



Joshua Basin Water District

Annual Financial Report

Fiscal Years Ended June 30, 2025 and 2024





Our Mission Statement

"To provide, protect, and maintain Joshua Tree's water – our vital community resource."

Board of Directors as of June 30, 2025

<u>Name</u>	<u>Title</u>	<u>Elected/ Appointed</u>	<u>Current Term</u>
Thomas Floen	President	Elected	12/24-12/28
Stacy Doolittle	Vice President	Elected	12/24-12/28
Jane Jarlsberg	Director	Elected	12/24-12/28
Tyler "Thomas" Short	Director	Elected	12/22-12/26
David Fick	Director	Elected	12/24-12/26

Joshua Basin Water District
Sarah Johnson, General Manager
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Joshua Tree, California 92252-0675
(760) 366-8438
www.jbwd.com

Joshua Basin Water District

Annual Financial Report

Fiscal Years Ended

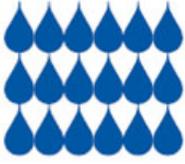
June 30, 2025 and 2024

Joshua Basin Water District
Annual Financial Report
For the Fiscal Years Ended June 30, 2025 and 2024

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Financial Section



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An Accountancy Corporation

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Independent Auditor's Report

Board of Directors
Joshua Basin Water District
Joshua Tree, California

Report on the Audit of the Financial Statements

We have audited the accompanying financial statements of the Joshua Basin Water District (District), which comprises the statements of net position as of June 30, 2025 and 2024, and the related statements of revenues, expenses, and changes in net position for the fiscal years then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Joshua Basin Water District as of June 30, 2025 and 2024, and the respective changes in net position, and, where applicable, cash flows thereof for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Requirements for California Special Districts. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Independent Auditor's Report, continued

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Emphasis-of-Matter

As discussed in Note 12 to the financial statements, the District has adopted the provisions of *GASB Statement No. 101 – Compensated Absences*. As a result, District has restated its net position to reflect the effects of the change in accounting policy. Our opinion is not modified with respect to this matter.

Independent Auditor's Report, continued

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9 and the required supplementary information on pages 40 through 42 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance. This report can be found on pages 43 through 44.

C.J. Brown & Company, CPAs

C.J. Brown & Company, CPA's
Cypress, California
November 19, 2025

Joshua Basin Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2025 and 2024

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Joshua Basin Water District (District) provides an introduction to the financial statements of the District for the fiscal years ended June 30, 2025 and 2024. We encourage readers to consider the information presented here with additional information that we have furnished in the accompanying basic financial statements and related notes, which follow this section.

Financial Highlights

- In 2025, the District's net position increased 9.06% or \$4,629,212 to \$55,740,764 as a result of ongoing operations. In 2024, the District's net position increased 8.03% or \$3,799,688 to \$51,111,552 as a result of ongoing operations.
- Total revenues increased 8.74% or \$992,723 to \$12,348,082. In 2024, the District's total revenues increased 15.06% or \$1,485,920 to \$11,355,359.
- Operating revenues increased 8.02% or \$724,593 to \$9,757,601. In 2024, the District's operating revenues increased 8.97% or \$743,921 to \$9,033,008.
- Non-operating revenues increased 11.55% or \$268,130 to \$2,590,481. In 2024, the District's non-operating revenues increased 46.95% or \$741,999 to \$2,322,351.
- Total expenses increased 2.71% or \$225,487 to \$8,561,172. In 2024, the District's total expenses increased 2.54% or \$206,810 to \$8,335,685.
- Operating expenses increased 2.05% or \$129,078 to \$6,249,681. In 2024, the District's operating expenses increased 11.39% or \$644,375 to \$6,300,603.
- Non-operating expenses increased 16.14% or \$60,251 to \$433,539. In 2024, the District's non-operating expenses decreased 58.14% or \$518,380 to \$373,288.
- Capital contributions increased 7.99% or \$62,288 to \$842,302. In 2024, the District's capital contributions decreased 52.41% or \$859,175 to \$780,014.

Using This Financial Report

This annual report consists of a series of financial statements. The Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position and Statement of Cash Flows provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies.

The Statement of Net Position includes all of the District's investments in resources (assets), deferred outflows of resources, obligations to creditors (liabilities), and deferred inflows of resources. It also provides the basis for computing a rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District. All of the current year's revenue and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the District's operations over the past year and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges. This statement can also be used to evaluate profitability and credit worthiness. The final required financial statement is the Statement of Cash Flows, which provides information about the District's cash receipts and cash payments during the reporting period. The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities, and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Joshua Basin Water District
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2025 and 2024

Financial Analysis of the District

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District in a way that helps answer this question.

These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the *accrual basis of accounting*, which is similar to the accounting method used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District's *net position* and changes in it. You can think of the District's net position – assets and deferred outflows of resources less liabilities and deferred inflows of resources – as one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position are one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, zoning, and new or changed government legislation, such as changes in Federal and State water quality standards.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 15 through 39.

Statements of Net Position

Condensed Statements of Net Position

	<u>2025</u>	<u>As restated 2024</u>	<u>Change</u>	<u>As restated 2023</u>	<u>Change</u>
Assets:					
Current assets	\$ 28,593,284	24,042,862	4,550,422	20,217,172	3,825,690
Non-current assets	149,221	223,831	(74,610)	298,442	(74,611)
Capital assets, net	<u>32,279,345</u>	<u>32,794,371</u>	<u>(515,026)</u>	<u>32,835,099</u>	<u>(40,728)</u>
Total assets	<u>61,021,850</u>	<u>57,061,064</u>	<u>3,960,786</u>	<u>53,350,713</u>	<u>3,710,351</u>
Deferred outflows of resources	<u>654,590</u>	<u>761,244</u>	<u>(106,654)</u>	<u>729,726</u>	<u>31,518</u>
Liabilities:					
Current liabilities	1,448,673	1,872,009	(423,336)	1,553,106	318,903
Non-current liabilities	<u>4,487,003</u>	<u>4,838,747</u>	<u>(351,744)</u>	<u>5,215,469</u>	<u>(376,722)</u>
Total liabilities	<u>5,935,676</u>	<u>6,710,756</u>	<u>(775,080)</u>	<u>6,768,575</u>	<u>(57,819)</u>
Net position:					
Net investment in capital assets	28,520,522	28,635,019	(114,497)	28,256,499	378,520
Restricted	6,049,624	5,496,441	553,183	952,082	4,544,359
Unrestricted	<u>21,170,618</u>	<u>16,980,092</u>	<u>4,190,526</u>	<u>18,103,283</u>	<u>(1,123,191)</u>
Total net position	<u>\$ 55,740,764</u>	<u>51,111,552</u>	<u>4,629,212</u>	<u>47,311,864</u>	<u>3,799,688</u>

Joshua Basin Water District
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2025 and 2024

Statements of Net Position, continued

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets plus deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$55,740,764 and \$51,111,552, as of June 30, 2025 and 2024, respectively.

Compared to prior year, net position of the District increased 9.06% or \$4,629,212. The District's total net position is made up of three components: (1) net investment of capital assets, (2) restricted net position and (2) unrestricted net position.

By far the largest portion of the District's net position (51.17% and 56.02% as of June 30, 2025 and 2024, respectively) reflects the District's net investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are not available for future spending.

At the end of fiscal years 2025 and 2024, the District showed a positive balance in its unrestricted net position of \$26,261,931 and \$21,524,533, respectively, which may be utilized in future years. See note 11 for further information.

