		
6" FL	184.00		
8" FL	338.00		
10" FL	522.00		

**TWENTYNINE PALMS WATER DISTRICT
WATER AVAILABILITY ASSESSMENT
FISCAL 2011-2012**

Each parcel, improved or unimproved, not over one-acre in size	\$ 30.00
Plus: For each acre over one-acre up to five-acres	\$ 8.00
Plus: For each acre over five-acres	\$ 7.50
Maximum Assessment per parcel	\$ 1,200

Budgeted water availability assessment revenue represents an estimate based upon the assumption that the Board will approve Fiscal Year 2011-2012 water availability assessments at the level existing in Fiscal Year 2010-2011. Final decisions as to Fiscal Year 2011-2012 water availability assessments will occur following a public hearing in June, 2011. If the assessments are changed, then this budget will be amended to reflect different revenue and expenditure assumptions.

**TWENTYNINE PALMS FIRE DEPARTMENT
FISCAL YEAR 2011-2012 BUDGET**

FINAL

As Adopted by the Board of Directors on

MAY 25, 2011

**TWENTYNINE PALMS FIRE DEPARTMENT
BUDGET SUMMARY
FISCAL YEAR 2011-2012**

	Fiscal 2009-10 Actual	Fiscal 2010-11 Projected	Fiscal 2011-12 Proposed Budget	Fiscal 2012-13 Estimated	Fiscal 2013-14 Estimated	Fiscal 2014-15 Estimated	Fiscal 2015-16 Estimated
<u>REVENUES</u>							
Operating Revenues	\$ 1,218,292	\$ 1,226,500	\$ 1,226,000	\$ 1,231,000	\$ 1,237,155	\$ 1,243,341	\$ 1,249,557
Increase in Special Tax rate	0	0	0	0	535,714	597,765	662,203
Donations and CPR Training Revenues	3,062	2,500	16,500	16,500	16,500	16,500	16,500
Grant Revenue	0	0	114,298	0	10,000	10,000	10,000
Non-Operating Revenues	53,550	39,500	36,000	36,000	36,000	36,000	36,000
Total Revenues	\$ 1,274,904	\$ 1,268,500	\$ 1,392,798	\$ 1,283,500	\$ 1,835,369	\$ 1,903,605	\$ 1,974,261
<u>EXPENDITURES</u>							
Salaries & Benefits, Paid Staff	\$ 727,058	\$ 765,300	\$ 859,086	\$ 934,686	\$ 1,028,154	\$ 1,094,984	\$ 1,166,158
Volunteer Operations	111,454	135,000	133,000	133,000	133,000	133,000	133,000
Materials and Supplies	30,356	30,500	34,700	35,394	36,102	36,824	37,560
Governmental Charges, SBCO	1,800	1,800	1,800	1,836	1,873	1,910	1,948
Utilities	24,173	27,100	29,700	30,591	31,509	32,454	33,428
Dispatching Fees	86,508	101,000	103,000	105,060	108,213	111,624	114,805
Repair and Maintenance	111,322	103,000	106,500	108,630	110,803	113,019	115,279
Insurance, Bonds and Workers Compensation	55,816	62,000	62,000	63,860	65,776	67,749	69,104
Overhead Allocation	35,918	40,554	41,708	43,168	44,679	46,242	47,167
Training, Travel & Conferences	15,274	12,400	17,600	17,952	18,311	18,677	19,051
Dues, Subscriptions, Books & Films	1,920	2,500	2,500	2,550	2,601	2,653	2,706
Legal Services and Professional Services	23,925	27,000	28,000	28,560	29,131	29,714	30,308
Total Expenses Before Debt & Capital Expend.	\$ 1,225,524	\$ 1,308,154	\$ 1,419,594	\$ 1,505,286	\$ 1,610,151	\$ 1,688,850	\$ 1,770,515
<u>NON-OPERATING EXPENDITURES</u>							
Capital Expenditures		32,000	128,000	6,000	27,000	552,000	72,000
Expenditures From Donated Funds - General		1,000	15,000	15,000	15,000	15,000	15,000
Total Expenditures		\$ 1,341,154	\$ 1,562,594	\$ 1,526,286	\$ 1,652,151	\$ 2,255,850	\$ 1,857,515
Total Revenue Less Total Expenditures		\$ (72,654)	\$ (169,796)	\$ (242,786)	\$ 183,219	\$ (352,245)	\$ 116,746
Addition (Reduction) To Contingency Reserve		0	0	0	0	0	0
Addition (Reduction) To Apparatus/Comm. Reserve		70,000	0	0	90,000	(335,000)	45,000
Change in Unrestricted Working Capital Balance		\$ (142,654)	\$ (169,796)	\$ (242,786)	\$ 93,219	\$ (17,245)	\$ 71,746

FINAL

**TWENTYNINE PALMS FIRE DEPARTMENT
PROPOSED BUDGET
FISCAL YEAR 2011-2012**

	Fiscal 2009-10 Actual	Fiscal 2010-11 Amended Budget	Fiscal 2010-11 Projected	Fiscal 2011-12 Proposed Budget	
<u>REVENUES</u>					
Operating Revenues					
1	Permits & Fees	1,395	1,000	1,500	1,000
2	Fire Protection Special Tax	1,216,897	1,245,000	1,225,000	1,225,000
3	Total Operating Revenue	1,218,292	1,246,000	1,226,500	1,226,000
Non-Operating Revenues					
4	Interest Revenues	7,500	5,000	5,500	5,000
5	Penalties	44,570	30,000	31,000	30,000
6	CPR Training Revenue	2,570	1,500	1,500	1,500
7	Donations - General	492	10,000	1,000	10,000
8	Donations - Explorers Post	0	0	0	5,000
9	Grant Revenue (Including Carry-overs)	0	0	0	114,298
10	Other Non-Operating Revenue	1,480	500	3,000	1,000
11	Total Non-Operating Revenue	56,612	47,000	42,000	166,798
12	Total Revenues	\$ 1,274,904	\$ 1,293,000	\$ 1,268,500	\$ 1,392,798

FINAL

**TWENTYNINE PALMS FIRE DEPARTMENT
PROPOSED BUDGET
FISCAL YEAR 2011-2012**

	Fiscal 2009-10 Actual	Fiscal 2010-11 Amended Budget	Fiscal 2010-11 Projected	Fiscal 2011-12 Proposed Budget	
<u>OPERATING EXPENSES</u>					
SALARIES & BENEFITS, PAID STAFF					
13	Salaries, Paid Staff	\$ 497,301	\$ 513,449	\$ 517,000	\$ 552,881
14	Payroll Taxes	38,921	42,479	45,000	45,495
15	Group Medical/Dental/Vision/Life	86,188	98,500	92,500	106,000
16	Uniform Allowance	3,504	6,300	6,300	6,300
17	Retirement(PERS)	97,759	114,472	101,000	144,910
18	Medical Exams And Background Checks	3,385	3,500	3,500	3,500
19	<i>Benefits, Paid Staff</i>	229,757	265,251	248,300	306,205
20	<i>Total Salaries & Benefits, Paid Staff</i>	727,058	778,700	765,300	859,086
VOLUNTEER OPERATIONS					
21	Personnel Costs	104,483	120,000	128,000	125,000
22	Uniforms and Other Reimbursements	2,995	3,500	3,000	3,000
23	Medical Exams and Background Checks	3,976	6,000	4,000	5,000
24	<i>Total Volunteer Operations</i>	111,454	129,500	135,000	133,000

FINAL

**TWENTYNINE PALMS FIRE DEPARTMENT
PROPOSED BUDGET
FISCAL YEAR 2011-2012**

	Fiscal 2009-10 Actual	Fiscal 2010-11 Amended Budget	Fiscal 2010-11 Projected	Fiscal 2011-12 Proposed Budget	
FACILITIES					
25	Repairs & Maintenance	11,996	11,000	10,000	8,000
26	Cleaning Supplies	4,097	4,000	4,000	4,000
27	Telephone	4,638	10,500	7,000	9,000
28	Natural Gas & Propane	4,799	5,500	4,500	5,500
29	Electricity	10,492	12,500	11,500	12,500
30	Satelite and/or Cable Service	2,705	1,000	2,500	1,000
31	Trash Service	1,539	1,600	1,600	1,700
32	<i>Total Facilities Expenses</i>	40,266	46,100	41,100	41,700
OTHER ADMINISTRATIVE EXPENSES					
33	Legal and Outside Professional Services	23,925	28,000	27,000	28,000
34	Outside Services, Other Governmental Agencies	1,800	1,800	1,800	1,800
35	Office Supplies	4,629	5,500	5,300	5,500
36	Travel & Expenses	378	500	300	500
37	Insurance, Bonds & Workers Compensation	55,816	59,600	62,000	62,000
38	Printing & Publications	1,137	1,200	1,000	1,200
39	Dues & Subscriptions	1,920	2,400	2,500	2,500
40	Station Supplies	9,791	8,000	7,500	8,000
41	Overhead Allocation	35,918	40,554	40,554	41,708
42	Contingency Expenditures	0	3,000	0	3,000
43	Safety Material & Supplies	3,036	2,500	2,000	2,500
44	Public Information Material & Supplies	0	1,000	1,000	1,000
45	<i>Total Other Administrative Expenses</i>	138,350	154,054	150,954	157,708

