

**Twentynine Palms Water District  
Supplemental Data:  
Letter on Worker's Compensation;  
Fire Chief Contract Termination Letter,  
Amendment #1 to the Memorandum of  
Understanding with Twentynine Palms  
Professional Firefighters,  
IAFF Local 4266, and Excerpts of Audits  
for the Water District Fire Fund for  
Fiscal Year 2013-14 and 2014-15**

**Attachment 3**



TWENTYNINE PALMS WATER DISTRICT

Kathleen Rollings-McDonald  
Executive Officer  
San Bernardino LAFCO  
215 North "D" Street, Suite 204  
San Bernardino, CA 92415

Dear Ms. Rollings-McDonald,

Please be advised that there is one (1) existing open workers compensation claim for one of the Twentynine Palms Fire Department's personnel who will transition to the San Bernardino County Fire Department.

Please contact me if you have any questions.

Sincerely,

Ray Kolisz  
General Manager  
Twentynine Palms Water District



**TWENTYNINE PALMS WATER DISTRICT**

Kathleen Rollings-McDonald  
Executive Officer  
San Bernardino LAFCO  
215 North "D" Street, Suite 204  
San Bernardino, CA 92415

Dear Ms. Rollings-McDonald,

Please be advised that should the transition of the Twentynine Palms Fire Department to the San Bernardino County Fire Department become effective, the Twentynine Palms Water District ("District") will pay Chief James Thompson a lump sum payment equal to the amount of his monthly salary multiplied by the number of months remaining on his contract pursuant to Section 5 of the Employment Agreement between Chief Thompson and the District. This is estimated to be 7 months should the transition occur as planned on July 1, 2016. Also pursuant to Section 5 of the Employment Agreement, the District will continue to pay Chief Thompson's health benefits for that 7 month period.

Please contact me if you have any questions.

Sincerely,

Ray Kolisz  
General Manager  
Twentynine Palms Water District

**AMENDMENT #1  
TO THE  
MEMORANDUM OF UNDERSTANDING  
BETWEEN  
TWENTYNINE PALMS WATER DISTRICT  
AND  
TWENTYNINE PALMS PROFESSIONAL FIREFIGHTERS, IAFF LOCAL 4266  
June 1, 2013 to May 31, 2016**

1. PURPOSE

This amendment to the Memorandum of Understanding (hereafter known as MOU) is entered into by and between the Twentynine Palms Professional Firefighters, IAFF Local 4266 (hereafter known as the Union) and the Twentynine Palms Water District (hereafter known as the District) for the purpose of creating a transition for the current Union employees from the District to the San Bernardino County Fire Protection District (hereafter known as County Fire) as part of the LAFCO 3200 annexation proposal (hereafter known as the Annexation).

The term of the current MOU is extended to July 1, 2016, which is the projected effective date of the Annexation.

In the event the Annexation is not successfully completed and fire protection services remain with the District, the Union and the District agree to commence negotiations for a successor MOU within 30 days from the termination of the Annexation process.

2. EMPLOYMENT

County Fire agrees to offer employment to current District Union employees (currently 2 Captains and 2 Engineers). This offer will be at the rank of Fire Engineer subject to the extent that each employee successfully passes, in the sole determination of County Fire, the background check, including review of their District personnel file, training records and applicable certificates, pre-employment physical, and drug test required by County Fire.

Failure to pass the required background check/pre-employment physical or drug test shall disqualify an employee from employment with County Fire.

In the event that a District employee is disqualified from employment with County Fire, then at the date of Annexation, the employee shall be separated from the District in accordance with "Article 8-Layoff Procedures" of the current MOU.

3. SALARY

District employees work a 72-hour work week whereas County Fire employees work a 56-hour work week resulting in District employees having a lower hourly rate than County Fire employees. District employees will be offered a salary step within the Fire Engineer salary range for County Fire that is closest to the employee's current annual District salary, so the employee does not lose pay.

4. SICK AND VACATION LEAVE

At the date of Annexation, for each District employee, the sick time and vacation leave hours balance will be totaled together and multiplied by the employee's basic hourly rate to establish an overall cash value. Based on the cash value established for each employee, the District will:

First, remit to County Fire the cash value required to establish up to a maximum of 240 hours of sick time leave for said employee.

Second, if an employee has any remaining cash value, remit to County Fire the cash value required to establish up to a maximum of 96 hours of vacation time for said employee.

Third, if an employee has any remaining cash value, compensate the remaining cash value as part of said employee's final pay upon separation from the Water District.

5. PROBATIONARY PERIOD

No employees of the District are currently on probation. Therefore, in the transition to County Fire, no employees would be placed back on probation.

6. SENIORITY

Employees of the Union will retain their original hire date with the District for purposes of seniority with County Fire. This seniority date is specific to opportunities at County Fire regarding time of service, annual bid rights, and transfers within County Fire.

For the purposes of any potential employee layoff procedures at County Fire, the effective date of the Annexation to County Fire would be the effective date as a new county employee and County of San Bernardino Rules and Regulations would apply.

DATED: \_\_\_\_\_, 2016

TWENTYNINE PALMS WATER DISTRICT

By: \_\_\_\_\_

Kerron E. Moore, President  
Board of Directors

DATED: \_\_\_\_\_, 2016

TWENTYNINE PALMS PROFESSIONAL  
FIREFIGHTERS, IAFF LOCAL 4266

By: \_\_\_\_\_

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

Position: \_\_\_\_\_

## TPWD to SBCFPD Sick/Vacation Leave Calculations

|             | Total<br>Cash Value | TPWD to<br>SBCFPD<br>for Sick/VAC | Cash Out to<br>Employee |
|-------------|---------------------|-----------------------------------|-------------------------|
| Employee #1 | \$7,306.07          | \$7,306.07                        | \$0.00                  |
| Employee #2 | \$8,356.05          | \$8,356.05                        | \$0.00                  |
| Employee #3 | \$11,388.24         | \$9,320.64                        | \$2,067.60              |
| Employee #4 | \$10,323.79         | \$8,342.88                        | \$1,980.91              |
| Totals      | \$37,374.15         | \$33,325.64                       | \$4,048.51              |

If employees utilize any sick or vacation time between now and 6/30/16, these totals will be reduced.