Statements of Revenues, Expenses, and Changes in Net Position

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	<u>2025</u>	<u>As restated 2024</u>	<u>Change</u>	<u>As restated 2023</u>	<u>Change</u>
Revenue:					
Operating revenue	\$ 9,757,601	9,033,008	724,593	8,289,087	743,921
Non-operating revenue	<u>2,590,481</u>	<u>2,322,351</u>	<u>268,130</u>	<u>1,580,352</u>	<u>741,999</u>
Total revenue	<u>12,348,082</u>	<u>11,355,359</u>	<u>992,723</u>	<u>9,869,439</u>	<u>1,485,920</u>
Expense:					
Operating expense	6,429,681	6,300,603	129,078	5,656,228	644,375
Depreciation and amortization	1,697,952	1,661,794	36,158	1,580,979	80,815
Non-operating expense	<u>433,539</u>	<u>373,288</u>	<u>60,251</u>	<u>891,668</u>	<u>(518,380)</u>
Total expense	<u>8,561,172</u>	<u>8,335,685</u>	<u>225,487</u>	<u>8,128,875</u>	<u>206,810</u>
Net income before capital contributions	3,786,910	3,019,674	767,236	1,740,564	1,279,110
Capital contributions	<u>842,302</u>	<u>780,014</u>	<u>62,288</u>	<u>1,639,189</u>	<u>(859,175)</u>
Change in net position	<u>4,629,212</u>	<u>3,799,688</u>	<u>829,524</u>	<u>3,379,753</u>	<u>419,935</u>
Net position, beginning of year as restated (note 12)	<u>51,111,552</u>	<u>47,311,864</u>	<u>3,799,688</u>	<u>43,932,111</u>	<u>3,379,753</u>
Net position, end of year	<u>\$ 55,740,764</u>	<u>51,111,552</u>	<u>4,629,212</u>	<u>47,311,864</u>	<u>3,799,688</u>

Joshua Basin Water District
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2025 and 2024

Statements of Revenues, Expenses, and Changes in Net Position, continued

The statement of revenues, expenses, and changes in net position shows how the District's net position changed during the fiscal year. In the case of the District, net position increased 9.06% or \$4,629,212 to \$55,740,764, due to the change in net position of \$3,786,910 from ongoing operations and \$842,302 in capital contributions for the fiscal year ended June 30, 2025. For the fiscal year ended June 30, 2024, the District's net position increased 8.03% or \$3,799,688 to \$51,111,552, due to the change in net position of \$3,019,674 from ongoing operations and \$780,014 in capital contributions.

A closer examination of the sources of changes in net position reveal that:

The District's total revenues (before capital contributions) increased 8.74% or \$992,723. In 2024, the District's total revenues (before capital contributions) increased 15.06% or \$1,485,920.

In 2025, the District's operating revenues increased 8.02% or \$724,593 to \$9,757,601, due primarily to increases of \$633,448 in water consumption sales, and \$114,779 in water service charges; which were offset by a decrease of \$15,565 in standby service charges as compared to the prior year. In 2024, the District's operating revenues increased 8.97% or \$743,921 to \$9,033,008, due primarily to increases of \$589,348 in water consumption sales, and \$183,420 in water service charges; which were offset by a decrease of \$34,740 in other charges for services as compared to the prior year.

In 2025, the District's non-operating revenues increased 11.55% or \$268,130 to \$2,590,481, due primarily to increases of \$154,370 in investment returns, and \$100,159 in property taxes as compared to the prior year. In 2024, the District's non-operating revenues increased 46.95% or \$741,999 to \$2,322,351, due primarily to increases of \$611,316 in investment returns, and \$144,875 in property taxes as compared to the prior year.

The District's total expenses increased 2.71% or \$225,487. In 2024, the District's total expenses increased 2.54% or \$206,810.

In 2025, the District's operating expenses increased 2.05% or \$129,078 to \$6,249,681 due to increases of \$310,812 in general and administrative expenses, and \$160,640 in pumping, production and treatment; which were offset by a decrease of \$205,338 in transmission and distribution, and \$137,036 in customer service as compared to the prior year. In 2024, the District's operating expenses increased 11.39% or \$644,375 to \$6,300,603 due to increases of \$380,049 in transmission and distribution, and \$281,523 in customer service; which were offset by a decrease of \$32,991 in general and administrative expenses as compared to the prior year.

In 2025, the District's non-operating expenses increased 16.14% or \$60,251 to \$433,539, due primarily to an increase of \$102,835 in other non-operating revenues, which was offset by a decrease of \$29,955 in loss on disposition of assets as compared to the prior year. In 2024, the District's non-operating expenses decreased 58.14% or \$518,380 to \$373,288, due primarily to a decrease of \$340,412 in non-operating expenses (as a result of the non-cash pension actuarial adjustments based from the CalPERS Miscellaneous Risk Pool Defined Benefit Pension Plan as the June 30, 2022 measurement date), which was offset by a decrease of \$133,870 in loss on disposition of assets as compared to the prior year.

In 2025, the District's capital contributions increased 7.99% or \$62,288 to \$842,302, due primarily to decreases of \$203,781 in water capacity charges, and \$76,470 in wastewater capacity charges; which were offset by an increase of \$90,289 in state capital grant as compared to the prior year. In 2024, the District's capital contributions decreased 52.41% or \$859,175 to \$780,014, due primarily to decreases of \$203,781 in water capacity charges, and \$669,213 in local capital grant as compared to the prior year.

Joshua Basin Water District
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2025 and 2024

Capital Asset Administration

Changes in capital assets for 2025, were as follows:

	As restated Balance 2024	Additions	Transfers/ Deletions	Balance 2025
Capital assets:				
Non-depreciable assets	\$ 1,603,307	857,614	(1,272,362)	1,188,559
Depreciable assets	63,953,416	1,642,913	(1,063,970)	64,532,359
Accumulated depreciation	<u>(32,762,352)</u>	<u>(1,697,952)</u>	<u>1,018,731</u>	<u>(33,441,573)</u>
Total capital assets, net	<u>\$ 32,794,371</u>	<u>802,575</u>	<u>(1,317,601)</u>	<u>32,279,345</u>

Changes in capital assets for 2024, were as follows:

	As restated Balance 2023	Additions	Transfers/ Deletions	As restated Balance 2024
Capital assets:				
Non-depreciable assets	\$ 1,711,579	1,708,577	(1,816,849)	1,603,307
Depreciable assets	62,801,904	1,816,470	(664,958)	63,953,416
Accumulated depreciation	<u>(31,678,384)</u>	<u>(1,661,794)</u>	<u>577,826</u>	<u>(32,762,352)</u>
Total capital assets, net	<u>\$ 32,835,099</u>	<u>1,863,253</u>	<u>(1,903,981)</u>	<u>32,794,371</u>

At the end of fiscal year 2025 and 2024, the District's capital assets amounted to \$32,279,345 and \$32,794,371 (net of accumulated depreciation), respectively. These capital assets include land, transmission and distribution systems, buildings, equipment, vehicles, and construction-in-process.

See note 6 to the basic financial statements for further detailed information on the District's capital assets.

Debt Administration

Changes in long-term debt for 2025, were as follows:

	Balance 2024	Additions	Payments	Balance 2025
Long-term debt:				
Bonds payable	\$ 1,872,000	-	(122,000)	1,750,000
Notes payable	2,189,151	-	(183,609)	2,005,542
Leases payable	7,541	-	(4,260)	3,281
Subscription payable	<u>90,660</u>	<u>-</u>	<u>(90,660)</u>	<u>-</u>
Total long-term debt	<u>\$ 4,159,352</u>	<u>-</u>	<u>(400,529)</u>	<u>3,758,823</u>

In 2025, long-term debt primarily decreased due to regular scheduled debt payments of \$400,529.