FINAL

**TWENTYNINE PALMS FIRE DEPARTMENT
PROPOSED BUDGET
FISCAL YEAR 2011-2012**

	Fiscal 2009-10 Actual	Fiscal 2010-11 Amended Budget	Fiscal 2010-11 Projected	Fiscal 2011-12 Proposed Budget	
TRAINING					
46	Schools, Course Fees & Materials	7,442	8,000	6,000	7,000
47	Conferences & Seminars	425	500	300	500
48	Travel & Expenses	3,658	4,000	2,000	3,500
49	Books & Films	270	300	300	300
50	Training Materials & Supplies	697	2,500	1,000	2,500
51	Other Training	0	300	0	300
52	CPR and Defribulator Training	1,499	1,500	1,500	1,500
53	Certifications and Other Expenses	905	1,500	1,000	1,500
54	<i>Total Training</i>	14,896	18,600	12,100	17,100
LOGISTICS					
55	Communications, Materials & Supplies	1,005	1,000	1,500	1,000
56	Communications, Outside Repairs & Maintenance	68	1,000	700	1,000
57	Communications, Dispatch Fees & Service Agreements	86,508	105,000	101,000	103,000
58	<i>Total Logistics</i>	87,581	107,000	103,200	105,000
FIRE PREVENTION					
59	Fire Prevention Materials and Supplies	877	1,500	1,900	1,500
60	Public Fire Education	3,005	2,500	2,100	2,500
61	<i>Total Fire Prevention</i>	3,882	4,000	4,000	4,000
APPARATUS MAINTENANCE					
62	Maintenance and Repair	40,633	29,000	32,000	29,000
63	Mechanic Charges	18,042	22,000	17,000	19,000
64	Fuel & Oil	24,485	29,000	29,000	32,000
65	<i>Total Apparatus Maintenance</i>	83,160	80,000	78,000	80,000

FINAL

**TWENTYNINE PALMS FIRE DEPARTMENT
PROPOSED BUDGET
FISCAL YEAR 2011-2012**

	Fiscal 2009-10 Actual	Fiscal 2010-11 Amended Budget	Fiscal 2010-11 Projected	Fiscal 2011-12 Proposed Budget	
FIRE EQUIPMENT					
66	Equipment Maintenance & Repair	7,248	5,500	6,300	6,500
67	Equipment Supplies & Parts	4,753	5,000	4,000	7,000
68	EMS Consumables	5,560	5,500	5,200	5,500
69	Suppression Consumables	1,316	3,000	3,000	3,000
70	Total Fire Equipment	18,877	19,000	18,500	22,000
71	Total Operating Expenses	1,225,524	1,336,954	1,308,154	1,419,594
<u>NON-OPERATING EXPENSES</u>					
CAPITAL EXPENDITURES (Including Carryovers)					
72	Capital Expenditures - Structures		13,000	13,000	0
73	Capital Expenditures - Office Equipment		0	0	0
74	Capital Expenditures - Fire Equipment		19,000	19,000	28,000
75	Capital Expenditures - Communications		0	0	100,000
76	Capital Expenditures - Apparatus & Vehicles		0	0	0
77	Total Capital Expenditures		32,000	32,000	128,000
78	Expenditures From Donated Funds - General		10,000	1,000	10,000
79	Expenditures From Donated Funds - Explorers Post		0	0	5,000
80	Total Operating and Non-Operating Expenditures		\$ 1,378,954	\$ 1,341,154	\$ 1,562,594
81	Total Revenues Less Expenses		\$ (85,954)	\$ (72,654)	\$ (169,796)
ADDITIONS TO RESERVE ACCOUNTS					
82	Addition (Reduction) to Apparatus & Comm. Reserve		70,000	70,000	0
83	Addition (Reduction) in Contingency Reserve		0	0	0
84	Total Reserve Additions		70,000	70,000	0
85	Change in Unrestricted Working Capital Balance		\$ (155,954)	\$ (142,654)	\$ (169,796)

**TWENTYNINE PALMS FIRE DEPARTMENT
CAPITAL IMPROVEMENTS &
REPLACEMENT AND REHABILITATION BUDGET
FISCAL YEAR 2011-2012**

PROJECT:	Fiscal 2011-12 Budget	Estimated Fiscal 2012-13	Estimated Fiscal 2013-14	Estimated Fiscal 2014-15	Estimated Fiscal 2015-16
<i>a.</i> Asbestos Removal, Old Downtown Station (Unfunded)	0	0	0	0	0
<i>b.</i> Replacement Command Pickup	0	0	0	0	45,000
<i>c.</i> Replacement of Engine 421	0	0	0	500,000	0
<i>d.</i> Firefighting and Rescue Equipment	0	0	0	25,000	0
<i>e.</i> Turnout Gear Replacement	6,000	6,000	15,000	15,000	15,000
<i>f.</i> Rescue Equipment, Grant Funded	22,000	0	12,000	12,000	12,000
<i>g.</i> Replacement Radios, Grant Funded	100,000	0	0	0	0
<i>Total Expenditures</i>	128,000	6,000	27,000	552,000	72,000

UNFUNDED PROJECTS:

Expansion and Rehabilitation of Downtown Station	\$975,000
Asbestos Removal, Old Downtown Station	10,000
<i>Total Unfunded Projects</i>	<u><u>\$985,000</u></u>

FINAL

**TWENTYNINE PALMS FIRE DEPARTMENT
ANALYSIS OF AVAILABLE CASH
FISCAL YEAR 2011-2012**

	<u>Unrestricted Balance</u>	<u>Contingency Reserve</u>	<u>Apparatus Reserve</u>	<u>Total</u>
Estimated Beginning Balance: July 1, 2011	\$ 853,250	\$ 56,713	\$ 245,000	\$ 1,154,963
Total Operating Revenue	1,226,000	0	0	1,226,000
Interest Revenue	5,000	0	0	5,000
Grant Revenue	114,298	0	0	114,298
Donations and CPR Revenues	11,500	0	0	11,500
Total Other Non-Operating Revenue	31,000	0	0	31,000
Total Operating Expenditures	(1,419,594)	0	0	(1,419,594)
Capital Expenditures	(128,000)	0	0	(128,000)
Other Non-Operating Expenditures	(10,000)	0	0	(10,000)
Addition (Reduction) to/from Apparatus Reserve	0	0	0	0
Estimated Ending Balance: June 30, 2012	\$ 683,454	\$ 56,713	\$ 245,000	\$ 985,167

TWENTYNINE PALMS WATER DISTRICT

ANNUAL FINANCIAL REPORT

Year Ended June 30, 2011

Twentynine Palms Water District
Annual Financial Report
Year Ended June 30, 2011

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund of the Twentynine Palms Water District, as of and for the year ended June 30, 2011, which collectively 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 opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 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 governmental activities, business-type activities and each major fund of the Twentynine Palms Water District as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, the District adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2011, 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, 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 the 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 and budgetary comparison information, as listed in the table of contents, 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 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.

Teaman Ramirez & Smith, Llc.

October 19, 2011

Management's Discussion and Analysis

As management of the Twentynine Palms Water District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2011. We encourage readers to consider the information contained within this overview and analysis in conjunction with the financial statements and the related notes.

Financial Highlights

- The assets of the District exceeded its liabilities at June 30, 2011 by \$32,835,965 (*net assets*). It is important to note that this amount represents assets less liabilities. Accordingly, some assets are not available to meet the near-term financial requirements of the District. Of this amount, \$6,101,212 (*unrestricted net assets*) may be used to meet the ongoing obligations to citizens and creditors of the District in addition to paying for capital projects that have been approved by the Board of Directors and appropriated but are not complete.
- The District's total net assets increased by \$442,949. This increase was attributable to the excess of revenues over expenses for the year.
- As of June 30, 2011, the District's Governmental Fund (the Fire Department) reported Unrestricted Net Assets of \$1,603,347, a decrease of \$77,337; while the Business-type Fund (the Water Department) Unrestricted Net Assets increased by \$35,603.
- The District's total debt decreased by \$540,827 or 20 percent during the fiscal year. The decrease was due to the payment of regularly scheduled debt installments. Total debt outstanding as of June 30, 2011 was \$2,108,231. All long-term debt is owed and paid by the Proprietary Fund (Water). The Governmental Fund (Fire) has no long-term debt.
- Total expenses of the Water Fund increased \$376,010; or 10 percent, and total Fire Fund expenses (excluding capital outlay) increased by \$101,362; or 7% compared to the prior year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Twentynine Palms Water District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

District-wide Financial Statements. The District-wide Financial Statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes or assessments and earned but unused vacation leave).

Both of the District-wide Financial Statements separate functions of the District that are principally supported by taxes (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the District include only fire protection. The business-type activities of the District include only Water operations.

The District-wide Financial Statements include all segments of the District (known as the *primary government*) and accordingly include both the Water Enterprise and the Fire Department. These two functional components of the District comprise the total legal entity. The District-wide Financial Statements can be found on pages 1-3 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Twentynine Palms Water District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds (Fire) and proprietary funds (Water).

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

Because the focus of governmental funds is narrower than that of the District-wide Financial Statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the District-wide Financial Statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Twentynine Palms Water District maintains one individual Governmental Fund for Fire Protection and Emergency Medical Services.