# TPWD to SBCFPD Sick/Vacation Leave Calculations

Employee #1

|                            |            | SICK       | VACATION   |
|----------------------------|------------|------------|------------|
| TPWD Basic Hourly Rate     | \$15.40    |            |            |
| Leave Accrual Rate         |            | 6.65       | 13.30      |
| Balance as 1/30/16         |            | 206.15     | 48.82      |
| To Be Earned (11 pay/prd)  |            | 73.15      | 146.30     |
| Projected Balance 6/30/16  |            | 279.30     | 195.12     |
| Cash Value                 |            | \$4,301.22 | \$3,004.85 |
| Total Cash Value           | \$7,306.07 |            |            |
| SBCFPD Basic Hourly Rate   | \$23.26    |            |            |
| Total Hours Available      | 314.10     |            |            |
| 240 Hours of Sick Time     | \$5,582.40 | 240.00     |            |
| Up to 96 Hours of Vacation | \$1,723.67 |            | 74.10      |
| TPWD to SBCFPD Transfer    | \$7,306.07 |            |            |
| Cash to Employee           | \$0.00     |            |            |

## TPWD to SBCFPD Sick/Vacation Leave Calculations

Employee #2

|                            |            | SICK       | VACATION   |
|----------------------------|------------|------------|------------|
| TPWD Basic Hourly Rate     | \$17.97    |            |            |
| Leave Accrual Rate         |            | 6.65       | 9.97       |
| Balance as 1/30/16         |            | 182.15     | 100.03     |
| To Be Earned (11 pay/prd)  |            | 73.15      | 109.67     |
| Projected Balance 6/30/16  |            | 255.30     | 209.70     |
| Cash Value                 |            | \$4,587.74 | \$3,768.31 |
| Total Cash Value           | \$8,356.05 |            |            |
| SBCFPD Basic Hourly Rate   | \$27.13    |            |            |
| Total Hours Available      | 308.00     |            |            |
| 240 Hours of Sick Time     | \$6,511.20 | 240.00     |            |
| Up to 96 Hours of Vacation | \$1,844.85 |            | 68.00      |
| TPWD to SBCFPD Transfer    | \$8,356.05 |            |            |
| Cash to Employee           | \$0.00     |            |            |

# TPWD to SBCFPD Sick/Vacation Leave Calculations

Employee #3

|                            |             | SICK       | VACATION   |
|----------------------------|-------------|------------|------------|
| TPWD Basic Hourly Rate     | \$18.12     |            |            |
| Leave Accrual Rate         |             | 6.65       | 9.97       |
| Balance as 1/30/16         |             | 206.85     | 238.82     |
| To Be Earned (11 pay/prd)  |             | 73.15      | 109.67     |
| Projected Balance 6/30/16  |             | 280.00     | 348.49     |
| Cash Value                 |             | \$5,073.60 | \$6,314.64 |
| Total Cash Value           | \$11,388.24 |            |            |
| SBCFPD Basic Hourly Rate   | \$27.74     |            |            |
| Total Hours Available      | 410.53      |            |            |
| 240 Hours of Sick Time     | \$6,657.60  | 240.00     |            |
| Up to 96 Hours of Vacation | \$2,663.04  |            | 96.00      |
| TPWD to SBCFPD Transfer    | \$9,320.64  |            |            |
| Cash to Employee           | \$2,067.60  |            |            |

# TPWD to SBCFPD Sick/Vacation Leave Calculations

Employee #4

|                            |             | SICK       | VACATION   |
|----------------------------|-------------|------------|------------|
| TPWD Basic Hourly Rate     | \$16.25     |            |            |
| Leave Accrual Rate         |             | 6.65       | 9.97       |
| Balance as 1/30/16         |             | 206.15     | 246.34     |
| To Be Earned (11 pay/prd)  |             | 73.15      | 109.67     |
| Projected Balance 6/30/16  |             | 279.30     | 356.01     |
| Cash Value                 |             | \$4,538.63 | \$5,785.16 |
| Total Cash Value           | \$10,323.79 |            |            |
| SBCFPD Basic Hourly Rate   | \$24.83     |            |            |
| Total Hours Available      | 415.78      |            |            |
| 240 Hours of Sick Time     | \$5,959.20  | 240.00     |            |
| Up to 96 Hours of Vacation | \$2,383.68  |            | 96.00      |
| TPWD to SBCFPD Transfer    | \$8,342.88  |            |            |
| Cash to Employee           | \$1,980.91  |            |            |

**Twentynine Palms Water District**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the year ended June 30, 2015**

|                                      | Fire Protection<br>Fund | Explorers Fund  | Total               |
|--------------------------------------|-------------------------|-----------------|---------------------|
| <b>REVENUES</b>                      |                         |                 |                     |
| Fire protection special tax          | \$ 1,261,135            | \$ -            | \$ 1,261,135        |
| Investment earnings                  | 2,642                   | -               | 2,642               |
| Intergovernmental                    | 16,622                  | -               | 16,622              |
| Fines, penalties and other           | 69,282                  | -               | 69,282              |
| Donations                            | -                       | 4,942           | 4,942               |
|                                      | <u>1,349,681</u>        | <u>4,942</u>    | <u>1,354,623</u>    |
| Total revenues                       |                         |                 |                     |
| <b>EXPENDITURES</b>                  |                         |                 |                     |
| Current:                             |                         |                 |                     |
| Staff payroll and benefits           | 681,563                 | -               | 681,563             |
| Volunteer payroll and benefits       | 119,211                 | -               | 119,211             |
| Facilities maintenance and supplies  | 8,999                   | -               | 8,999               |
| Utilities                            | 21,358                  | -               | 21,358              |
| Outside services                     | 23,666                  | -               | 23,666              |
| Miscellaneous                        | 20,278                  | -               | 20,278              |
| Insurance                            | 25,837                  | -               | 25,837              |
| Overhead                             | 46,236                  | -               | 46,236              |
| Training                             | 3,921                   | -               | 3,921               |
| Communications                       | 85,665                  | -               | 85,665              |
| Fire prevention                      | 4,065                   | -               | 4,065               |
| Emergency medical services           | 3,967                   | -               | 3,967               |
| Apparatus maintenance                | 69,775                  | -               | 69,775              |
| Uniforms                             | 16,158                  | -               | 16,158              |
| Explorers                            | -                       | 3,707           | 3,707               |
|                                      | <u>1,130,699</u>        | <u>3,707</u>    | <u>1,134,406</u>    |
| Total expenditures                   |                         |                 |                     |
| Excess of revenues over expenditures | <u>218,982</u>          | <u>1,235</u>    | <u>220,217</u>      |
| <b>OTHER FINANCING SOURCES</b>       |                         |                 |                     |
| Transfers in                         | <u>57,008</u>           | <u>-</u>        | <u>57,008</u>       |
| Total other financing sources        | <u>57,008</u>           | <u>-</u>        | <u>57,008</u>       |
| Net change in fund balance           | 275,990                 | 1,235           | 277,225             |
| Fund balance, beginning              | <u>1,046,017</u>        | <u>-</u>        | <u>1,046,017</u>    |
| Fund balance, end of year            | <u>\$ 1,322,007</u>     | <u>\$ 1,235</u> | <u>\$ 1,323,242</u> |