Joshua Basin Water District
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2025 and 2024

Debt Administration, continued

Changes in long-term debt for 2024, were as follows:

	<u>Balance</u> <u>2023</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>2024</u>
Long-term debt:				
Bonds payable	\$ 1,988,000	-	(116,000)	1,872,000
Notes payable	2,365,953	-	(176,802)	2,189,151
Leases payable	11,675	-	(4,134)	7,541
Subscription payable	<u>212,972</u>	<u>-</u>	<u>(122,312)</u>	<u>90,660</u>
Total long-term debt	<u>\$ 4,578,600</u>	<u>-</u>	<u>(419,248)</u>	<u>4,159,352</u>

In 2024, long-term debt primarily decreased due to regular scheduled debt payments of \$419,248.

See further detailed information in Note 9.

Requests for Information

This financial report is designed to provide the District's present users, including funding sources, customers, stakeholders, and other interested parties with a general overview of the District's finances and to demonstrate the District's accountability with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District's Director of Finance, Anne Roman at Joshua Basin Water District, 61750 Chollita Road, Joshua Tree, California, 92252 or (760) 366-8438.

Basic Financial Statements

Joshua Basin Water District
Statements of Net Position
June 30, 2025 and 2024

	<u>2025</u>	<u>As restated 2024</u>
Current assets:		
Cash and cash equivalents (note 2)	\$ 19,234,859	14,959,214
Cash and cash equivalents - restricted (note 2)	5,823,209	5,194,248
Accrued interest receivable	223,356	218,151
Accrued interest receivable - restricted (note 5)	6,467	9,333
Accounts receivable - water sales and services, net (note 3)	1,924,937	1,883,112
Property taxes receivable	15,769	13,298
Special assessments receivable – restricted	70,727	69,029
Grants receivable (note 4)	15,874	5,874
Accounts receivable - other	479,645	37,648
Water-in-storage inventory	-	322,500
Materials and supplies inventory	697,352	1,102,280
Prepaid expenses and other deposits	<u>101,089</u>	<u>228,175</u>
Total current assets	<u>28,593,284</u>	<u>24,042,862</u>
Non-current assets:		
Note receivable - restricted (note 5)	149,221	223,831
Capital assets - not being depreciated (note 6)	1,188,559	1,603,307
Capital assets, net - being depreciated (note 6)	<u>31,090,786</u>	<u>31,191,064</u>
Total non-current assets	<u>32,428,566</u>	<u>33,018,202</u>
Total assets	<u>61,021,850</u>	<u>57,061,064</u>
Deferred outflows of resources:		
Deferred pension outflows (note 10)	<u>654,590</u>	<u>761,244</u>
Total deferred outflows of resources	<u>\$ 654,590</u>	<u>761,244</u>

Continued on next page

See accompanying notes to the basic financial statements

Joshua Basin Water District
Statements of Net Position, continued
June 30, 2025 and 2024

	<u>2025</u>	<u>As restated 2024</u>
Current liabilities:		
Accounts payable and accrued expenses	\$ 261,170	481,352
Accrued wages and related payables	154,774	142,025
Customer deposits and unearned revenue	432,034	479,631
Accrued interest payable	87,377	97,523
Long-term liabilities - due within one year:		
Compensated absences (note 7)	192,359	270,949
Bonds payable (note 9)	127,000	122,000
Notes payable (note 9)	190,678	183,609
Leases payable	3,281	4,260
Subscription payable (note 9)	-	90,660
Total current liabilities	<u>1,448,673</u>	<u>1,872,009</u>
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (note 7)	21,307	-
Bonds payable (note 9)	1,623,000	1,750,000
Notes payable (note 9)	1,814,864	2,005,542
Leases payable (note 9)	-	3,281
Net pension liability (note 10)	1,027,832	1,079,924
Total non-current liabilities	<u>4,487,003</u>	<u>4,838,747</u>
Total liabilities	<u>5,935,676</u>	<u>6,710,756</u>
Net position: (note 11)		
Net investment in capital assets	28,520,522	28,635,019
Restricted	6,049,624	5,496,441
Unrestricted	21,170,618	16,980,092
Total net position	<u>\$ 55,740,764</u>	<u>51,111,552</u>

See accompanying notes to the basic financial statements

Joshua Basin Water District
Statements of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>As restated 2024</u>
Operating revenues:		
Water consumption sales	\$ 4,918,448	4,285,000
Water service charges	3,321,016	3,206,237
Standby service charges	1,215,356	1,230,921
Other charges for services	302,781	310,850
Total operating revenues	<u>9,757,601</u>	<u>9,033,008</u>
Operating expenses:		
Pumping, production, and treatment	2,067,773	1,907,133
Transmission and distribution	1,262,741	1,468,079
Customer service	680,244	817,280
General and administrative	2,418,923	2,108,111
Total operating expenses	<u>6,429,681</u>	<u>6,300,603</u>
Operating income before depreciation and amortization expense	3,327,920	2,732,405
Depreciation and amortization expense	<u>(1,697,952)</u>	<u>(1,661,794)</u>
Operating income	<u>1,629,968</u>	<u>1,070,611</u>
Non-operating revenue (expense):		
Property taxes	1,062,988	962,829
Special assessments for debt service	271,509	267,501
Investment returns	1,086,657	932,287
Interest expense	(156,001)	(179,051)
Debt administration charges	(32,995)	(25,651)
Property tax administration charge	(2,647)	(6,207)
HDMC operations revenue (note 5)	169,327	159,734
HDMC project – District expense (note 5)	(137,629)	(130,992)
Loss on disposition of assets	-	(29,955)
Other non-operating revenues (expenses), net	(104,267)	(1,432)
Total non-operating revenue, net	<u>2,156,942</u>	<u>1,949,063</u>
Net income before capital contributions	<u>3,786,910</u>	<u>3,019,674</u>
Capital contributions:		
Water capacity charges	363,188	442,339
Wastewater capacity charges	127,074	232,386
State capital grant	-	90,289
Capital contributions	326,000	-
Local capital grant	26,040	15,000
Total capital contributions	<u>842,302</u>	<u>780,014</u>
Change in net position	4,629,212	3,799,688
Net position, beginning of year, as restated	<u>51,111,552</u>	<u>47,311,864</u>
Net position, end of year	<u>\$ 55,740,764</u>	<u>51,111,552</u>

See accompanying notes to the basic financial statements

Joshua Basin Water District
Statements of Cash Flows
For the Fiscal Years Ended June 30, 2025 and 2024

	2025	2024
Cash flows from operating activities:		
Cash receipts from customers for water sales and services	\$ 9,226,182	9,149,008
Cash paid to employees for salaries and wages	(2,408,895)	(1,879,615)
Cash paid to vendors and suppliers for materials and services	(3,376,426)	(5,182,574)
Net cash provided by operating activities	3,440,861	2,086,819
Cash flows from non-capital financing activities:		
Property taxes	1,024,875	928,375
Other non-operating expenses, net	(104,267)	(1,432)
Net cash provided by non-capital financing activities	920,608	926,943
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(1,182,926)	(1,644,447)
Loss on disposition of assets	-	(29,955)
HDMC project expense	31,698	28,742
Capital contributions	842,302	689,725
Payments received for note receivable	74,610	74,611
Proceeds from capital grants	(10,000)	90,289
Special assessments for debt service	269,811	264,869
Principal paid on long-term debt	(400,529)	(395,867)
Interest paid on long-term debt	(166,147)	(182,176)
Net cash used in capital and related financing activities	(541,181)	(1,104,209)
Cash flows from investing activities:		
Investment returns	1,084,318	845,609
Net cash provided by investing activities	1,084,318	845,609
Net increase in cash and cash equivalents	4,904,606	2,755,162
Cash and cash equivalents, beginning of year	20,153,462	17,398,300
Cash and cash equivalents, end of year	\$ 25,058,068	20,153,462
Reconciliation of cash and cash equivalents to the statements of net position:		
Cash and cash equivalents	\$ 19,234,859	14,959,214
Cash and cash equivalents - restricted	5,823,209	5,194,248
Total cash and cash equivalents	\$ 25,058,068	20,153,462