The District adopts an annual appropriated budget for its Governmental Fund. A budgetary comparison statement has been provided for the Governmental Fund to demonstrate compliance with this budget.

The basic Governmental Fund Financial Statements can be found on pages 4-6 of this report.

Proprietary funds. The District maintains one proprietary fund. This is an Enterprise Fund that is used to report the same functions presented as business-type activities in the District-wide Financial Statements.

Proprietary funds provide the same type of information as the District-wide Financial Statements, only in more detail. The Proprietary Fund Financial Statements provide only information for the Water operation of the District.

The basic Proprietary Fund Financial Statements can be found on pages 7-11 of this report.

Notes to the financial statements. The notes provide additional information that is essential to fully understanding the data provided in the District-wide and Fund Financial Statements. The notes to the financial statements can be found on pages 12-29 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain Required Supplementary Information concerning the District's progress in funding its obligation to provide pension benefits to its employees. Also included within the Required Supplementary Information is a budgetary comparison statement for the Governmental Fund (Fire) to demonstrate its compliance with the adopted budget. Required Supplementary Information can be found on pages 30-32 of this report.

District-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Twentynine Palms Water District, assets exceeded liabilities by \$32,835,965 at the close of the most recent fiscal year.

By far the largest portion of the District's net assets, \$26,376,977, or 80%, reflects its investment in capital assets (e.g., land, buildings, vehicles, wells, reservoirs, transmission mains, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Twentynine Palms Water District's Net Assets

	Governmental Activities - Fire		Business-type Activities - Water		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 1,727,681	\$ 1,736,990	\$ 5,462,728	\$ 5,821,637	\$ 7,190,409	\$ 7,558,627
Capital assets	<u>1,106,690</u>	<u>960,193</u>	<u>27,378,518</u>	<u>27,383,184</u>	<u>28,485,208</u>	<u>28,333,377</u>
Total assets	<u>\$ 2,834,371</u>	<u>\$ 2,697,183</u>	<u>\$ 32,841,246</u>	<u>\$ 33,194,821</u>	<u>\$ 35,675,617</u>	<u>\$ 35,892,004</u>
Long-term liabilities outstanding	\$ 0	\$ 0	\$ 1,726,503	\$ 2,233,069	\$ 1,726,503	\$ 2,233,069
Other liabilities	<u>124,334</u>	<u>56,306</u>	<u>988,815</u>	<u>1,209,613</u>	<u>1,113,149</u>	<u>1,265,919</u>
Total liabilities	<u>\$ 124,334</u>	<u>\$ 56,306</u>	<u>\$ 2,715,318</u>	<u>\$ 3,442,682</u>	<u>\$ 2,839,652</u>	<u>\$ 3,498,988</u>
Net assets:						
Invested in capital assets, net of related debt	\$ 1,106,690	\$ 960,193	\$ 25,270,287	\$ 24,724,126	\$ 26,376,977	\$ 25,684,319
Restricted for Debt and Construction	0	0	357,776	565,751	357,776	565,751
Unrestricted	<u>1,603,347</u>	<u>1,680,684</u>	<u>4,497,865</u>	<u>4,462,262</u>	<u>6,101,212</u>	<u>6,142,946</u>
Total net assets	<u>\$ 2,710,037</u>	<u>\$ 2,640,877</u>	<u>\$ 30,125,928</u>	<u>\$ 29,752,139</u>	<u>\$ 32,835,965</u>	<u>\$ 32,393,016</u>

The unrestricted net assets of \$6,101,212 may be used to meet the District's ongoing obligations to citizens and creditors. The District's restricted net assets were \$357,776 as of June 30, 2011.

At the end of the current fiscal year, the Twentynine Palms Water District is able to report positive balances in all categories of net assets, both for the District as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

District-wide total net assets increased by \$442,949 during the current fiscal year. This change was the result of an increase in net assets invested in capital assets of \$692,658; a decrease in debt and construction restricted net assets of \$207,975; and a decrease in unrestricted net assets of \$41,734.

Financial Analysis of Governmental and Business-type Activities.

The following table sets forth a summary of activities for each of the District's funds, Fire and Water.

Twentynine Palms Water District's Change in Net Assets

	Governmental Activities - Fire		Business-type Activities - Water		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Charges for service	\$ 1,293,556	\$ 1,533,292	\$ 4,440,195	\$ 4,262,321	\$ 5,733,751	\$ 5,795,613
Operating Grants and Contributions	0	0	0	0	0	0
Capital Grants and Contributions	250,000	0	0	144,420	250,000	144,420
Property Leases	0	0	104,427	101,469	104,427	101,469
Investment Income	5,419	7,500	21,382	37,803	26,801	45,303
Other	<u>0</u>	<u>0</u>	<u>78,121</u>	<u>49,771</u>	<u>78,121</u>	<u>0</u>
Total revenues	<u>\$ 1,548,975</u>	<u>\$ 1,540,792</u>	<u>\$ 4,644,125</u>	<u>\$ 4,595,784</u>	<u>\$ 6,193,100</u>	<u>\$ 6,086,805</u>
Expenses:						
Fire Protection (Including Depreciation and excluding Capital Outlay)	\$ 1,479,815	\$ 1,378,453	\$ 0	\$ 0	\$ 1,479,815	\$ 1,378,453
Water	0	0	4,185,795	3,789,290	4,185,795	3,789,290
Interest on Long-term Debt	<u>0</u>	<u>0</u>	<u>84,541</u>	<u>105,036</u>	<u>84,541</u>	<u>105,036</u>
Total expenses	<u>\$ 1,479,815</u>	<u>\$ 1,378,453</u>	<u>\$ 4,270,336</u>	<u>\$ 3,894,326</u>	<u>\$ 5,750,151</u>	<u>\$ 5,272,779</u>
Increase (Decrease) in net assets	69,160	162,339	373,789	701,458	442,949	863,797
Prior Period Adjustment	0	0	0	0	0	0
Beginning Net assets as Restated	<u>2,640,877</u>	<u>2,478,538</u>	<u>29,752,139</u>	<u>29,050,681</u>	<u>32,393,016</u>	<u>31,529,219</u>
Ending Net assets	<u>\$ 2,710,037</u>	<u>\$ 2,640,877</u>	<u>\$ 30,125,928</u>	<u>\$ 29,752,139</u>	<u>\$ 32,835,965</u>	<u>\$ 32,393,016</u>

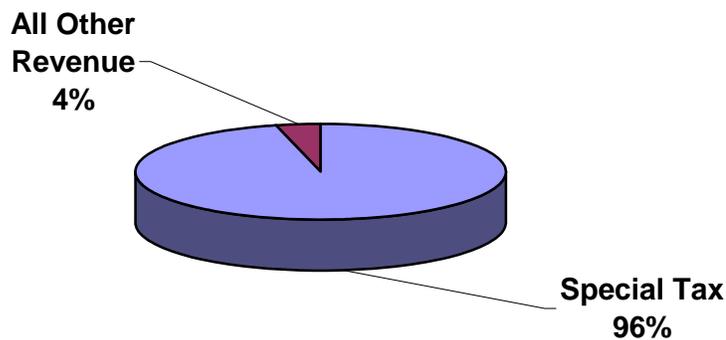
Governmental activities. Governmental activities include only the Fire Fund and the year's activity increased the fund's net assets by \$69,160 or 4 percent of total revenue for the year. This increase represents 3 percent of the beginning net assets of the fund. However, it is important to note that the fund received a capital contribution of \$250,000 without which ending net assets would have decreased by \$180,840 or 7 percent of the beginning balance.

Total revenue was \$1,548,975 for the year ended June 30, 2011 compared to \$1,540,792 in the prior year.

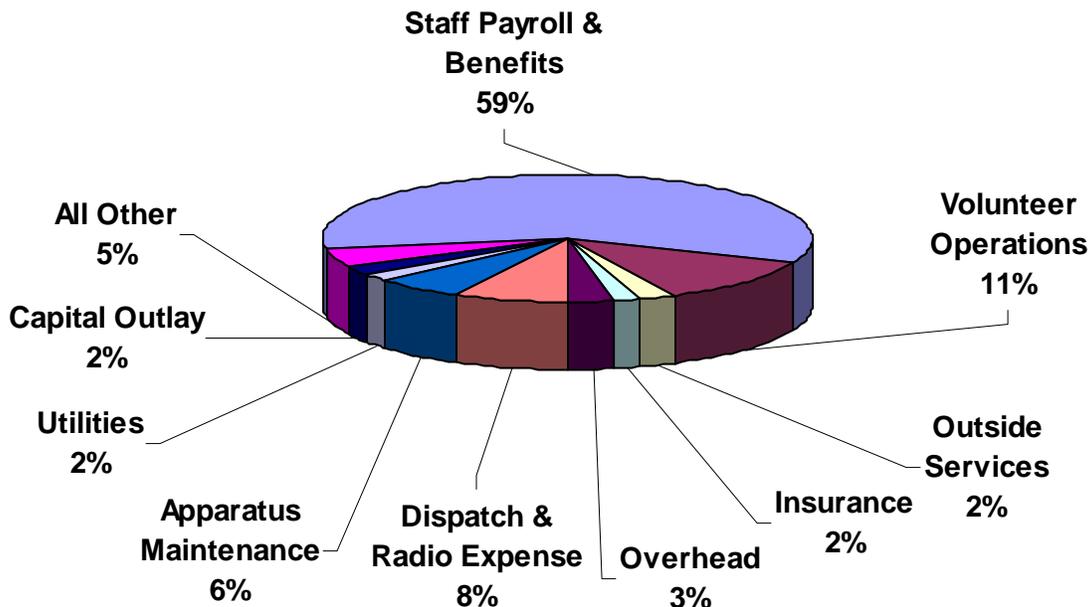
As indicated above, the vast majority of the Governmental Funds revenue comes from a Fire Protection Special Tax that was originally approved by the voters in 1997 and increased by the voters in 2004. This revenue source accounted for 96% of the Fire Departments total revenue for the year ended June 30, 2011.