*The accompanying notes are an integral part of these financial statements.*

**Twentynine Palms Water District**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund**  
**Balance of Governmental Fund to the Statement of Activities**  
**For the year ended June 30, 2015**

Net change in fund balances-total governmental funds \$ 277,225

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.

Depreciation (80,784)

The issuance of long-term debt provides current financial resources to  
governmental funds while the repayment of debt service principal and  
capital lease liabilities are expenditures in the governmental funds.  
The repayment reduces long-term liabilities in the statement of net position.

Pension - related net adjustments 12,173

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 365

Change in net position of governmental activities \$ 208,979

*The accompanying notes are an integral part of these financial statements.*

**Twentynine Palms Water District  
Notes to Financial Statements  
For the year ended June 30, 2015**

**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 funds:

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

The *Explorers Fund* is used to account for the donations received from a third-party not-for-profit organization that supports the District's explorer program.

The government reports the following major proprietary fund:

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

The District has elected to follow all pronouncements of the Governmental Accounting Standards Board (GASB).

As a general rule the effect of inter-fund 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 principal ongoing operations. The principal 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  
For the year ended June 30, 2015**

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

*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 24 days per year, 48 days in a two year period. The employee will be required to accept compensation in lieu of vacation for the vacation time accrued in excess of the maximum in January of each year. Upon termination of employment for any reason, the District shall compensate the employee for his/her accumulated vacation time at his/her straight time rate of pay at the time of termination. In accordance with generally accepted accounting principles, the liability is reflected on the balance sheet and the current year allocation has been expensed.

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

*Pension Plans*

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

|                         |                               |
|-------------------------|-------------------------------|
| Valuation Date (VD)     | June 30, 2013                 |
| Measurement Date (MD)   | June 30, 2014                 |
| Measurement Period (MP) | July 1, 2013 to June 30, 2014 |

**Twentynine Palms Water District  
Notes to Financial Statements  
For the year ended June 30, 2015**

**3) ASSESSMENTS**

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

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

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

**4) CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2015, was as follows:

| <b>Governmental activities:</b>               | Beginning<br>balance | Additions          | Deletions   | Ending<br>balance  |
|---|----------------------|--------------------|-------------|--------------------|
| Capital assets not being depreciated:         |                      |                    |             |                    |
| Land  | \$ 57,519            | \$ -               | \$ -        | \$ 57,519          |
| Total capital assets not<br>being depreciated | <u>57,519</u>        | <u>-</u>           | <u>-</u>    | <u>57,519</u>      |
| Capital assets being depreciated:             |                      |                    |             |                    |
| Structures                                    | 811,954              | -                  | -           | 811,954            |
| Fire trucks                                   | 1,382,493            | -                  | -           | 1,382,493          |
| Fire equipment                                | 435,426              | -                  | -           | 435,426            |
| Communication equipment                       | 75,221               | -                  | -           | 75,221             |
| Office equipment                              | 47,142               | -                  | -           | 47,142             |
| Total capital assets being<br>depreciated     | <u>2,752,236</u>     | <u>-</u>           | <u>-</u>    | <u>2,752,236</u>   |
| Less accumulated depreciation                 | <u>(2,159,794)</u>   | <u>(80,784)</u>    | <u>-</u>    | <u>(2,240,578)</u> |
| Net capital assets being depreciated          | <u>592,442</u>       | <u>(80,784)</u>    | <u>-</u>    | <u>511,658</u>     |
| Net capital assets                            | <u>\$ 649,961</u>    | <u>\$ (80,784)</u> | <u>\$ -</u> | <u>\$ 569,177</u>  |

**Twentynine Palms Water District  
Notes to Financial Statements  
For the year ended June 30, 2015**

**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 nonresidential units are based on the formula of one unit per each 3,000 square foot or portion thereof, or one unit per business/occupancy, whichever is greater. All parcels (improved or unimproved) greater than 5.0 acres shall be taxed an additional amount of \$2.00 per acre for each acre, or portion thereof, in excess of 5.0 acres.

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

**4) CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2015, was as follows:

| <b>Governmental activities:</b>               | Beginning<br>balance | Additions          | Deletions   | Ending<br>balance |
|---|----------------------|--------------------|-------------|-------------------|
| Capital assets not being depreciated:         |                      |                    |             |                   |
| Land  | \$ 57,519            | \$ -               | \$ -        | \$ 57,519         |
| Total capital assets not<br>being depreciated | 57,519               | -                  | -           | 57,519            |
| Capital assets being depreciated:             |                      |                    |             |                   |
| Structures                                    | 811,954              | -                  | -           | 811,954           |
| Fire trucks                                   | 1,382,493            | -                  | -           | 1,382,493         |
| Fire equipment                                | 435,426              | -                  | -           | 435,426           |
| Communication equipment                       | 75,221               | -                  | -           | 75,221            |
| Office equipment                              | 47,142               | -                  | -           | 47,142            |
| Total capital assets being<br>depreciated     | 2,752,236            | -                  | -           | 2,752,236         |
| Less accumulated depreciation                 | (2,159,794)          | (80,784)           | -           | (2,240,578)       |
| Net capital assets being depreciated          | 592,442              | (80,784)           | -           | 511,658           |
| Net capital assets                            | <u>\$ 649,961</u>    | <u>\$ (80,784)</u> | <u>\$ -</u> | <u>\$ 569,177</u> |

**Twentynine Palms Water District  
Notes to Financial Statements  
For the year ended June 30, 2015**

**6) INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS**

*Transfers to / from Other Funds*

| <u>Transfers out:</u> | <u>Transfers in:</u><br><u>Fire Protection</u> |
|-----------------------|--|
| Water Fund            | \$ 57,008                                      |
| Total                 | <u>\$ 57,008</u>                               |

The amount transferred to Fire Protection from the Water Fund was the Fire Protection's share of rent revenues from the lease of a cell site on Donnell Hill. Total lease revenues for the year were \$114,016 of which 50% were transferred to the Fire Protection Fund.