Continued on next page

See accompanying notes to the basic financial statements

Joshua Basin Water District
Statements of Cash Flows, continued
For the Fiscal Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ <u>1,629,968</u>	<u>1,070,611</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,697,952	1,661,794
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
(Increase) decrease in assets:		
Accounts receivable – water sales and services, net	(41,825)	(126,880)
Accounts receivable – other	(441,997)	207,246
Water-in-storage inventory	322,500	(322,500)
Materials and supplies inventory	404,928	(742,654)
Prepaid expenses and other deposits	127,086	6,166
(Increase) decrease in deferred outflows of resources:		
Deferred pension outflows	106,654	(31,518)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(220,182)	68,906
Accrued wages and related payables	12,749	16,082
Customer deposits and unearned revenue	(47,597)	35,634
Compensated absences	(57,283)	67,654
Net pension liability	(52,092)	176,278
Total adjustments	<u>1,810,893</u>	<u>1,016,208</u>
Net cash provided by operating activities	\$ <u><u>3,440,861</u></u>	<u><u>2,086,819</u></u>
Non-cash investing, capital, and financing transactions:		
Changes in fair value of funds deposited with LAIF	\$ <u>23,339</u>	<u>(73,146)</u>

See accompanying notes to the basic financial statements

Joshua Basin Water District
Notes to the Financial Statements
For the Fiscal Years Ended June 30, 2025 and 2024

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

The Joshua Basin Water District (District) was organized in January 1963, under provisions of Division 12 of the Water Code of the State of California. The purpose of the District is to finance, construct, operate, and maintain a water and wastewater system to serve properties within the District's boundaries. The District services approximately 96 square miles in the unincorporated area of Joshua Tree, located in the Morongo Basin of San Bernardino County. The District is governed by a five-member Board of Directors who are elected by qualified voters in the District. The District conducts general meetings of the Board of Directors twice per month, held on the first and third Wednesday's of the month, at the District's administration office.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Standards Board Statement No. 61, *The Financial Reporting Entity*. The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable if it appoints a voting majority of the organization's governing body and 1) It is able to impose its will on that organization, or 2) There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

The Joshua Basin Water District Copper Mountain Mesa Assessment District (Assessment District) was formed in 1996 to finance the improvements and construction of the potable water system facilities, including pipelines, booster pumping station, water storage reservoir, and the necessary appurtenances. The bonds were sold to the United States Department of Agriculture, who is the sole bondholder. The District's directors serve as directors of the Assessment District; the District's General Manager serves as its executive officer. The assets, deferred outflows, liabilities, and deferred inflows of the Assessment District are blended with those of the District in the financial statements.

B. Basis of Accounting and Measurement Focus

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the cost of providing water to its service area on a continuing basis be financed or recovered primarily through user charges (water sales), capital grants, and similar funding. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

Operating revenues and expenses, such as water sales and water purchases, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal value. Management, administration, and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses. Non-operating revenues and expenses, such as grant funding, investment income, and interest expense, result from non-exchange transactions in which the District receives value without directly giving value in exchange.

C. Financial Reporting

The District's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to enterprise funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Joshua Basin Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Financial Reporting, continued

The District solely operates as a special-purpose government which means it is only engaged in business-type activities; accordingly, activities are reported in the District's proprietary fund.

In June 2022, the GASB issued Statement No. 101 – *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave.

Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

In December 2023, the GASB issued Statement No. 102 – *Certain Risk Disclosures*. The primary objective of this Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact to have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position

1. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, and disclosures of contingent assets, deferred outflows of resources, liabilities, and deferred inflows of resources, at the date of the financial statements and the reported changes in net position during the reporting period. Actual results could differ from those estimates.

2. Cash and Cash Equivalents

Substantially all of the District's cash is invested in interest bearing accounts. The District considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

3. Investments and Investment Policy

The District has adopted an investment policy as written in Article 8 of the District's Administration Code. Any surplus funds or funds held for any length of time for special projects shall only be invested with reputable institutions.

Joshua Basin Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

3. Investments and Investment Policy, continued

The District has adopted an investment policy as written in Article 8 of the District’s Administration Code. Any surplus funds or funds held for any length of time for special projects shall only be invested with reputable institutions.

The District’s investment policy authorizes investments in as certificates-of-deposit, California Local Agency Investment Fund (LAIF), and the California Asset Management Program (CAMP). The District’s investment policy does contain specific provisions intended to limit its exposure to interest rate risk, credit risk, custodial risk, and concentration of credit risk.

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

4. Accounts Receivable and Allowance for Uncollectible Accounts

The District extends credit to customers in the normal course of operations. When management deems customer accounts uncollectible, the District uses the allowance method for the reservation and write-off of those accounts.

5. Property Taxes and Assessments

The San Bernardino County Assessor’s Office assesses all real and personal property within the County each year. The San Bernardino County Tax Collector’s Office bills and collects the District’s share of property taxes and assessments. The San Bernardino County Treasurer’s Office remits current and delinquent property tax collections to the District throughout the year. Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countywide assessed valuations.

Property taxes receivable at year-end are related to property taxes collected by the San Bernardino County which have not been credited to the District's cash balance as of June 30. The property tax calendar is as follows:

Lien date	March 1
Levy date	July 1
Due dates	November 1 and March 1
Collection dates	December 10 and April 10

6. Water-in-Storage Inventory

Water-in-storage inventory consists of purchase water supplies available to the District. Water-in-storage is valued using the first-in-first-out (FIFO) methodology.

7. Materials and Supplies Inventory

Materials and supplies inventory consists primarily of water meters, pipe, and pipefittings for construction and repair to the District’s water transmission and distribution system. Inventory is valued at cost using the “First-In, First-Out” (FIFO) method. Inventory items are charged to expense at the time that individual items are withdrawn from inventory or consumed.

Joshua Basin Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

8. Prepaid Expenses

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in the basic financial statements.

9. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at \$5,000. Donated assets are recorded at estimated fair market value at the date of donation. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized.

Lease asset are measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

- Transmission and distribution system – 3 to 50 years
- Structures and improvements – 10 to 30 years
- Vehicles and large equipment – 5 to 10 years
- Office furniture and equipment – 5 to 10 years
- Water rights – 25 years
- Wastewater system in development – 15 years

Lease assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

Subscription assets are amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying Information Technology (IT) asset.

10. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of resources applicable to future periods.

11. Compensated Absences

The District's policy is to permit employees to accumulate up to two times their annual vacation accrual rate with amounts exceeding the limit being forfeited. Upon termination of employment, employees are paid all unused vacation, floating holiday, and management/administrative leave. The accrual for sick leave does not have a cap and upon termination, sick leave may be converted to CALPERS service credit, based on eligibility. Sick leave not converted is forfeited.

12. Lease Payable

Lease liability are measured at the present value of lease payments expected to be made during the lease term.

13. Subscription Payable

Subscription liability are measured at the present value of subscription payments expected to be made during the subscription term.

Joshua Basin Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

14. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans (Plans) and addition to/deduction from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 dates: June 30, 2023 and 2022
- Measurement dates: June 30, 2024 and 2023
- Measurement periods: July 1, 2022 to June 30, 2023 and July 1, 2023 to June 30, 2024

15. Deferred Inflows of Resources

Deferred inflows of resources represent the acquisition of resources applicable to future periods.

16. Water Sales and Services

Water sales are billed on a monthly cyclical basis and the respective revenues recognized when they are earned.

17. Capital Contributions

Capital contributions represent cash and capital asset additions contributed to the District by property owners, granting agencies, or real estate developers desiring services that require capital expenditures or capacity commitment.