The following charts display revenue and expenses as a percent of their total.

Fire Department Revenue



Fire Department Expenses



Expenses (including capital but excluding depreciation) increased by \$93,542 or 6 percent, compared to the prior year. The increase was primarily the result of higher payroll and benefit costs for the year.

Expenses (including capital but excluding depreciation) totaled \$1,360,594 for the year, leaving a decrease to fund balance of \$114,779. The combined cost of Staff Payroll, Benefits, and Volunteer Operations was \$960,465. The next higher expense was Communications – \$102,913, followed by Apparatus Maintenance - \$77,140. The expenses listed above total \$1,140,518 or 84 percent of total expenses.

Business-type activities. These activities include only the District’s proprietary fund (Water) and the financial statements provide the same type of information found in the District-wide Financial Statements, but in more detail.

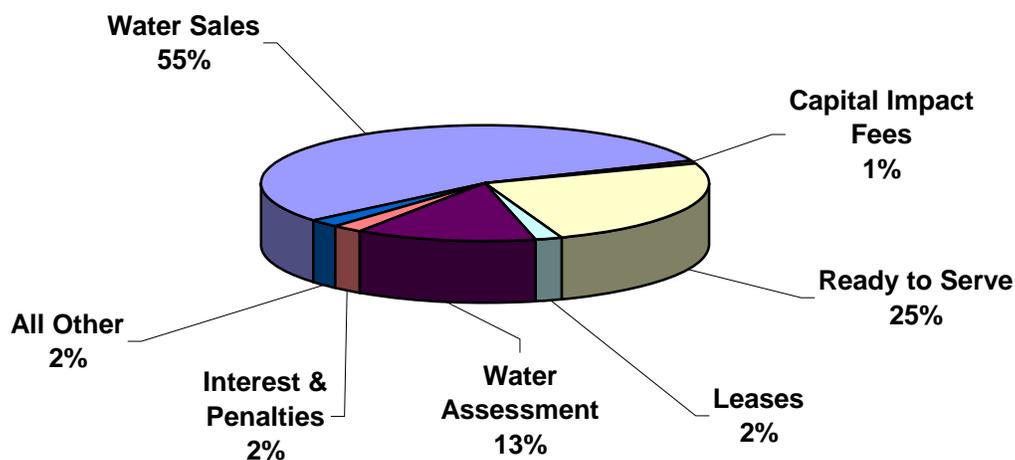
Business-type activities increased the Water Fund’s net assets by \$373,789 accounting for a 1.3 percent increase. The increase was comprised of an increase in unrestricted net assets of \$35,603; an increase in net assets invested in capital assets of \$546,161; and a decrease in restricted net assets of \$207,975.

Total Revenues of business-type activities increased by \$48,341 compared to the prior year. The increase was primarily the product of higher water rates that were partially offset by no capital contributions and lower Interest Income for the year. Charges for Services increased by \$177,874 while Interest on Investments decreased by \$16,421 and Capital Contributions decreased by \$144,420. The District experienced a very modest level of new development during fiscal 2011 as evidenced by a 61 percent decrease in capital impact fees. Water Sales and Ready-to-Serve charges had a combined increase of \$188,447 (5 percent) compared to the prior year. The District received had no Capital Contributions in 2011 compared to \$144,420 during the prior year.

Water Sales were \$2,544,757 for the year and represents 55 percent of total revenue. Other revenue sources included Ready-to-Serve Charges of \$1,151,870; Water Availability Assessments – \$602,246; Investment Interest and Penalties - \$103,160; Capital Impact Fees - \$38,752; and Property Leases - \$104,427. During the year ended June 30, 2011, there were only minor changes in the District’s sources of revenue. Water Sales increased as a percent of the total while all other categories of expenses remained constant or decreased modestly from the prior year.

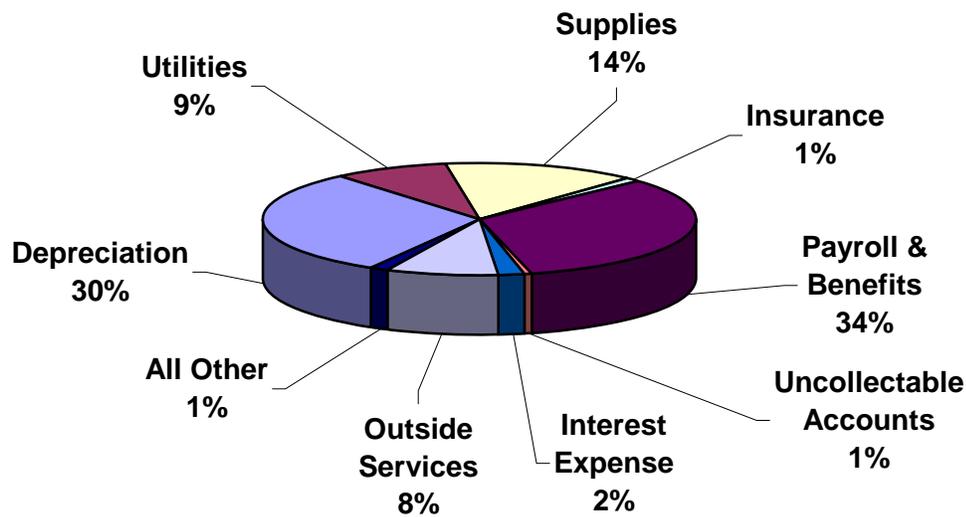
The chart below displays the significant revenue sources for the year ended June 30, 2011. The District’s largest revenue types are typically Water Sales and Ready-to-Serve charges, which together represent 80 percent of the Water Fund’s total revenue for the year. Water Sales are based on the amount of water delivered to the customer while the Ready-to-Serve rates are based on the capacity of the service. Water rates increased in July 2010 and again in July 2011.

Water Fund Revenue



Total Business-type expenses increased \$376,010 or 9.7 percent from the prior year. The increase in expenses was primarily attributable to higher depreciation expense and employee benefits. Depreciation increased by \$281,742 while Salaries and Benefits increased by \$105,024. Supplies increased by \$55,646 while Outside Services and Interest Expense decreased by \$11,624 and \$20,495, respectively. Salaries and benefits saw increases primarily from higher retirement and medical benefits. The increase in depreciation was the result of significant capital assets being placed in service during the year while the use of additional bulk chemicals during the year was the primary reason for the increase in Supplies Expense. That increase in volume was the result of the District treating a higher volume of water in Fiscal 2010-11 compared to the prior year. As shown in the chart below, Payroll and Benefits represent 34 percent of total expenses while Depreciation accounts for 30 percent of expenses. The magnitude of these two expense categories demonstrates that the delivery of water to customers is a labor and capital intensive enterprise. Interest Expense was 2 percent of total expenses for the year and continues to be less significant as a percent of total expense.

Water Fund Expenses



Capital Assets and Debt Administration

Capital assets. The District’s investment in capital assets for its combined governmental and business type activities totals \$28,485,208 (net of accumulated depreciation) as of June 30, 2011. This investment in capital assets includes land, buildings, vehicles, wells, reservoirs, transmission mains, machinery, vehicles, fire-fighting equipment and other equipment. The increase in the District’s combined investment in capital assets for the current fiscal year was the result of depreciation for the year being less than the cost of new capital assets acquired or placed in service during the year

Twentynine Palms Water District’s Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land, and improvements	\$ 57,519	\$ 57,519	\$ 632,996	\$ 299,930	\$ 690,515	\$ 357,449
Buildings and structures	811,954	798,058	755,421	755,421	1,567,375	1,553,479
Vehicles and heavy mobile equipment	1,509,718	1,259,718	1,100,299	913,870	2,610,017	2,173,588
Machinery and equipment	557,789	557,789	1,051,229	1,039,386	1,609,018	1,597,175
Infrastructure	0	0	41,712,938	36,266,662	41,712,938	36,266,662
Construction in progress	0	0	48,103	4,848,695	48,103	4,848,695
Accumulated depreciation	(1,830,290)	(1,712,891)	(17,922,468)	(16,750,780)	(19,752,758)	(18,463,671)
Total	\$ 1,106,690	\$ 960,193	\$ 27,378,518	\$ 27,373,184	\$ 28,485,208	\$ 28,333,377

Additional information on the District’s capital assets can be found in note 5 on pages 22-23 of this report.

Long-term debt. At the end of the current fiscal year, the Twentynine Palms Water District had total bonded debt outstanding of \$2,108,231, including the portion that is due within one year. All of the District's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds) of the Water Fund. All outstanding debt was incurred for the benefit of the Water Fund and accordingly is the sole responsibility of the Water Fund.