**7) LONG-TERM DEBT**

The following is a summary of changes in governmental activities and business-type activities long-term debt for the year:

| <u>Governmental activities:</u>                    | <u>Beginning<br/>balance</u> | <u>Additions</u>  | <u>Deletions</u>  | <u>Ending<br/>balance</u> | <u>Due within<br/>one year</u> |
|--|------------------------------|-------------------|-------------------|---------------------------|--------------------------------|
| Net pension liability*                             | \$ 643,079                   | \$ -              | \$ 161,282        | \$ 481,797                | \$ -                           |
| Compensated absences                               | 31,607                       | 46,420            | 46,785            | 31,242                    | 7,811                          |
| Total long-term debt -<br>governmental activities  | <u>\$ 674,686</u>            | <u>\$ 46,420</u>  | <u>\$ 208,067</u> | <u>\$ 513,039</u>         | <u>\$ 7,811</u>                |
| <br><u>Business-type activities:</u>               |                              |                   |                   |                           |                                |
| Lease payable                                      | \$ 18,170                    | \$ -              | \$ 3,825          | \$ 14,345                 | \$ 3,825                       |
| Net pension liability*                             | 1,984,225                    | -                 | 704,252           | 1,279,973                 | -                              |
| Net OPEB obligation                                | 445,365                      | 153,403           | 37,134            | 561,634                   | -                              |
| Compensated absences                               | 49,806                       | 119,169           | 117,643           | 51,332                    | 12,833                         |
| Total long-term debt -<br>business-type activities | <u>\$ 2,497,566</u>          | <u>\$ 272,572</u> | <u>\$ 862,854</u> | <u>\$ 1,907,284</u>       | <u>\$ 16,658</u>               |

\* The beginning balance of the net pension liability resulted from the implementation of GASB Statement No. 68. The entire net pension liability is reported as a noncurrent liability in the accompanying Statement of Net Position in accordance with GASB Statement No. 68.

**Twentynine Palms Water District  
Notes to Financial Statements  
For the year ended June 30, 2015**

**13) FIRE PROTECTION**

Over the past several years, the Fire Protection fund has incurred negative net changes in fund balance and has had budget deficits. Currently the fund had a positive net change in fund balance as a result of closing two fire stations beginning June 1, 2013. The fund continues to look for ways to reduce costs and increase revenue via the emergency services fees. On August 8, 2015, the Board approved the District to initiate the Local Agency Formation Commission (LAFCO) application procedures for the possible annexation of the Fire Protection Services to the San Bernardino County Fire District.

**Twentynine Palms Water District  
Budgetary Comparison Schedule  
Governmental Fund Type – Fire Protection  
For the year ended June 30, 2015**

|   | Budgeted amounts   |                    | Actual<br>amounts   | Variance<br>with final<br>budget |
|---|--------------------|--------------------|---------------------|----------------------------------|
|   | Original           | Final              |                     |                                  |
| <b>REVENUES</b>                         |                    |                    |                     |                                  |
| Fire protection special tax             | \$ 1,200,000       | \$ 1,200,000       | \$ 1,261,135        | \$ 61,135                        |
| Investment earnings                     | 2,000              | 2,000              | 2,642               | 642                              |
| Intergovernmental                       | 2,700              | 2,700              | 16,622              | 13,922                           |
| Fines, penalties and other              | 38,000             | 38,000             | 69,282              | 31,282                           |
| Total revenues                          | <u>1,242,700</u>   | <u>1,242,700</u>   | <u>1,349,681</u>    | <u>106,981</u>                   |
| <b>EXPENDITURES</b>                     |                    |                    |                     |                                  |
| Staff payroll and benefits              | 718,167            | 718,167            | 681,563             | 36,604                           |
| Volunteer payroll and benefits          | 136,500            | 136,500            | 119,211             | 17,289                           |
| Facilities maintenance<br>and supplies  | 9,600              | 9,600              | 8,999               | 601                              |
| Utilities                               | 19,850             | 19,850             | 21,358              | (1,508)                          |
| Outside services                        | 97,400             | 97,400             | 23,666              | 73,734                           |
| Miscellaneous                           | 17,650             | 17,650             | 20,278              | (2,628)                          |
| Insurance                               | 27,200             | 27,200             | 25,837              | 1,363                            |
| Overhead                                | 46,236             | 46,236             | 46,236              | -                                |
| Safety                                  | 30,000             | 30,000             | -                   | 30,000                           |
| Training                                | 9,900              | 9,900              | 3,921               | 5,979                            |
| Communications                          | 90,500             | 90,500             | 85,665              | 4,835                            |
| Fire prevention                         | 4,000              | 4,000              | 4,065               | (65)                             |
| Emergency medical services              | 4,300              | 4,300              | 3,967               | 333                              |
| Apparatus maintenance                   | 99,000             | 112,000            | 69,775              | 42,225                           |
| Uniforms                                | 12,500             | 12,500             | 16,158              | (3,658)                          |
| Total expenditures                      | <u>1,322,803</u>   | <u>1,335,803</u>   | <u>1,130,699</u>    | <u>205,104</u>                   |
| Excess of revenues<br>over expenditures | (80,103)           | (93,103)           | 218,982             | 312,085                          |
| <b>OTHER FINANCING SOURCES</b>          |                    |                    |                     |                                  |
| Transfers in                            | -                  | -                  | 57,008              | 57,008                           |
| Total other financing<br>sources        | <u>-</u>           | <u>-</u>           | <u>57,008</u>       | <u>57,008</u>                    |
| Net change in fund balance              | <u>\$ (80,103)</u> | <u>\$ (93,103)</u> | 275,990             | <u>\$ 369,093</u>                |
| Fund balance, beginning of year         |                    |                    | <u>1,046,017</u>    |                                  |
| Fund balance, end of year               |                    |                    | <u>\$ 1,322,007</u> |                                  |