18. Net Position

The financial statements utilize a net position presentation. Net position is categorized as follows:

- *Net investment in capital assets* – consists of capital assets, net of accumulated depreciation and amortization, and reduced by outstanding balances of any debt or other long-term borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- *Restricted* – consists of assets that have restrictions placed upon their use by external constraints imposed either by creditors (debt covenants), grantors, contributors, or laws and regulations of other governments or constraints imposed by law through enabling legislation.
- *Unrestricted* – consists of the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the net investment in capital assets or restricted components of net position.

19. Budgetary Policies

The District adopts an annual non-appropriated budget for planning, control, and evaluation purposes. Budgetary control and evaluation are affected by comparisons of actual revenues and expenses with planned revenues and expenses for the period. Encumbrance accounting is not used to account for commitments related to unperformed contracts for construction and services.

Joshua Basin Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(2) Cash and Cash Equivalents

Cash and cash equivalents as of June 30 are classified in the Statements of Net Position as follows:

	2025	2024
Cash and cash equivalents	\$ 19,234,859	14,959,214
Cash and cash equivalents – restricted	5,823,209	5,194,248
Total cash and investments	\$ 25,058,068	20,153,462

Cash and cash equivalents as of June 30 consist of the following:

	2025	2024
Cash on hand	\$ 2,300	2,300
Deposits held with financial institutions	215,172	369,163
California Local Agency Investment Fund:		
Unrestricted	16,592,493	14,587,751
Restricted	2,907,433	5,194,248
California Asset Management Program		
Unrestricted	2,424,894	-
Restricted	2,915,776	-
Total cash and investments	\$ 25,058,068	20,153,462

As of June 30, the District’s authorized deposit had the following maturities:

	2025	2024
California Local Agency Investment Fund	248 days	217 days

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

The table on the next page identifies the investment types that are authorized by the District in accordance with the California Government Code (or the District’s investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District’s investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State Obligations – CA and Others	5 years	None	None
CA Local Agency Obligations	5 years	None	None
U.S. Agency Obligations	5 years	None	None
Negotiable Certificates of Deposit	5 years	30%	None
Collateralize Bank Deposits	5 years	None	None
Corporate debt – Short and Long Term	5 years	None	None
Commercial Paper – Pooled Funds		40% of the	
Commercial Paper – Non-Pooled Funds	270 days	District's money	10%
Repurchase agreements	1 year	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

Joshua Basin Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(2) Cash and Cash Equivalents, continued

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code Section 16429 and is under the management of the Treasurer of the State of California with oversight provided by the Local Agency Investment Advisory Board. 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.

The pool portfolio is invested in a manner that meets the maturity, quality, diversification, and liquidity requirements set forth by GASB 79 for external investment pools that elect to measure, for financial reporting purposes, investments at amortized cost. LAIF does not have any legally binding guarantees of share values. LAIF does not impose liquidity fees or redemption gates on participant withdrawals.

California Asset Management Program

The District is a voluntary participant in the California Asset Management Program (CAMP), a California Joint Powers Authority that falls under California Code Section 53601(p), which is directed by a Board of Trustees that is made up of experienced local government finance directors and treasurers.

CAMP's cash reserve portfolio aims to follow GASB 79 liquidity, maturity, quality and diversification requirements to help protect the portfolio and its shareholders during adverse market conditions. CAMP's daily liquidity, stable net asset value investment option stresses daily liquidity and safety of principal as two of its objectives.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. 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 rate risk is by purchasing a combination of shorter term and longer term investments, and by timing cash flow from maturities so that a portion of the portfolio matures, or comes close to maturity, evenly over time as necessary to provide requirements for cash flow and liquidity needed for operations. Investment in CAMP offers securities with maturities ranging from 60 days to one year.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of June 30, 2025, the District's investment in LAIF is unrated and investment in CAMP is rated AAAf² by Fitch ratings and AAAM¹ by S&P Global.

Joshua Basin Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(2) Cash and Cash Equivalents, continued

Custodial Credit Risk

The custodial credit risk for *deposits* is the risk that, in the event of 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 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.

With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government’s indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

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 governmental 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. Of the bank balances, up to \$250,000 is federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District’s name.

Concentration of Credit Risk

The District’s investment policy contains various limitations on the amounts that can be invested in any one governmental agency or non-governmental issuer as stipulated by the California Government Code. The District’s deposit portfolio with governmental agencies, LAIF, is 78% and 99% as of June 30, 2025 and 2024, respectively, of the District’s total depository and investment portfolio. There were no investments in any one non-governmental issuer that represent 5% or more of the District’s total investments.

(3) Accounts Receivable – Water Sales and Services, net

The balance at June 30 consists of the following:

		2025	2024
Accounts receivable – water sales	\$	1,167,693	1,073,362
Unbilled water sales receivables		767,076	776,076
Standby charges receivables		293,528	278,272
Property liens		140,602	128,621
Allowance for doubtful accounts		(443,962)	(373,219)
Total accounts receivable, net	\$	1,924,937	1,883,112

Joshua Basin Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(4) Grants Receivable

Integrated Regional Water Management Plan

The balance at June 30 consists of the following:

		2025	2024
Prop 1 DWR grant – retention	\$	5,874	5,874
Total grants receivable	\$	15,874	5,874

On June 18, 2018, the Coachella Valley Water District and the State of California, Department of Water Resources (DWR), entered into a grant agreement to assist in financing projects associated with the Integrated Regional Water Management Plan (IRWMP) pursuant to Chapter 7 of Division 26.7 of the California Water Code. The maximum amount payable by the State under this grant agreement is not to exceed \$2,636,488. The grant agreement consists of twelve separate IRWMP projects for various local sponsors with different allocation amounts – one of which being Joshua Basin Water District for \$130,000. The District has utilized grant revenue for the Saddleback Pipeline Project. As of June 30, 2025, all projects associated with the grant agreement are completed, and the remaining retention balance awaiting release from the State amounted to \$5,874.

(5) Note Receivable – Hi-Desert Medical Center

On July 1, 2012, the District executed a note receivable with the Hi-Desert Medical Center for \$1,119,156 for capacity charges due for sanitary sewer service to the Hi-Desert Medical Center Wastewater Treatment Plant. The note is to be repaid over a 15-year period (\$74,610 principal payment per year) with interest charged at the quarterly LAIF interest earnings rate. As of June 30, 2025 and 2024, the remaining principal balance was \$149,221 and \$223,831, respectively. At June 30, 2025 and 2024, accrued interest receivable on the note was \$6,467 and \$9,333, respectively, and is included as part of the accrued interest receivable balance - restricted in the statements of net position.

Hi-Desert Medical Center Project

In fiscal year 2013, the District was engaged by the Hi-Desert Medical Center (HDMC) to construct and operate the HDMC’s Wastewater Treatment Plant (Plant). Please see note 6 for more details of the District’s agreement with HDMC. During the construction phase, HDMC made capital contributions to the District for the construction of the Wastewater Treatment Plant in the amount of \$2,901,551. Upon completion, it was agreed that HDMC would continue to own the Plant, while the District would be contracted to operate and maintain the Plant.

For the fiscal years ended June 30, 2025 and 2024, the District received \$169,327 and \$159,734, respectively, in reimbursement revenue from HDMC. For the fiscal years ended June 30, 2025 and 2024, the District incurred \$137,629 and \$130,992, respectively, in reimbursable costs towards the project.