**Twentynine Palms Water District's Outstanding Debt
Revenue Bonds**

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenue bonds - Total	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,108,231</u>	<u>\$ 2,649,058</u>	<u>\$ 2,108,231</u>	<u>\$ 2,649,058</u>

The District's total debt decreased by \$540,827 or 20 percent during the current fiscal year. The decrease was the result of regularly scheduled principal payments made during the year.

Additional information on the District's long-term debt can be found in note 7 on pages 24-25 of this report.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the General Manager, 72401 Hatch Road, Twentynine Palms, California, 92277.

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Twentynine Palms Water District
Statement of Net Assets
June 30, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 13,216	\$ 125,513	\$ 138,729
Temporary Investments	1,193,207	3,281,322	4,474,529
Accounts Receivable:			
Water - Net		660,369	660,369
Assessments - Net	509,977	150,516	660,493
Grants	9,915		9,915
Other		21,881	21,881
Accrued Interest Receivable	1,366	4,664	6,030
Internal Balances	(43,739)	43,739	-
Materials Inventory		165,503	165,503
Prepaid Expenses and Other		82,620	82,620
Deferred Charges		18,825	18,825
Restricted Assets:			
Cash		357,776	357,776
Temporary Investments		550,000	550,000
Capital Assets Not Being Depreciated:			
Land	57,519	632,996	690,515
Construction in Progress		48,103	48,103
Capital Assets, Net of Accumulated Depreciation	1,049,171	26,697,419	27,746,590
Total Assets	2,790,632	32,841,246	35,631,878
LIABILITIES			
Accounts Payable	21,184	38,651	59,835
Accrued Salaries and Compensated Absences	7,960	15,582	23,542
Other Current Liabilities	2,131	46,483	48,614
Deposits		304,329	304,329
Accrued Interest Payable		22,038	22,038
Long-term Debt Due within One Year		561,732	561,732
Noncurrent Liabilities:			
Compensated Absences Payable	49,320	42,193	91,513
Net OPEB Obligation		137,811	137,811
Long-term Debt		1,546,499	1,546,499
Total Liabilities	80,595	2,715,318	2,795,913
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	1,106,690	25,270,287	26,376,977
Restricted for:			
Debt Service		357,776	357,776
Unrestricted	1,603,347	4,497,865	6,101,212
Total Net Assets	\$ 2,710,037	\$ 30,125,928	\$ 32,835,965

The accompanying notes are an integral part of this statement.

Twentynine Palms Water District
Statement of Activities
Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Fire Protection	\$ 1,479,815	\$ 1,293,556	\$ -	\$ 250,000
Business-type Activities:				
Water Enterprise	4,185,795	4,440,195		
Interest on Long-term Debt	84,541			
Total Business-Type Activities	4,270,336	4,440,195	-	-
Total Primary Government	\$ 5,750,151	\$ 5,733,751	\$ -	\$ 250,000

General Revenues:
Property Leases
Investment Income
Other

Total General Revenues and Transfers

Change in Net Assets

Total Net Assets - Beginning

Total Net Assets - Ending

Net (Expense) Revenue and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ 63,741	\$	\$ 63,741
	254,400	254,400
	(84,541)	(84,541)
-	169,859	169,859
63,741	169,859	233,600
	104,427	104,427
5,419	21,382	26,801
	78,121	78,121
5,419	203,930	209,349
69,160	373,789	442,949
2,640,877	29,752,139	32,393,016
<u>\$ 2,710,037</u>	<u>\$ 30,125,928</u>	<u>\$ 32,835,965</u>

The accompanying notes are an integral part of this statement.

Twentynine Palms Water District
Balance Sheet
Governmental Fund
June 30, 2011

	Fire Protection
ASSETS	
Cash	\$ 13,216
Temporary Investments	1,193,207
Accounts Receivable:	
Assessments, Net of Allowance for Doubtful Accounts of \$400	509,977
Grants Receivable	9,915
Accrued Interest Receivable	1,366
Total Assets	\$ 1,727,681
LIABILITIES AND FUND BALANCES	
Accounts Payable	21,184
Accrued Salaries	7,960
Other Current Liabilities	2,131
Due to Other Funds	43,739
Deferred Revenue	477,632
Total Liabilities	552,646
Fund Balance	
Assigned to:	
Apparatus Reserve	245,000
Unassigned:	930,035
Total Fund Balances	1,175,035
Total Liabilities and Fund Balances	\$ 1,727,681

Fund balance of governmental fund \$ 1,175,035

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 1,106,690

Long-term liabilities are not due and payable in the current period and are not reported in the funds:

Compensated Absences Payable (49,320)

Other long-term assets are not available to pay for current period expenditures and are deferred in the funds. 477,632

Net assets of governmental activities \$ 2,710,037

The accompanying notes are an integral part of this statement.

Twentynine Palms Water District
Statement of Revenues, Expenditures and Changes in Fund Balance -
Governmental Fund
Year Ended June 30, 2011

	<u>Fire Protection</u>
REVENUES	
Fire Protection Special Tax	\$ 1,196,705
Investment Income	5,419
Fines, Penalties and Other	43,691
Total Revenues	1,245,815
EXPENDITURES	
Staff Payroll and Benefits	806,418
Volunteer Payroll and Benefits	154,047
Facilities Maintenance and Supplies	9,957
Utilities	25,710
Outside Services	32,640
Miscellaneous	16,756
Insurance	25,154
Overhead	40,554
Safety	2,193
Training	9,745
Communications	102,913
Fire Prevention	4,044
Emergency Medical Services	6,450
Apparatus Maintenance	77,140
Uniforms	14,966
Capital Outlay	31,907
Total Expenditures	1,360,594
Excess (Deficiency) of Revenues Over Expenditures	(114,779)
Fund Balances, Beginning	1,289,814
Fund Balances, Ending	\$ 1,175,035

The accompanying notes are an integral part of this statement.

Twentynine Palms Water District
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of Governmental Fund to the Statement of Activities
Year Ended June 30, 2011

Net change in fund balances-total governmental funds \$ (114,779)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	263,896
Depreciation	(117,399)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and are not reported as expenditures in the governmental fund.

Net Change in Compensated Absences	(15,718)
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This is the net change in deferred revenue for the current period.

53,160

Change in Net Assets of Governmental Activities

\$ 69,160

Twentynine Palms Water District
Statement of Net Assets
Proprietary Fund
June 30, 2011

ASSETS	<u>Water</u>
Current Assets:	
Cash	\$ 125,513
Temporary Investments	3,281,322
Accounts Receivable:	
Water, Net of Allowance for	
Doubtful Accounts of \$130,000	660,369
Assessments, Net of Allowance for	
Doubtful Accounts of \$208,645	150,516
Other	21,881
Accrued Interest Receivable	4,664
Due from Other Funds	43,739
Materials Inventory	165,503
Prepaid Expenses and Other	<u>82,620</u>
Total Current Assets	<u>4,536,127</u>
Noncurrent Assets	
Restricted Cash	357,776
Restricted Temporary Investments	550,000
Capital Assets Not Being Depreciated:	
Land	632,996
Construction in Progress	48,103
Capital Assets, Net of Accumulated Depreciation	26,697,419
Deferred Charges	<u>18,825</u>
Total Noncurrent Assets	<u>28,305,119</u>
Total Assets	<u>\$ 32,841,246</u>

The accompanying notes are an integral part of this statement.

Twentynine Palms Water District
Statement of Net Assets
Proprietary Fund - Continued
June 30, 2011

LIABILITIES	<u>Water</u>
Current Liabilities:	
Accounts Payable	\$ 38,651
Accrued Salaries	15,582
Other Current Liabilities	46,483
Deposits	304,329
Accrued Interest Payable	22,038
Current Portion of Long-Term Debt	<u>561,732</u>
Total Current Liabilities	<u>988,815</u>
Noncurrent Liabilities:	
Compensated Absences Payable	42,193
Net OPEB Obligation	137,811
Long-term Debt	<u>1,546,499</u>
Total Noncurrent Liabilities	<u>1,726,503</u>
Total Liabilities	<u>2,715,318</u>
NET ASSETS	
Investment in Capital Assets, Net of Related Debt	25,270,287
Restricted for:	
Debt Service	357,776
Unrestricted	<u>4,497,865</u>
Total Net Assets	<u>\$ 30,125,928</u>

The accompanying notes are an integral part of this statement.

Twentynine Palms Water District
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Fund
Year Ended June 30, 2011

	Water
OPERATING REVENUES	
Water Sales	\$ 2,544,757
Ready to Serve Charges	1,151,870
Other Charges	141,322
	<u>3,837,949</u>
 OPERATING EXPENSES	
Source of Supply	291,153
Pumping	137,780
Transmission and Distribution	232,712
Customer Accounts	112,257
General Plant	973,352
Engineering	46,352
General and Administrative	1,090,551
Depreciation and Amortization	1,301,638
	<u>4,185,795</u>
Total Operating Expenses	<u>4,185,795</u>
Operating Income (Loss)	<u>(347,846)</u>
 NON-OPERATING REVENUES (EXPENSES)	
Water Availability Assessments	602,246
Investment Income	21,382
Property Leases	104,427
Other	78,121
Interest on Long-Term Debt	(84,541)
	<u>721,635</u>
Total Non-Operating Revenues (Expenses)	<u>721,635</u>
Change in Net Assets	373,789
Total Net Assets, Beginning	<u>29,752,139</u>
Total Net Assets, Ending	<u>\$ 30,125,928</u>

The accompanying notes are an integral part of this statement.