Twentynine Palms Water District  
 Notes to Financial Statements  
 For the year ended June 30, 2014

6) INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

*Due to / from Other Funds*

Amounts due to and due from other funds represent amounts payable or receivable that are expected to be paid within one year, unless otherwise noted. Amounts due to/from other funds are summarized below:

| <u>Receivable fund:</u> | <u>Payable fund:</u><br><u>Fire Protection</u> |
|-------------------------|--|
| Water Fund              | \$ 6,707                                       |
| Total                   | <u>\$ 6,707</u>                                |

The amount owed to the Water Fund from Fire Protection is to cover a deficit cash position as of June 30, 2014. This amount is anticipated to be repaid from future operations.

*Transfer to / from Other Funds*

| <u>Transfers out:</u> | <u>Transfers in:</u><br><u>Fire Protection</u> |
|-----------------------|--|
| Water Fund            | \$ 60,854                                      |
| Total                 | <u>\$ 60,854</u>                               |

The amount transferred to Fire Protection from the Water Fund was the Fire Protection's share of rent revenues from the lease of a cell site on Donnell Hill.

**Twentynine Palms Water District  
Notes to Financial Statements  
For the year ended June 30, 2014**

**8) EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Excess of expenditures over appropriation in the Fire Protection Fund are as follows:

| Fund            | Expenditures | Appropriations | Excess     |
|-----------------|--------------|----------------|------------|
| Fire Protection | \$ 1,186,785 | \$ 1,182,000   | \$ (4,785) |

**9) 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 percent at 60" for Miscellaneous Plan Members and "3 percent 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.

*Funding Policy*

Participants are required to contribute 8 percent for the Miscellaneous Plan or 9 percent for the Safety Plan of their annual covered salary. As of January 1, 2014, Miscellaneous Plan participants began paying 4 percent of their required contribution and the District contributes the remaining 4 percent of the required contribution. As of June 8, 2014, Safety Plan participants began paying 4.5 percent of their required contribution and the District contributes the remaining 4.5 percent of the required contribution. The District is also required to contribute at an actuarially determined rate. The required employer contribution rates for the fiscal year 2013-14 were 16.866 percent for miscellaneous employees, and 20.318 percent 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**

| Fiscal year<br>ended | Annual pension<br>cost (APC) | Percentage of<br>APC<br>contributed | Net pension<br>obligation |
|----------------------|------------------------------|-------------------------------------|---------------------------|
| June 30, 2012        | \$ 224,527                   | 100%                                | \$ -                      |
| June 30, 2013        | 203,137                      | 100%                                | -                         |
| June 30, 2014        | 214,917                      | 100%                                | -                         |

**Twentynine Palms Water District  
Notes to Financial Statements  
For the year ended June 30, 2014**

**12) COMMITMENTS AND CONTINGENCIES**

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

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

**13) PRIOR PERIOD RESTATEMENT**

**Governmental Fund**

Fire Protection

|  |                   |
|--|-------------------|
| Fund balance - beginning, as previously reported | \$ 859,097        |
| Prior period adjustment                          |                   |
| Assessments receivable                           | <u>(32,346)</u>   |
| Fund balance - beginning, as restated            | <u>\$ 826,751</u> |

The \$32,346 prior period adjustment is due to the District's determination that a new assessment receivable estimate methodology would be more consistent with actual assessment collected by the District. Management determined that a 3 year average of prior period assessments received is a more appropriate estimate of the District's assessment receivable.

**Twentynine Palms Water District  
Notes to Financial Statements  
For the year ended June 30, 2014**

**14) FIRE PROTECTION**

Over the past several years, the Fire Protection fund has incurred negative net changes in fund balance and has had budget deficits. Currently the fund had a positive net change in fund balance as a result of closing two fire stations beginning June 1, 2013. The fund continues to look for ways to reduce costs and increase revenue via the emergency services fees.

**Twentynine Palms Water District  
Budgetary Comparison Schedule –  
Governmental Fund Type – Fire Protection  
For the year ended June 30, 2014**

|   | Budgeted amounts |                   | Actual<br>amounts   | Variance<br>with final<br>budget |
|---|------------------|-------------------|---------------------|----------------------------------|
|   | Original         | Final             |                     |                                  |
| <b>REVENUES</b>                             |                  |                   |                     |                                  |
| Fire protection special tax                 | \$ 1,200,000     | \$ 1,200,000      | \$ 1,234,157        | \$ 34,157                        |
| Investment earnings                         | 2,800            | 2,000             | 2,040               | 40                               |
| Intergovernmental                           | -                | -                 | 7,291               | 7,291                            |
| Fines, penalties and other                  | 39,000           | 39,760            | 101,709             | 61,949                           |
| Total revenues                              | <u>1,241,800</u> | <u>1,241,760</u>  | <u>1,345,197</u>    | <u>103,437</u>                   |
| <b>EXPENDITURES</b>                         |                  |                   |                     |                                  |
| Staff payroll and benefits                  | 688,624          | 693,700           | 695,180             | (1,480)                          |
| Volunteer payroll and benefits              | 138,600          | 116,400           | 112,518             | 3,882                            |
| Facilities maintenance<br>and supplies      | 9,080            | 15,500            | 12,241              | 3,259                            |
| Utilities                                   | 22,635           | 22,900            | 23,007              | (107)                            |
| Outside services                            | 71,310           | 71,300            | 73,115              | (1,815)                          |
| Miscellaneous                               | 18,925           | 10,000            | 14,431              | (4,431)                          |
| Insurance                                   | 24,600           | 26,600            | 25,638              | 962                              |
| Overhead                                    | 45,608           | 45,600            | 45,608              | (8)                              |
| Safety                                      | 1,000            | 500               | 606                 | (106)                            |
| Training                                    | 10,100           | 8,500             | 8,443               | 57                               |
| Communications                              | 90,000           | 88,600            | 87,961              | 639                              |
| Fire prevention                             | 4,000            | 5,200             | 3,850               | 1,350                            |
| Emergency medical services                  | 4,500            | 3,600             | 3,272               | 328                              |
| Apparatus maintenance                       | 68,000           | 69,500            | 68,775              | 725                              |
| Uniforms                                    | 12,500           | 4,100             | 12,140              | (8,040)                          |
| Total expenditures                          | <u>1,209,482</u> | <u>1,182,000</u>  | <u>1,186,785</u>    | <u>(4,785)</u>                   |
| Excess of revenues<br>over expenditures     | 32,318           | 59,760            | 158,412             | 98,652                           |
| <b>OTHER FINANCING SOURCES</b>              |                  |                   |                     |                                  |
| Transfers in                                | 57,500           | 57,500            | 60,854              | 3,354                            |
| Total other financing<br>sources            | <u>57,500</u>    | <u>57,500</u>     | <u>60,854</u>       | <u>3,354</u>                     |
| Net change in fund balance                  | <u>\$ 89,818</u> | <u>\$ 117,260</u> | <u>\$ 219,266</u>   | <u>\$ 102,006</u>                |
| Fund balance, beginning of year as restated |                  |                   | <u>826,751</u>      |                                  |
| Fund balance, end of year                   |                  |                   | <u>\$ 1,046,017</u> |                                  |