Joshua Basin Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(6) Capital Assets

Changes in capital assets for the year ended June 30, 2025, were as follows:

	<u>Balance 2024</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2025</u>
Non-depreciable assets:				
Land and land rights	\$ 734,027	-	-	734,027
Construction-in-process	869,280	857,614	(1,272,362)	454,532
Total non-depreciable assets	<u>1,603,307</u>	<u>857,614</u>	<u>(1,272,362)</u>	<u>1,188,559</u>
Depreciable assets:				
Transmission and distribution system	48,265,353	1,463,776	(620,342)	49,108,787
Recharge facilities	9,108,029	-	-	9,108,029
Structures and improvements	1,457,015	32,948	-	1,489,963
Vehicles and large equipment	4,025,394	145,162	(67,635)	4,102,921
Office furniture and equipment	679,704	-	-	679,704
Wastewater system	22,419	-	-	22,419
Subscription asset	374,966	-	(374,966)	-
Leased equipment	20,536	1,027	(1,027)	20,536
Total depreciable assets	<u>63,953,416</u>	<u>1,642,913</u>	<u>(1,063,970)</u>	<u>64,532,359</u>
Accumulated depreciation:				
Transmission and distribution system	(27,514,115)	(1,058,910)	576,132	(27,996,893)
Recharge facilities	(1,746,412)	(182,171)	-	(1,928,583)
Structures and improvements	(691,461)	(34,932)	-	(726,393)
Vehicles and large equipment	(1,952,183)	(279,264)	-	(2,231,447)
Office furniture and equipment	(561,003)	(25,014)	67,633	(518,384)
Wastewater system	(22,419)	-	-	(22,419)
Subscription asset	(261,412)	(113,554)	374,966	-
Leased equipment	(13,348)	(4,107)	-	(17,455)
Total accumulated depreciation	<u>(32,762,352)</u>	<u>(1,697,952)</u>	<u>1,018,731</u>	<u>(33,441,573)</u>
Total depreciable assets, net	<u>31,191,064</u>	<u>(55,039)</u>	<u>(45,239)</u>	<u>31,090,786</u>
Total capital assets, net	\$ <u>32,794,371</u>	<u>802,575</u>	<u>(1,317,601)</u>	<u>32,279,345</u>

Major depreciable capital asset additions during the fiscal year ended 2025, include upgrades and extensions of the District's water transmission and distribution systems of \$1,463,776, purchases of vehicles and large equipment of \$145,162, and structures and improvements of \$32,948. During the year, the District's deletions included: transmission and distribution replacements of \$620,342, subscription asset of \$374,966, and vehicles and large equipment of \$67,635.

Joshua Basin Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(6) Capital Assets, continued

Changes in capital assets for the year ended June 30, 2024, were as follows:

	<u>As Restated Balance 2023</u>	<u>Additions/</u>	<u>Deletions/ Transfers</u>	<u>As Restated Balance 2024</u>
Non-depreciable assets:				
Land and land rights	\$ 734,027	-	-	734,027
Construction-in-process	<u>977,552</u>	<u>1,708,577</u>	<u>(1,816,849)</u>	<u>869,280</u>
Total non-depreciable assets	<u>1,711,579</u>	<u>1,708,577</u>	<u>(1,816,849)</u>	<u>1,603,307</u>
Depreciable assets:				
Transmission and distribution system	47,187,827	1,377,054	(299,528)	48,265,353
Recharge facilities	9,108,029	-	-	9,108,029
Structures and improvements	1,404,351	52,664	-	1,457,015
Vehicles and large equipment	3,982,403	366,959	(323,968)	4,025,394
Office furniture and equipment	690,063	19,793	(30,152)	679,704
Wastewater system	22,419	-	-	22,419
Studies and reports	-	-	-	-
Subscription asset	374,966	-	-	374,966
Leased equipment	<u>31,846</u>	<u>-</u>	<u>(11,310)</u>	<u>20,536</u>
Total depreciable assets	<u>62,801,904</u>	<u>1,816,470</u>	<u>(664,958)</u>	<u>63,953,416</u>
Accumulated depreciation:				
Transmission and distribution system	(26,807,204)	(1,006,439)	299,528	(27,514,115)
Recharge facilities	(1,564,243)	(182,169)	-	(1,746,412)
Structures and improvements	(658,912)	(32,549)	-	(691,461)
Vehicles and large equipment	(1,922,227)	(281,019)	251,063	(1,952,183)
Office furniture and equipment	(548,102)	(28,825)	15,924	(561,003)
Wastewater system	(22,419)	-	-	(22,419)
Studies and reports	-	-	-	-
Subscription asset	(136,423)	(124,989)	-	(261,412)
Leased equipment	<u>(18,855)</u>	<u>(5,804)</u>	<u>11,311</u>	<u>(13,348)</u>
Total accumulated depreciation	<u>(31,678,384)</u>	<u>(1,661,794)</u>	<u>577,826</u>	<u>(32,762,352)</u>
Total depreciable assets, net	<u>31,123,520</u>	<u>154,676</u>	<u>(87,132)</u>	<u>31,191,064</u>
Total capital assets, net	\$ <u>32,835,099</u>	<u>1,863,253</u>	<u>(1,903,981)</u>	<u>32,794,371</u>

Major depreciable capital asset additions during the fiscal year ended 2024, include upgrades and extensions of the District's water transmission and distribution systems of \$1,377,054, purchases of vehicles and large equipment of \$366,959, structures and improvements of \$52,664, and office furniture and equipment of \$19,793. During the year, the District's deletions included: vehicles and large equipment of \$323,968, transmission and distribution replacements of \$299,528, office furniture and equipment disposals of \$30,152, and leased equipment of \$11,310.

Construction-In-Process

The District is involved in construction projects throughout the year. Once completed, projects are capitalized and depreciated over the life of the asset.

As of June 30, 2025 and 2024, the balance of construction-in-process was \$454,532 and \$869,280, respectively.

Joshua Basin Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(6) Capital Assets, continued

Construction-in-process consisted of the following projects:

<u>Project Description</u>	<u>2025</u>	<u>2024</u>
Belmont Design/Survey	\$ 234,290	219,047
E2-1 Reservoir Upgrade	119,617	113,061
Well 15 Repair/Rehabilitation	75,760	-
Well 14 Upgrade	-	70,034
D1-1 Booster Station Upgrade	-	445,335
Various other minor projects < \$50,000	24,865	21,803
Total construction-in-process	<u>\$ 454,532</u>	<u>869,280</u>

(7) Compensated Absences

The District recognizes liability for compensated absences in accordance with GASB Statement No. 101, “Compensated Absences”. Compensated absences include unpaid vacation leave, sick leave and compensating time off which is accrued as earned, which are expected to be settled through paid time off or cash payments upon termination or retirement. As of June 30, 2025 and 2024, the liability for compensated absences was calculated based on employees’ pay rates at the fiscal year-end and historical usage data, considering employment policies. The liability represents amounts that are more likely than not to be used or paid out.

Compensated absences as of June 30 are classified in the accompanying financial statements as follows:

	<u>2025</u>	<u>2024</u>
Current	\$ 192,359	270,949
Non-current	21,307	-
Total	<u>\$ 213,666</u>	<u>270,949</u>

The total liability for compensated absences amounted to \$213,666 and \$270,949, respectively.

The net change in the compensated absences liability for the fiscal year ended June 30, 2025 and 2024 was \$(57,283) and \$67,654, respectively, reflecting a net (decrease) increase due to changes in employee leave balances, pay rates, and usage patterns. The liability is reported in government-wide financial statements and business-type fund financial statements.

(8) Deferred Compensation Savings Plan

For the benefit of its employees, the District participates in a 457 Deferred Compensation Program (Program). The purpose of the Program is to provide deferred compensation for public employees that elect to participate. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death, or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes. Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District and are not subject to claims of the District’s general creditors. At June 30, 2025 and 2024, the market value of all plan assets held in trust by MissionSquare was \$1,490,088 and \$1,226,230, respectively.

The District has implemented GASB Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. Since the District has little administrative involvement and does not perform the investing function for this plan, the assets and related liabilities are not shown on the statements of net position.