Twentynine Palms Water District
Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2011

	Water
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 3,744,114
Cash Payments for Employee Services	(1,411,132)
Cash Payments to Suppliers for Goods and Services	(1,641,776)
	691,206
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Water Availability Assessments	602,246
Property Leases	104,427
Other	37,869
	744,542
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Loan Payments	(266,746)
Principal Payments - Certificates of Participation	(274,081)
Interest Paid	(91,648)
Acquisition, Construction or Improvement of Capital Assets	(1,306,972)
	(1,939,447)
CASH FLOWS FROM INVESTING ACTIVITIES - INTEREST RECEIVED	23,547
Net Increase (Decrease) in Cash and Cash Equivalents	(480,152)
Cash and Cash Equivalents - Beginning of Year	4,794,763
Cash and Cash Equivalents - End of Year	\$ 4,314,611
CASH AND CASH EQUIVALENTS - END OF YEAR INCLUDE:	
Current Assets:	
Cash	\$ 125,513
Temporary Investments	3,281,322
Restricted Assets:	
Cash	357,776
Temporary Investments	550,000
	\$ 4,314,611
Totals	\$ 4,314,611

The accompanying notes are an integral part of this statement.

Twentynine Palms Water District
Statement of Cash Flows - Continued
Proprietary Fund
Year Ended June 30, 2011

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH
PROVIDED (USED) BY OPERATING ACTIVITIES**

	Water
Operating Income (Loss)	\$ (347,846)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation and Amortization	1,301,638
Changes in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	(82,739)
(Increase) Decrease in Inventory and Prepaid Expenses	(417)
Increase (Decrease) in Accounts Payable and Accrued Expenses	(230,417)
Increase (Decrease) in Deposits	(11,096)
Increase (Decrease) in Salaries and Compensated Absences Payable	(6,910)
Increase (Decrease) in Net OPEB Obligation	68,993
Total Cash Provided By Operating Activities	\$ 691,206

The accompanying notes are an integral part of this statement.

Twentynine Palms Water District
Notes to Financial Statements
Year Ended June 30, 2011

<u>NOTE</u>	<u>DESCRIPTION</u>	<u>PAGE</u>
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Twentynine Palms Water District
Notes to Financial Statements
Year Ended June 30, 2011

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

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

The Board of Directors and officers of the District at June 30, 2011 are as follows:

<u>NAME</u>	<u>BOARD MEMBER</u>	<u>OFFICER</u>	<u>TERM EXPIRES</u>
Philip C. Cisneros	Member	President	12/06/13
Kerron E. Moore, Jr.	Member	Vice-President	12/02/11
Chancey Chambers	Member	Director	12/06/13
Nicholas Bourikas	Member	Director	12/02/11
Roger Shinaver	Member	Director	12/06/13
Mike Wright		General Manager, Board Secretary	
V. Wayne Jones		Contracted Finance Manager	

The Board of Directors meets the fourth Wednesday of each month.

The accounting policies of the District conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

Reporting Entity

The District and the Twentynine Palms Water District Financing Corporation (the "Corporation") have a financial and operational relationship which meets the reporting entity definition criteria of the Government Accounting Standard Board ("GASB") Statement No. 14, "The Financial Reporting Entity", for inclusion of the Corporation as a component unit of the District. Accordingly, the financial activities of the Corporation have been included in the financial statements of the District.

The Corporation is governed by a five-member board appointed by the District board. Although it is legally separated from the District, the Corporation is reported as a blended component unit of the primary government because its sole purpose is to provide financing assistance to the District for construction and acquisition of major capital facilities.

Government-Wide and Fund Financial Statements

The basic financial statements of the Twentynine Palms Water District have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for governmental accounting and financial reporting purposes.

Twentynine Palms Water District
Notes to Financial Statements
Year Ended June 30, 2011

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Government-Wide and Fund Financial Statements - Continued

Government-wide Statements: The Government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are expenses that are clearly identifiable with a specific program, project, function or segment. Program revenues of the District include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Taxes and other items that are properly not included among program revenues are reported instead as general revenues.

Fund Financial Statements: Separate financial statements are provided for the governmental fund and proprietary fund.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

Twentynine Palms Water District
Notes to Financial Statements
Year Ended June 30, 2011

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation - Continued

Taxes, intergovernmental revenues, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual, and therefore have been recognized as revenues within the current fiscal period. Only that portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received.

The government reports the following major governmental fund:

The *Fire Protection Fund* is used to account for the District's fire activities.

The government reports the following major proprietary fund:

The *Water Fund* is used to account for the District's utility services.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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

Twentynine Palms Water District
Notes to Financial Statements
Year Ended June 30, 2011

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Equity

The District implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* as of June 30, 2011. Fund balances in governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The District considers restricted fund balance to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the District considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts.

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable Fund Balance - Amounts that cannot be spent either because they are in nonspendable form or are required to be maintained intact.

Restricted Fund Balance - Amounts that are constrained to specific purposes by state or federal laws, or externally imposed conditions by grantors or creditors.

Committed Fund Balance - Amounts that may be specified by the Board of Directors by ordinance or resolution to formally commit part of the Fire Fund's fund balance or future revenues for a specific purpose(s) or program. To change or repeal any such designation will require an additional formal Board of Director's action utilizing the same type of action that was originally used.

Assigned Fund Balance - Amounts that are constrained by the Board's intent to use specified financial resources for specific purposes, but are neither restricted nor committed. The District's fund balance policy delegates the authority to assign amounts to be used for specific purposes to the Finance Director; provided any such assignment has been included as a "line item" within an adopted budget of the Fire Department.

Unassigned Fund Balance - These are either residual positive net resources of the Fire Fund in excess of what can properly be classified in one of the other four categories, or negative balances.

Deposits and Investments

Investments for the District are reported at fair value.

Twentynine Palms Water District
Notes to Financial Statements
Year Ended June 30, 2011

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Deposits and Investments - Continued

For purposes of presentation in the statement of cash flows, cash and cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of change in value because of changes in interest rates. Investments purchased within three months of original maturity are considered to be cash equivalents.

Inventories

Inventories are valued at cost, using the first-in/first-out method.

Use of Estimates

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and necessarily include amounts based on estimates and assumptions by management. Actual results could differ from those amounts.

Property Tax

Property taxes are assessed and collected each fiscal year according to the following property tax calendar:

Lien Date	March 1	
Levy Year	July 1 to June 30	
Due Dates	November 1	1 st Installment
	February 1	2 nd Installment
Delinquent Dates	December 10	1 st Installment
	April 10	2 nd Installment

Under California law, property taxes and other charges (such as assessments) are assessed and collected by counties up to 1% of assessed value, plus other increases approved by voters. Property tax revenues are pooled and then allocated to agencies based on complex formulas prescribed by state statutes. While the Water District does not share in nor receive any property tax revenues from the County of San Bernardino, the County does bill and collect assessments for the District through the County's property tax billing process.

Restricted Assets

Amounts shown as restricted assets have been restricted by either bond indenture, by law, or contractual obligations to be used for specified purposes, such as servicing bonded debt and construction of capital assets.

Twentynine Palms Water District
Notes to Financial Statements
Year Ended June 30, 2011

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Capital Assets

Property and equipment in the Governmental Activities and Proprietary Funds of the District are recorded at cost, or if donated, at approximate value on the date contributed. Contributed assets are recorded at the developer's cost or at the value determined by the developer at the date of contribution. Capital assets are defined by the District as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Assets are depreciated using the straight-line method over their estimated useful lives as follows:

	<u>Years</u>
Buildings	20 - 50
Improvements	20 - 70
Pumping and Treatment Equipment	10 - 25
Office Equipment	3 - 10
Other Equipment	3 - 20
Vehicles	5

Allowance for Uncollectible Accounts

The District provides an allowance for uncollectible accounts based upon prior experience and management's assessment of the collectibility of existing specific accounts.

Unbilled Services

Unbilled water services are accrued at year-end.

Compensated Absences Liability

Employees are entitled to accumulate vacation leave. The total accumulated vacation time shall not exceed that amount earned by the employee in two years, not to exceed a maximum of 30 days per year, 60 days in a two year period. The employee will be required to accept compensation in lieu of vacation for the vacation time accrued in excess of the maximum in January of each year. Upon termination of employment for any reason, the District shall compensate the employee for his/her accumulated vacation time at his/her straight time rate of pay at the time of termination. In accordance with generally accepted accounting principles, the liability is reflected on the balance sheet and the current year allocation has been expensed.

Twentynine Palms Water District
Notes to Financial Statements
Year Ended June 30, 2011

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Compensated Absences Liability - Continued

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

2) CASH AND TEMPORARY INVESTMENTS

Cash and Investments are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash	\$ 138,729
Temporary Investments	4,474,529
Restricted:	
Cash	357,776
Temporary Investments	<u>550,000</u>
Total Cash and Investments	<u>\$ 5,521,034</u>

Cash and investments consist of the following:

Cash on Hand	\$ 1,550
Deposits with Financial Institutions	494,955
Investments	<u>5,024,529</u>
Total Cash and Investments	<u>\$ 5,521,034</u>

Restricted Cash and Temporary Investments

Restricted cash and temporary investments of \$357,776 and \$550,000 respectively, are temporarily restricted as to withdrawal or use for other than current operations. The District has temporarily restricted these deposits and investments for the acquisition or construction of non-current assets and the liquidation of long-term debt.