## 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, 2014. 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, 2014 by \$32,303,372 (*net position*). 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, \$6,914,267 (*unrestricted net position*) 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.
- Total revenues of the Water Fund decreased by \$71,113 or 1.5 percent, while the total revenues of the Fire fund increased by \$61,235, or 4.8 percent.
- Total expenses of the Water Fund decreased \$20,399; or approximately 0.47 percent, and total Fire fund expenses (excluding capital outlay) decreased by \$239,090; or approximately 18.75 percent compared to the prior year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Twentynine Palms Water District's basic financial statements. The District's basic financial statements are comprised of 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 Position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

## 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.

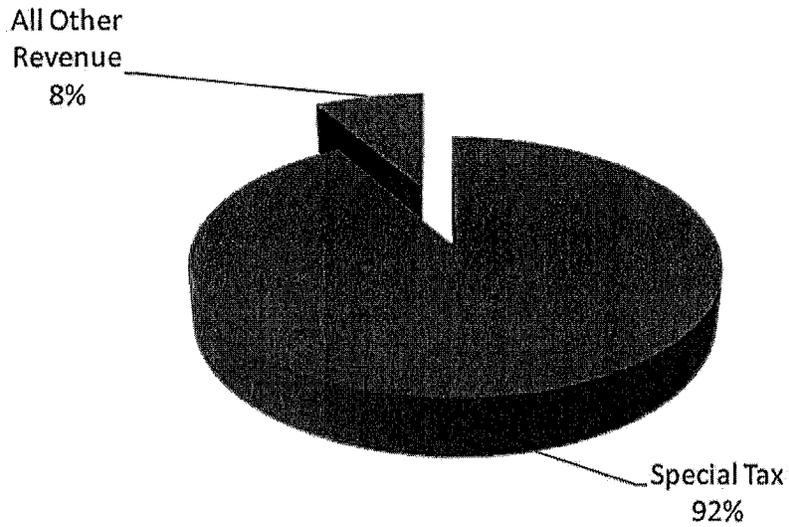
|   | Governmental<br>Activities- Fire |                  | Business-type<br>Activities - Water |                  | Total            |                  |
|---|----------------------------------|------------------|-------------------------------------|------------------|------------------|------------------|
|   | 2014                             | 2013             | 2014                                | 2013             | 2014             | 2013             |
| <b>Revenues:</b>  |                                  |                  |                                     |                  |                  |                  |
| Charges for service   | \$ 1,335,866                     | \$ 1,276,428     | \$ 4,429,044                        | \$ 4,618,722     | \$ 5,764,910     | \$ 5,895,150     |
| Operating grants and contributions                                  | 7,291                            | 4,860            | -                                   | -                | 7,291            | 4,860            |
| Property leases   | -                                | -                | 121,708                             | 110,918          | 121,708          | 110,918          |
| Investment income   | 2,040                            | 2,674            | 12,588                              | 11,449           | 14,628           | 14,123           |
| Other   | -                                | -                | 162,781                             | 56,145           | 162,781          | 56,145           |
| <b>Total revenues</b>   | <b>1,345,197</b>                 | <b>1,283,962</b> | <b>4,726,121</b>                    | <b>4,797,234</b> | <b>6,071,318</b> | <b>6,081,196</b> |
| <b>Expenses:</b>  |                                  |                  |                                     |                  |                  |                  |
| Fire prdecton (including depreciation and excluding capital outlay) | 1,275,380                        | 1,514,470        | -                                   | -                | 1,275,380        | 1,514,470        |
| Water   | -                                | -                | 4,373,346                           | 4,389,215        | 4,373,346        | 4,389,215        |
| Interest on long-term debt  | -                                | -                | -                                   | 4,530            | -                | 4,530            |
| <b>Total expenses</b>   | <b>1,275,380</b>                 | <b>1,514,470</b> | <b>4,373,346</b>                    | <b>4,393,745</b> | <b>5,648,726</b> | <b>5,908,215</b> |
| Increase (decrease) in net position before transfers                | 69,817                           | (230,508)        | 352,775                             | 403,489          | 422,592          | 172,981          |
| Transfers   | 60,854                           | -                | (60,854)                            | -                | -                | -                |
| Changes in net position   | 130,671                          | (230,508)        | 291,921                             | 403,489          | 422,592          | 172,981          |
| Beginning net position, restated                                    | 1,533,700                        | 2,341,944        | 30,347,080                          | 30,345,423       | 31,880,780       | 32,687,367       |
| Ending net position   | \$ 1,664,371                     | \$ 2,111,436     | \$ 30,639,001                       | \$ 30,748,912    | \$ 32,303,372    | \$ 32,860,348    |

**Governmental activities.** Governmental activities include only the Fire Fund and the year's activity decreased the fund's net position by \$447,065 or 21.2 percent. Total revenue for the Fire Fund was \$1,345,197 for the year ended June 30, 2014 compared to \$1,283,962 in the prior year, for an increase of 4.8 percent.