Joshua Basin Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(9) Long-Term Debt

Changes in long-term debt amounts for 2025 were as follows:

	<u>Balance 2024</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 2025</u>	<u>Current Portion</u>	<u>Long Term Portion</u>
Bonds payable:						
1996 Bond	\$ 1,872,000	-	(122,000)	1,750,000	127,000	1,623,000
Note payable:						
Installment Sale #18-012	2,189,151	-	(183,609)	2,005,542	190,678	1,814,864
Leases payable:						
Xerox C8170	7,541	-	(4,260)	3,281	3,281	-
Subscription payable						
Nobel Geoviewer	90,660	-	(90,660)	-	-	-
Total long-term debt	<u>\$ 4,159,352</u>	<u>-</u>	<u>(400,529)</u>	<u>3,758,823</u>	<u>320,959</u>	<u>3,437,864</u>

Changes in long-term debt amounts for 2024 were as follows:

	<u>Balance 2023</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 2024</u>	<u>Current Portion</u>	<u>Long Term Portion</u>
Bonds payable:						
1996 Bond	\$ 1,988,000	-	(116,000)	1,872,000	122,000	1,750,000
Note payable:						
Installment Sale #18-012	2,365,953	-	(176,802)	2,189,151	183,609	2,005,542
Leases payable						
Xerox C8170	11,675	-	(4,134)	7,541	4,260	3,281
Subscription payable						
Tyler Incode	34,292	-	(34,292)	-	-	-
Nobel Geoviewer	178,680	-	(88,020)	90,660	90,660	-
Total long-term debt	<u>\$ 4,578,600</u>	<u>-</u>	<u>(419,248)</u>	<u>4,159,352</u>	<u>400,529</u>	<u>3,758,823</u>

1996 Limited Obligation Improvement Bond

In March 1996, the District authorized the issuance of \$4,551,389 in Copper Mountain Mesa limited obligation improvement bonds pursuant to the provisions of the Municipal Improvement Act of 1913. The bonds are payable and secured solely by special assessments on property parcels and amounts are collected and paid by the District. The District is not obligated to, but may in its sole discretion, advance available surplus funds from the District treasury. The bonds bear an interest of 4.5% per annum. Principal and interest are payable on March 2nd and September 2nd of each year.

Joshua Basin Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(9) Long-Term Debt, continued

1996 Limited Obligation Improvement Bond, continued

Future principal and interest obligations on the bonds as of June 30, are as follows:

<u>Year</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$	127,000	78,750	205,750
2027		132,000	73,035	205,035
2028		138,000	67,095	205,095
2029		145,000	60,885	205,885
2030		151,000	54,360	205,360
2031-2035		862,000	163,665	1,025,665
2036		<u>195,000</u>	<u>8,775</u>	<u>203,775</u>
Total		1,750,000	<u>506,565</u>	<u>2,256,565</u>
Current		<u>(127,000)</u>		
Long-term	\$	<u>1,623,000</u>		

2018 Installment Sale Agreement #18-012

On September 1, 2018, the District entered into an agreement with the Municipal Finance Corporation (“Corporation”) whereas the District purchases the 2018 Project (“Project”) from the Corporation. The Project refers to any additions, betterments, extensions, or improvements to the Water System designated by the Board of the District as the Project, of which is to be paid by the proceeds of any contract.

The agreement provides for a total funding of \$3,010,000 for the Capital Infrastructure Replacement Program (“CIRP”) as well as the initial project associated with the CIRP – the replacement of approximately 23,500 feet of existing watermains with poly-vinyl chloride watermains, called the Saddleback Project. A substantial portion of startup costs are for purchase of large pipelaying and asphalt equipment that will be utilized over a 10-year period to complete additional CIRP pipeline replacement projects. Funding may also cover new appurtenances related to the new watermains, as well as other related expenditures.

Future principal and interest obligations on the agreement as of June 30, are as follows:

<u>Year</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$	190,678	77,213	267,891
2027		198,019	69,872	267,891
2028		205,642	62,249	267,891
2029		213,560	54,331	267,891
2030		221,782	46,109	267,891
2031-2034		<u>975,861</u>	<u>95,880</u>	<u>1,071,741</u>
Total		2,005,542	<u>405,654</u>	<u>2,411,196</u>
Current		<u>(190,678)</u>		
Long-term	\$	<u>1,814,864</u>		

Joshua Basin Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(9) Long-Term Debt, continued

Xerox Financial Services, LLC – C8170

On April 8, 2021, the District entered into an agreement with Xerox Financial Services, LLC for the purpose of acquiring a Xerox copier for its Administrative Office. Terms of the agreement commenced in April 2021 and matures in March 2026. As of June 30, 2025 and 2024, rental payments amounted to \$4,428 and \$3,894, respectively.

Following the guidelines of *GASB Statement No. 87*, the District recorded a right-to-use asset and a lease payable at present value using an interest rate of 3%. The right-to-use asset is amortized on a straight-line basis over the term of the lease.

Annual lease payments are as follows:

Year	Principal	Interest	Total
2026	\$ 3,281	41	3,322
Total	3,281	41	3,322
Current	(3,281)		
Long-term	\$ -		

Tyler Technologies – Tyler Incode Subscription

On February 7, 2022, the District entered into an agreement with Tyler Technologies (Tyler) for the purpose of providing the District access to Tyler’s proprietary software, Tyler Incode. Terms of the agreement commenced in April 2022 and matures in March 2025. As of June 30, 2025 and 2024, rental payments amounted to \$0 and \$34,292, respectively.

Following the guidelines of *GASB Statement No. 96*, the District recorded a right-to-use asset and a subscription payable at present value using an interest rate of 3%. The right-to-use asset is amortized on a straight-line basis over the term of the subscription. The subscription was fully paid in February 2024.

Nobel Systems, Inc. – GeoViewer Subscription

On April 22, 2022, the District entered into an agreement with Nobel Systems, Inc. (Nobel) for the purpose of providing the District access to Nobel’s GeoViewer system to provide maintenance and management of the District’s Geographic Information System (GIS) and update other databases that have been integrated with the GIS Database. Terms of the agreement commenced in July 2022 and matures in June 2025. As of June 30, 2025 and 2024, rental payments amounted to \$90,660 and \$88,020, respectively.

Following the guidelines of *GASB Statement No. 96*, the District recorded a right-to-use asset and a subscription payable at present value using an interest rate of 3%. The right-to-use asset is amortized on a straight-line basis over the term of the subscription. The subscription was fully paid in June 2025.

Joshua Basin Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(10) Defined Benefit Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the District’s separate Miscellaneous Risk Pool, cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees’ Retirement System (CalPERS). Benefit provisions under the Plan is established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on CalPERS website or may be obtained from their executive office: 400 P Street, Sacramento, CA 95814.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. Cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013. The new legislation closed the District’s CalPERS 2.0% at 55 Risk Pool Retirement Plan to new employee entrants effective December 31, 2013. All employees hired after January 1, 2013, are eligible for the District’s CalPERS 2.0% at 62 Retirement Plan under PEPRA.

The Plans’ provision and benefits in effect as of June 30, 2025 and 2024, are summarized as follows:

	Miscellaneous Risk Pool	
	Classic	PEPRA
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.5%
2025:		
Required employee contribution rates	6.93%	8.25%
Required employer contribution rates	13.31%	8.18%
2024:		
Required employee contribution rates	7.00%	8.25%
Required employer contribution rates	13.26%	8.00%

Joshua Basin Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(10) Defined Benefit Pension Plan, continued

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1, following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the fiscal years ended June 30, the contributions to the Plan were as follows:

	2025	2024
Contributions – employer	\$ 339,023	321,984

Net Pension Liability

As of June 30, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	2025	2024
Proportionate share of net pension liability	\$ 1,027,832	1,079,924

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability for the miscellaneous risk pool. As of June 30, 2025 and 2024, the net pension liability of the Plan is measured as of June 30, 2024 and 2023 (the measurement dates), respectively, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023 and 2022 (the valuation dates), respectively, rolled forward to June 30, 2024 and 2023, respectively, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District's change in the proportionate share of the net pension liability for the Plan as of the fiscal year ended June 30, was as follows:

	Miscellaneous
Proportion – June 30, 2022	0.00782%
Decrease in proportion	0.00083%
Proportion – June 30, 2023	0.00866%
Increase in proportion	-0.00018%
Proportion – June 30, 2024	0.00848%

For the fiscal years ended June 30, 2025 and 2024, the District recognized pension expense of \$54,562 and \$144,760, respectively.