Twentynine Palms Water District
Notes to Financial Statements
Year Ended June 30, 2011

2) CASH AND TEMPORARY INVESTMENTS - Continued

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

The District's investment policy authorizes investment in the local government pool administered by the State of California (LAIF). The District's investment policy does not contain any specific provisions intended to limit the District's exposure to interest rate risk, credit risk, and concentration of credit risk.

Disclosures Relating to Interest Rate Risk

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

As of June 30, 2011, the District had the following investments.

			<u>Maturity Date</u>
LAIF	\$ 5,024,529		N/A

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code or the District's investment policy, or debt agreements, and the actual rating as of year end for each investment type.

<u>Investment Type</u>		<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year End</u>		
				<u>AAA</u>	<u>Aa</u>	<u>Not Rated</u>
LAIF	\$ 5,024,529	N/A	\$	\$	\$	\$ 5,024,529

Concentration of Credit Risk

The investment policy of the District contains no limitation on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. As of year end, the District had no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments.

Twentynine Palms Water District
Notes to Financial Statements
Year Ended June 30, 2011

2) CASH AND TEMPORARY INVESTMENTS - Continued

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2011, \$107,776 of the District's deposits with financial institutions in excess of federal depository insurance limits were held in collateralized accounts.

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Each local government may invest up to \$50,000,000 in the Fund. Investments in LAIF are highly liquid assets and are secured by the full faith and credit of the State of California. LAIF's (and the District's) exposure to risk (credit, market or legal) is not currently available.

The yield of LAIF for the quarter ended June 30, 2011 was .48%. The estimated amortized cost and fair value of the LAIF Pool at June 30, 2011 was \$66,384,617,119 and \$66,489,270,508, respectively. The District's share of the Pool at June 30, 2011 was approximately .0075569 percent.

Twentynine Palms Water District
Notes to Financial Statements
Year Ended June 30, 2011

3) ASSESSMENTS

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

The Governmental Fund receives a fire suppression special tax of \$80 for each unit. The units range in size from .25 to 1.0 for residential and from 1.0 to 4.0 for commercial, industrial and institutional units. The non-residential units are based on the formula of one unit per each 3,000 square foot or portion thereof, or one unit per business/occupancy, whichever is greater. All parcels (improved or unimproved) greater than 5.0 acres shall be taxed an additional amount of \$2.00 per acre for each acre, or portion thereof, in excess of 5.0 acres. The large parcel amount shall not exceed the amount of \$150.00 per parcel per fiscal year and shall be in addition to the basic tax amount imposed upon any parcel greater than 5.0 acres.

4) INTERFUND BALANCES

The Water fund has advanced the Fire Fund \$43,739 to cover current year expenditures. Repayment is expected in the 2011-12 fiscal year.

5) CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Not Depreciated:				
Land	\$ 57,519	\$	\$	\$ 57,519
Capital Assets Being Depreciated:				
Structures	798,058	13,896		811,954
Fire Trucks	1,259,718	250,000		1,509,718
Fire Equipment	435,426			435,426
Communication Equipment	75,221			75,221
Office Equipment	47,142			47,142
Total Capital Assets Being Depreciated	<u>2,615,565</u>	<u>263,896</u>	<u>-</u>	<u>2,879,461</u>
Less: Accumulated Depreciation	<u>(1,712,891)</u>	<u>(117,399)</u>	<u>-</u>	<u>(1,830,290)</u>
Total Capital Assets Being Depreciated, Net	<u>902,674</u>	<u>146,497</u>	<u>-</u>	<u>1,049,171</u>
Government Activities Capital Assets, Net of Depreciation	<u>\$ 960,193</u>	<u>\$ 146,497</u>	<u>\$ -</u>	<u>\$ 1,106,690</u>

Twentynine Palms Water District
Notes to Financial Statements
Year Ended June 30, 2011

5) CAPITAL ASSETS - Continued

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital Assets, Not Depreciated:				
Land and Improvements	\$ 299,930	\$ 333,066	\$	\$ 632,996
Construction in Progress	4,848,695	1,253,386	(6,053,978)	48,103
Total Capital Assets Not Depreciated	<u>5,148,625</u>	<u>1,586,452</u>	<u>(6,053,978)</u>	<u>681,099</u>
Capital Assets, Being Depreciated:				
Source of Supply Plant	8,517,294	3,586,142	(6,825)	12,096,611
Pumping Plant	505,734			505,734
Transmission and Distribution Plant	27,243,634	1,871,978	(5,019)	29,110,593
Buildings	755,421			755,421
Office Equipment	516,609	11,843		528,452
Transportation/Heavy Equipment	913,870	316,379	(129,950)	1,100,299
Radio and Communication Equipment	160,762			160,762
Field Equipment and Tools	362,015			362,015
Total Capital Assets Being Depreciated	<u>38,975,339</u>	<u>5,786,342</u>	<u>(141,794)</u>	<u>44,619,887</u>
Less: Accumulated Depreciation	<u>(16,750,780)</u>	<u>(1,301,638)</u>	<u>129,950</u>	<u>(17,922,468)</u>
Total Capital Assets Being Depreciated, Net	<u>22,224,559</u>	<u>4,484,704</u>	<u>(11,844)</u>	<u>26,697,419</u>
Business-type Activities Capital Assets, Net	<u>\$ 27,373,184</u>	<u>\$ 6,071,156</u>	<u>\$ (6,065,822)</u>	<u>\$ 27,378,518</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
Fire Protection	\$ 117,399
Business-type Activities:	
Water	\$ 1,301,638

6) DEFERRED CHARGES

As of June 30, 2011, the District has paid off twelve of the assessment bonds in the Special Assessment District Number 4 area on behalf of property owners who have expressed to the Board of Directors that payment of the amortized assessment would cause undue hardship. The District has in turn filed liens against those properties involved. Eventually, when the property is sold, the paid assessment plus interest at 5% will be repaid to the District. Bond deferments as of June 30, 2011 totaled \$18,825. Interest of \$32,915 has accrued on these Bond deferments but due to the uncertainty of collection, the District will account for this interest revenue when received.

Twentynine Palms Water District
Notes to Financial Statements
Year Ended June 30, 2011

7) LONG-TERM DEBT

The following is a summary of changes in Governmental Activities and Business-type Activities Long-Term Debt for the year:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Governmental Activities					
Compensated Absences	\$ 33,602	\$ 32,513	\$ 16,795	\$ 49,320	\$ -
Governmental Activities Long-term Liabilities	<u>\$ 33,602</u>	<u>32,513</u>	<u>\$ 16,795</u>	<u>\$ 49,320</u>	<u>\$ -</u>
Business-type Activities					
Certifications of Participation - 2002 Issue	\$ 688,604	\$	\$ 266,746	\$ 421,858	\$ 278,258
State Department of Water Resources Loan	1,960,454		274,081	1,686,373	283,474
Compensated Absences	<u>56,019</u>	<u>57,555</u>	<u>71,381</u>	<u>42,193</u>	<u>-</u>
Business-type Activities Long-term Liabilities	<u>\$ 2,705,077</u>	<u>\$ 57,555</u>	<u>\$ 612,208</u>	<u>\$ 2,150,424</u>	<u>\$ 561,732</u>

2002 Refunding Certificates of Participation

On October 9, 2002, the District issued \$2,386,090 in 2002 refunding certificates of participation with an interest rate of 4.27% due through 2012. The purpose of the issuance was to advance refund \$2,810,000 of outstanding 1992 certificates of participation with interest rates ranging from 5.00% to 7.10%. Net revenues of the District are pledged to retirement of the certificates of participation. The net proceeds of \$2,352,990 (after payment of \$33,100 in underwriting fees and other insurance costs), plus \$346,539 from the Reserve Fund of the 1992 certificates of participation and \$250,000 from the District 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 1992 certificates. The 1992 certificates were paid off based on the prepayment price plus accrued interest and the refunded certificates are no longer outstanding.

State of California, Department of Water Resources Loan

The District contracted with the State of California, Department of Water Resources, for a loan under the Water Conservation and Water Quality Bond Law. Proceeds from the loan were used for the Phase I District Pipeline Replacement. As of June 30, 2011, the District had received \$4,872,379 of \$5,000,000 approved under the loan agreement. Interest is payable semiannually at 3.4375% per annum from the date loan draw-downs are received from the State. Semiannual principal payments are due on April 1 and October 1, commencing April, 1997, over a loan amortization period of 20 years.

Twentynine Palms Water District
Notes to Financial Statements
Year Ended June 30, 2011

7) LONG-TERM DEBT - Continued

State of California, Department of Water Resources Loan - Continued

The District has agreed to provide for the accumulation of necessary reserves in accordance with Section 12 of the Contract to assure that funds will be available to make the semiannual payments when due. A reserve of two semiannual payments is required to be accumulated during the first ten-year period. This reserve shall be maintained at this level thereafter with the withdrawals being replaced at the same original rates until the reserve is returned to the maximum amount. The reserve fund shall be maintained and administered by the Fiscal Agent.