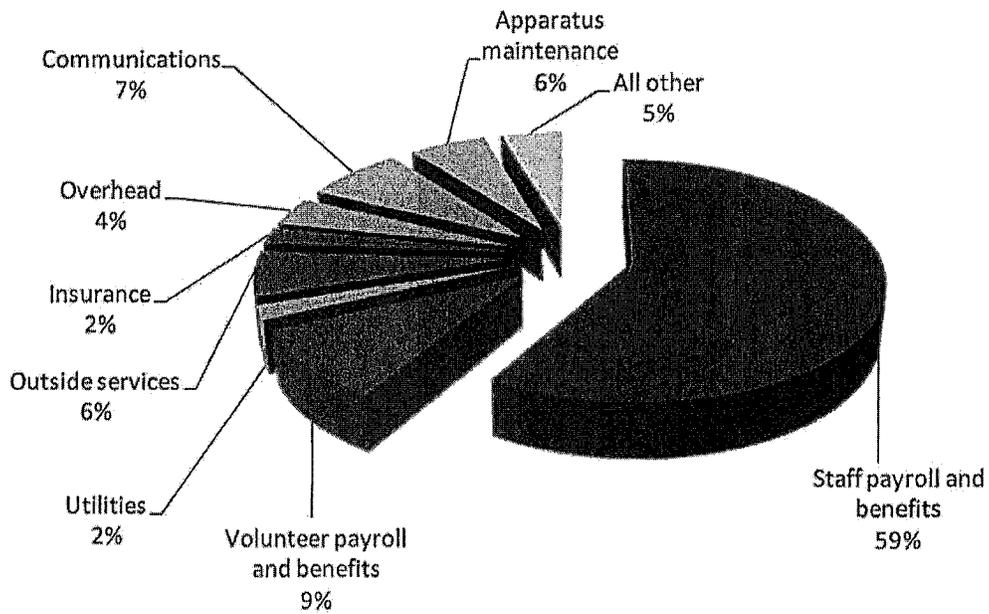
As indicated above, the vast majority of the governmental funds revenue comes from a Fire Protection Special Tax that was originally approved by the voters in 1997 and increased by the voters in 2004. This revenue source accounted for 99 percent of the fire department's total revenue for the year ended June 30, 2014.

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

**Fire Department Revenue**



**Fire Department Expenses**



## Capital Assets and Debt Administration

**Capital assets.** The District's investment in capital assets for its combined governmental and business type activities totals \$25,407,275 (net of accumulated depreciation) as of June 30, 2014. This investment in capital assets includes land, buildings, vehicles, wells, reservoirs, transmission mains, machinery, vehicles, fire-fighting equipment and other equipment. The decrease in the District's combined investment in capital assets for the current fiscal year was the result of depreciation for the year being more 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<br>Activities - Fire |                   | Business-type<br>Activities - Water |                      | Total                |                      |
|--|-----------------------------------|-------------------|-------------------------------------|----------------------|----------------------|----------------------|
|  | 2014                              | 2013              | 2014                                | 2013                 | 2014                 | 2013                 |
| Land, and improvements                 | \$ 57,519                         | \$ 57,519         | \$ 632,996                          | \$ 632,996           | \$ 690,515           | \$ 690,515           |
| Buildings and structures               | 811,954                           | 811,954           | 903,075                             | 903,075              | 1,715,029            | 1,715,029            |
| Vehicles and heavy mobile<br>equipment | 1,382,493                         | 1,382,493         | 1,406,232                           | 1,355,495            | 2,788,725            | 2,737,988            |
| Machinery and equipment                | 557,789                           | 557,789           | 1,200,097                           | 971,849              | 1,757,886            | 1,529,638            |
| Infrastructure                         | -                                 | -                 | 42,351,354                          | 42,176,544           | 42,351,354           | 42,176,544           |
| Construction in progress               | -                                 | -                 | 237,443                             | 156,978              | 237,443              | 156,978              |
| Accumulated depreciation               | (2,159,794)                       | (2,072,570)       | (21,973,883)                        | (20,621,840)         | (24,133,677)         | (22,694,410)         |
| <b>Total</b>                           | <b>\$ 649,961</b>                 | <b>\$ 737,185</b> | <b>\$ 24,757,314</b>                | <b>\$ 25,575,097</b> | <b>\$ 25,407,275</b> | <b>\$ 26,312,282</b> |

Additional information on the District's capital assets can be found in note 4 of this report.

**Twentynine Palms Water District  
Statement of Activities  
For the year ended June 30, 2014**

| Functions/programs                           | Expenses            | Charges for services | Operating grants and contributions | Capital grants and contributions |
|--|---------------------|----------------------|------------------------------------|----------------------------------|
| Governmental activities:                     |                     |                      |                                    |                                  |
| Fire protection                              | \$ 1,275,380        | \$ 1,335,866         | \$ 7,291                           | \$ -                             |
| Business-type activities:                    |                     |                      |                                    |                                  |
| Water  | 4,373,346           | 4,429,044            | -                                  | -                                |
| Total business-type activities               | 4,373,346           | 4,429,044            | -                                  | -                                |
| Total primary government                     | <u>\$ 5,648,726</u> | <u>\$ 5,764,910</u>  | <u>\$ 7,291</u>                    | <u>\$ -</u>                      |
| General revenues:                            |                     |                      |                                    |                                  |
| Property leases                              |                     |                      |                                    |                                  |
| Investment income                            |                     |                      |                                    |                                  |
| Other  |                     |                      |                                    |                                  |
| Transfers                                    |                     |                      |                                    |                                  |
| Total general revenues                       |                     |                      |                                    |                                  |
| Change in net position                       |                     |                      |                                    |                                  |
| Net position, beginning of year, as restated |                     |                      |                                    |                                  |
| Net position, end of year                    |                     |                      |                                    |                                  |

*The accompanying notes are an integral part of these financial statements.*

**Twentynine Palms Water District  
Balance Sheet  
Governmental Fund  
June 30, 2014**

|   | <u>Fire Protection</u> |
|---|------------------------|
| <b>ASSETS</b>   |                        |
| Cash  | \$ 200                 |
| Temporary investments   | 1,026,955              |
| Accounts receivable:  |                        |
| Assessments, net of allowance for doubtful accounts of \$400  | 86,213                 |
| Accrued interest receivable   | 566                    |
| Total assets  | <u>\$ 1,113,934</u>    |
| <br><b>LIABILITIES AND FUND BALANCE</b>   |                        |
| Liabilities:  |                        |
| Accounts payable  | \$ 46,897              |
| Accrued payroll   | 12,076                 |
| Other current liabilities   | 2,237                  |
| Due to other fund   | 6,707                  |
| Deferred revenues   | -                      |
| Total liabilities   | 67,917                 |
| Fund balance:   |                        |
| Unassigned  | 1,046,017              |
| Total fund balance  | 1,046,017              |
| Total liabilities and fund balance  | <u>\$ 1,113,934</u>    |
| Fund balance of governmental fund   | \$ 1,046,017           |
| Amounts reported for governmental activities in the Statement of Net Position are different because:                      |                        |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 649,961                |
| Long-term liabilities are not due and payable in the current period and are not reported in the funds:                    |                        |
| Compensated absences payable  | (31,607)               |
| Net position of governmental activities   | <u>\$ 1,664,371</u>    |

*The accompanying notes are an integral part of these financial statements.*

**Twentynine Palms Water District**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Fund**  
**For the year ended June 30, 2014**

|                                      | <u>Fire Protection</u> |
|--------------------------------------|------------------------|
| <b>REVENUES</b>                      |                        |
| Fire protection special tax          | \$ 1,234,157           |
| Investment earnings                  | 2,040                  |
| Intergovernmental                    | 7,291                  |
| Fines, penalties and other           | 101,709                |
| Total revenues                       | 1,345,197              |
| <b>EXPENDITURES</b>                  |                        |
| Current:                             |                        |
| Staff payroll and benefits           | 695,180                |
| Volunteer payroll and benefits       | 112,518                |
| Facilities maintenance and supplies  | 12,241                 |
| Utilities                            | 23,007                 |
| Outside services                     | 73,115                 |
| Miscellaneous                        | 14,431                 |
| Insurance                            | 25,638                 |
| Overhead                             | 45,608                 |
| Safety                               | 606                    |
| Training                             | 8,443                  |
| Communications                       | 87,961                 |
| Fire prevention                      | 3,850                  |
| Emergency medical services           | 3,272                  |
| Apparatus maintenance                | 68,775                 |
| Uniforms                             | 12,140                 |
| Total expenditures                   | 1,186,785              |
| Excess of revenues over expenditures | 158,412                |
| <b>OTHER FINANCING SOURCES</b>       |                        |
| Transfers in                         | 60,854                 |
| Total other financing sources        | 60,854                 |
| Net change in fund balance           | 219,266                |
| Fund balance, beginning as restated  | 826,751                |
| Fund balance, end of year            | \$ 1,046,017           |

*The accompanying notes are an integral part of these financial statements.*

**Twentynine Palms Water District**  
**Statement of Net Position**  
**Proprietary Fund**  
**June 30, 2014**

| <b>ASSETS</b>               | <u>Water</u>      |
|-----------------------------|-------------------|
| Current assets:             |                   |
| Cash                        | \$ 102,381        |
| Temporary investments       | 5,535,086         |
| Accounts receivable, net:   |                   |
| Water                       | 694,255           |
| Assessments                 | 106,366           |
| Other                       | 13,726            |
| Accrued interest receivable | 3,052             |
| Due from Fire Fund          | 6,707             |
| Material inventory          | 213,781           |
| Prepaid expenses and other  | <u>97,639</u>     |
| Total current assets        | <u>6,772,993</u>  |
| Noncurrent assets:          |                   |
| Capital assets:             |                   |
| Land                        | 632,996           |
| Construction in progress    | 237,443           |
| Other capital assets, net   | 23,886,875        |
| AD 4 receivable             | <u>18,825</u>     |
| Total noncurrent assets     | <u>24,776,139</u> |
| Total assets                | <u>31,549,132</u> |

*The accompanying notes are an integral part of these financial statements.*

**Twentynine Palms Water District  
Notes to Financial Statements  
For the year ended June 30, 2014**

**3) ASSESSMENTS, (continued)**

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

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

**4) CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2014, was as follows:

|   | Beginning<br>balance | Additions          | Deletions   | Ending<br>balance |
|---|----------------------|--------------------|-------------|-------------------|
| <b>Governmental activities:</b>               |                      |                    |             |                   |
| Capital assets not being depreciated:         |                      |                    |             |                   |
| Land  | \$ 57,519            | \$ -               | \$ -        | \$ 57,519         |
| Total capital assets not<br>being depreciated | 57,519               | -                  | -           | 57,519            |
| Capital assets being depreciated:             |                      |                    |             |                   |
| Structures                                    | 811,954              | -                  | -           | 811,954           |
| Fire trucks                                   | 1,382,493            | -                  | -           | 1,382,493         |
| Fire equipment                                | 435,426              | -                  | -           | 435,426           |
| Communication equipment                       | 75,221               | -                  | -           | 75,221            |
| Office equipment                              | 47,142               | -                  | -           | 47,142            |
| Total capital assets being<br>depreciated     | 2,752,236            | -                  | -           | 2,752,236         |
| Less accumulated depreciation                 | (2,072,570)          | (87,224)           | -           | (2,159,794)       |
| Net capital assets being depreciated          | 679,666              | (87,224)           | -           | 592,442           |
| Net capital assets                            | <u>\$ 737,185</u>    | <u>\$ (87,224)</u> | <u>\$ -</u> | <u>\$ 649,961</u> |

**Twentynine Palms Water District  
Notes to Financial Statements  
For the year ended June 30, 2014**

**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 per cent 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 position:

|  |                                |
|--|--------------------------------|
| Cash                                     | \$ 102,581                     |
| Temporary investments                    | <u>6,562,041</u>               |
| <br>Total cash and temporary investments | <br><u><u>\$ 6,664,622</u></u> |

Cash and investment consists of the following:

|  |                                |
|--|--------------------------------|
| Cash on hand                             | \$ 1,550                       |
| Deposits with financial institutions     | 101,031                        |
| Investments                              | <u>6,562,041</u>               |
| <br>Total cash and temporary investments | <br><u><u>\$ 6,664,622</u></u> |

*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 administrated 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.