The Reserve Fund may be established in lump sum payments at the District's option as follows: One lump sum deposited with the Fiscal Agent prior to the 10th Principal and Interest payment becoming due; Prior to the 20th Principal and Interest payment becoming due one additional lump sum deposit will be made to bring the account balance to \$347,768.

The District exercised this option and made a deposit of \$173,884 with the Fiscal Agent prior to March 31, 2001.

Future debt maturities are as follows:

	2002 COPS		DWR Loan	
	Principal	Interest	Principal	Interest
2012	\$ 278,258	\$ 15,074	\$ 283,474	\$ 55,670
2013	143,600	3,066	293,509	45,636
2014			303,588	35,556
2015			314,114	25,031
2016			324,981	14,164
2017			166,707	2,865
Total	\$ 421,858	\$ 18,140	\$ 1,686,373	\$ 178,922

8) DISTRICT EMPLOYEES' RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN)

Plan Description

The Twentynine Palms Water District contributes to the California Public Employees Retirement System (PERS), a cost-sharing multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The contract offers a “3% at 60” for Miscellaneous Plan Members and “3% at 55” for Safety Plan Members. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and District ordinance. Copies of CalPERS’ annual financial report may be obtained from their executive office: 400 P Street, Sacramento, California 95814.

Twentynine Palms Water District
Notes to Financial Statements
Year Ended June 30, 2011

8) DISTRICT EMPLOYEES' RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN) - Continued

Funding Policy

Participants are required to contribute 8% for the Miscellaneous Plan or 9% for the Safety Plan of their annual covered salary. The Twentynine Palms Water District makes the contributions required of District employees on their behalf and for their account. The District is also required to contribute at an actuarially determined rate. The required employer contribution rates for the fiscal year 2010-11 were 14.062% for miscellaneous employees, and 15.060% for Safety employees. The contribution requirements for plan members are established by State statute and the employer contribution rates are established and may be amended by CalPERS.

THREE YEAR TREND INFORMATION FOR MISCELLANEOUS PLAN

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
6/30/09	155,857	100%
6/30/10	178,497	100%
6/30/11	196,366	100%

THREE YEAR TREND INFORMATION FOR SAFETY PLAN

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
6/30/09	95,633	100%
6/30/10	97,759	100%
6/30/11	105,384	100%

9) OTHER POST EMPLOYMENT BENEFITS

Plan Description

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

Funding Policy

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

Twentynine Palms Water District
Notes to Financial Statements
Year Ended June 30, 2011

9) OTHER POST EMPLOYMENT BENEFITS - Continued

Annual OPEB Cost

The District is required to contribute the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC rate is 5.7% of the current annual covered payroll. The plan is financed on a pay-as-you-go basis.

Annual Required Contribution	\$	79,469
Interest on net OPEB Obligation		5,333
Adjustment to Annual Required Contribution		(3,615)
Annual OPEB Cost (Expense)		81,187
Contributions Made		(12,194)
Increase in Net OPEB Obligation		68,993
Net OPEB Obligation - Beginning of the Year		68,818
Net OPEB Obligation - End of the Year	\$	137,811

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 and the two preceding years were as follows:

THREE-YEAR TREND INFORMATION FOR TPPRMBP			
Fiscal Year	Annual OPEB Cost (AOC)	Percentage of OPEB Cost Contributed	Net OPEB Obligation
6/30/11	\$ 81,187	15%	\$ 137,811
6/30/10	79,469	13%	68,818
6/30/09	*	*	*

*The information for this is unavailable. GASB 45 was implemented in Fiscal Year 2010.

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2009, was as follows:

Actuarial Accrued Liability (AAL)	\$	510,496
Actuarial Value of Plan Assets	\$	0
Unfunded Actuarial Accrued Liability (UAAL)	\$	510,496
Funded Ratio (Actuarial Value of Plan Assets/AAL)		0%
Covered Payroll (Active Plan Members)	\$	1,395,966
UAAL as a Percentage of Covered Payroll		36.570%

Twentynine Palms Water District
Notes to Financial Statements
Year Ended June 30, 2011

9) POST EMPLOYMENT BENEFITS – Continued

Funded Status and Funding Progress - Continued

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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

Valuation Date	June 30, 2009			
Actuarial Cost Method	Frozen Attained Age			
Amortization Method	Level Percent of Payroll			
Amortization Period	30 Years as of the Valuation Date			
Mortality	1994 Group Annuity Mortality Table w/ Scale AA for future mortality improvement to 1999			
Age at Retirement	Later of age 60 or age +1 if eligible to retire.			
Termination Prior to Retirement				
Attained Age:	20 – 29	30 – 39	40 – 44	45+
Rate of Termination:	5%	5%	2%	0%
Health Care Trend Rate	6.25%			
Investment Rate of Return	3.50%			

Twentynine Palms Water District
Notes to Financial Statements
Year Ended June 30, 2011

10) RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. As of June 30, 2011 and 2010, there were no claims liabilities to be reported. During the year ended June 30, 2011, the District participated in the following public entity risk pools:

Association of California Water Agencies Joint Powers Insurance Authority

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

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

The purpose of the JPIA is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage. At June 30, 2011, the District's participation in the self-insurance programs of the JPIA was as follows:

Property loss is insured up to replacement value with deductibles ranging from \$1,000 to \$15,000 per occurrence: The JPIA is self-insured up to \$50,000 per occurrence and has purchased excess insurance coverage.

General liability is insured up to \$10,000,000 per occurrence with \$10,000 deductible: the JPIA is self-insured up to \$500,000 and has purchased excess insurance coverage.

Auto liability is insured up to \$10,000,000 per occurrence with \$1,000 deductible: the JPIA is self-insured up to \$500,000 per occurrence with \$1,000 deductible for property damage and has purchased excess insurance coverage.

Special District's Workers' Compensation Authority

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

The Authority is governed by a Board of Directors consisting of three members appointed by the Board and four members elected by the participating agencies, with no more than one director from any district serving at the same time. The board controls the operation of the Authority. Liabilities under this program are accrued and charged to expense when the claims are reasonably determinable and when the existence of the Authority's liability is probable. The District's total coverage limit is \$10,000,000.

REQUIRED SUPPLEMENTARY INFORMATION

Twentynine Palms Water District
Notes to Required Supplementary Information
Year Ended June 30, 2011

1. BUDGETARY DATA

Annual budgets adopted by the Board of Directors provide for operations, debt service and capital expenditures of the District. On or before the second week in February, heads of all departments submit requests for appropriations to the Finance Manager, who compiles the requests and submits a comprehensive budget to the governing board. The board conducts public meetings on the proposed budget during the months of March through June. On or before June 30, the budget is adopted by the board. The appropriated budget is prepared by fund. Budgetary controls are set by the board.

Twentynine Palms Water District
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - Governmental Fund Type - Fire Protection
Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Fire Protection Special Tax	\$ 1,256,000	\$ 1,256,000	\$ 1,196,705	\$ (59,295)
Investment Income	5,000	5,000	5,419	419
Fines, Penalties and Other	32,000	42,792	43,691	899
	<u>1,293,000</u>	<u>1,303,792</u>	<u>1,245,815</u>	<u>(57,977)</u>
Total Revenues				
EXPENDITURES				
Staff Payroll and Benefits	772,400	772,400	806,418	(34,018)
Volunteer Payroll and Benefits	126,000	126,000	154,047	(28,047)
Facilities Maintenance and Supplies	28,500	28,500	9,957	18,543
Utilities	31,100	31,100	25,710	5,390
Outside Services	29,800	29,800	32,640	(2,840)
Miscellaneous	7,100	7,100	16,756	(9,656)
Insurance	59,600	59,600	25,154	34,446
Overhead	40,554	40,554	40,554	-
Safety	3,500	3,500	2,193	1,307
Training	18,600	18,600	9,745	8,855
Communications	107,000	107,000	102,913	4,087
Fire Prevention	4,000	4,000	4,044	(44)
Emergency Medical Services	19,000	19,000	6,450	12,550
Apparatus Maintenance	80,000	80,000	77,140	2,860
Uniforms	9,800	9,800	14,966	(5,166)
Capital Outlay	32,000	42,000	31,907	10,093
Other Expenses	10,000	10,000	-	10,000
	<u>1,378,954</u>	<u>1,388,954</u>	<u>1,360,594</u>	<u>28,360</u>
Total Expenditures				
Excess of Revenues Over Expenditures	<u>\$ (85,954)</u>	<u>\$ (85,162)</u>	(114,779)	<u>\$ (29,617)</u>
Fund Balance - Beginning			<u>1,289,814</u>	
Fund Balance - Ending			<u>\$ 1,175,035</u>	

Twentynine Palms Water District
Schedule of Funding Progress for TPPRMBP
Year Ended June 30, 2011

Schedule of Funding Progress for TPPRMBP

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Frozen Attained Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(A)	(B)	(B - A)	(A/B)	(C)	[(B-A)/C]
06/30/09	\$ -	\$ 510,496	\$ 510,496	0%	\$1,395,966	36.570%

*GASB 45 was implemented prospectively in fiscal year 2010. There were no previous actuarial valuations.