Joshua Basin Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(10) Defined Benefit Pension Plan, continued

Deferred Pension Outflows (Inflows) of Resources

As of June 30, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>2025</u>		<u>2024</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to the measurement date	\$ 339,023	-	321,984	-
Differences between actual and expected experience	85,398	-	46,610	-
Changes in assumptions	26,417	-	65,200	-
Net difference between projected and actual earnings on plan investments	59,171	-	174,849	-
Differences between actual contribution and proportionate share of contribution	39,767	-	11,526	-
Net adjustment due to differences in proportions of net pension liability	<u>104,814</u>	<u>-</u>	<u>141,075</u>	<u>-</u>
Total	<u>\$ 654,590</u>	<u>-</u>	<u>761,244</u>	<u>-</u>

As of June 30, 2025 and 2024, employer pension contributions reported as deferred outflows of resources related to contributions subsequent to the measurement dates of \$339,023 and \$321,984, respectively, will be recognized as a reduction of the net pension liability in the fiscal years ended June 30, 2025 and 2025, respectively.

As of June 30, 2025, other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Deferred Net Outflows/(Inflows) of Resources</u>
2025	\$ 134,360
2026	177,926
2027	23,558
2028	(20,277)
2029	-
Remaining	-

Joshua Basin Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(10) Defined Benefit Pension Plan, continued

Actuarial Assumptions

The total pension liabilities in the June 30, 2023 and 2022, actuarial valuations were determined using the following actuarial assumptions and methods:

Valuation dates	June 30, 2023 and 2022
Measurement dates	June 30, 2024 and 2023
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Discount rate	6.90%
Inflation	2.30%
Salary increases	Varies by entry age and service
Mortality Rate Table*	Derived using CalPERS' Membership Data for all Funds
Period upon which actuarial experience survey assumptions were based	1997 – 2015
Post retirement benefit increase	Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on purchasing power applies

* The mortality table was developed based on CalPERS specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more details, please refer to the 2021 experience study that can be found on the CalPERS website.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in separately issued CalPERS financial reports. See pages 40 through 42 for the Required Supplementary Information.

Discount Rate

The discount rate used to measure the total pension liability for PERF C was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return.

Joshua Basin Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(10) Defined Benefit Pension Plan, continued

As of June 30, 2025, the table below reflects the expected real rates of return by asset class.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return 1-10^{1,2}</u>
Global Equity - Cap-weighted	30.00%	4.54%
Global Equity Non-Cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	-5.00%	-0.59%

¹ An expected inflation of 2.30% used for this period.

² Figures are based on the 2021-22 Asset Liability Management Study.

Sensitivity of the Proportionate Share of Net Pension Liability to Changes in the Discount Rate

The following tables present the District's proportionate share of the net position liability for the Plan, calculated using the discount rate for 6.90%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (5.90%) or one-percentage-point higher (7.90%) than the current discount rate.

As of June 30, 2025, the District's net pension liability at the current discount rate, using a discount rate that is one-percentage point lower, and using a discount rate that is one-percentage point higher, are as follows:

	<u>Discount Rate - 1% 5.90%</u>	<u>Current Discount Rate 6.90%</u>	<u>Discount Rate + 1% 7.90%</u>
District's net pension liability	\$ 2,140,966	1,027,832	111,558

As of June 30, 2024, the District's net pension liability at the current discount rate, using a discount rate that is one-percentage point lower, and using a discount rate that is one-percentage point higher, are as follows:

	<u>Discount Rate - 1% 5.90%</u>	<u>Current Discount Rate 6.90%</u>	<u>Discount Rate + 1% 7.90%</u>
District's net pension liability	\$ 2,064,208	1,079,924	269,774

Joshua Basin Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(11) Net Position

Calculation of net position as of June 30, were as follows:

	2025	2024
Net investment in capital assets:		
Capital assets, not being depreciated	\$ 1,188,559	1,603,307
Depreciable capital assets, net	31,090,786	31,191,064
Current:		
Bonds payable	(127,000)	(122,000)
Notes payable	(190,678)	(183,609)
Leases payable	(3,281)	(4,260)
Subscription payable	-	(90,660)
Non-current:		
Bonds payable	(1,623,000)	(1,750,000)
Notes payable	(1,814,864)	(2,005,542)
Leases payable	-	(3,281)
Total net investment in capital assets	28,520,522	28,635,019
Restricted net position:		
Cash and cash equivalents – restricted	5,823,209	5,194,248
Accrued interest receivable – restricted	6,467	9,333
Special assessments receivable – restricted	70,727	69,029
Note receivable – Hi-Desert Medical Center, restricted	149,221	223,831
Total restricted net position	6,049,624	5,496,441
Unrestricted net position		
Non-spendable net position:		
Water-in-storage inventory	-	322,500
Materials and supplies inventory	697,352	1,102,280
Prepaid expenses and other deposits	101,089	228,175
Total non-spendable net position	798,441	1,652,955
Spendable net assets are designated as follows:		
Unrestricted	20,372,177	15,327,137
Total spendable net position	20,372,177	15,327,137
Total unrestricted net position	21,170,618	16,980,092
Total net position	\$ 55,740,764	51,111,552

(12) Prior Period Adjustment

Capital contributions

In fiscal year 2025, the District determined that capital contributions received in the prior year should have been recorded in fiscal year 2023. As a result, the District adjusted its capital asset and capital contributions in the amount of \$669,213, which restated beginning balances as of July 1, 2023.

Joshua Basin Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(12) Prior Period Adjustment, continued

Compensated absences

In fiscal year 2025, the District implemented *GASB Statement No. 101, Compensated Absences*. The nature, justification, and an explanation of the change are included in note 1.C. As a result of the implementation, the District recorded a prior period adjustment of \$66,621, to restate beginning balances as of July 1, 2024. The adjustment to net position is as follows:

Net position at July 1, 2022, as previously stated		\$	43,932,111
Changes in net position, June 30, 2023, as previously stated	\$		2,710,540
Effect of adjustment to record capital contributions			669,213
Changes in net position, June 30, 2023, as restated			3,379,753
Net position at July 1, 2023, as restated			47,311,864
Changes in net position, June 30, 2024, as previously stated			3,866,309
Effect of adjustment to implement GASB 101			(66,621)
Changes in net position, June 30, 2024, as restated			3,799,688
Net position at July 1, 2024, as restated		\$	51,111,552

(13) Certain Risk Disclosures

The District relies on two groundwater basins for 100% of its potable water supply. The District voluntarily conducts groundwater recharge, aiming each year to replenish an amount equal to what is extracted, provided that budget and water supplies are available. This recharge water is purchased through the State Water Project. Groundwater testing has consistently shown hexavalent chromium (Cr-6) concentrations averaging 22 parts per billion (ppb) across all five of the District’s five active production wells, exceeding California’s notification level of 10 ppb. This concentration of supply source creates vulnerability to regulatory enforcement or operational restrictions.

Associated Events

Effective October 1, 2024, the California State Water Resources Control Board (SWRCB), under the California Health and Safety Code Section 116365, established new maximum contaminant levels that Water District’s should adhere by October 1, 2027. Installation of treatment facilities to comply with the new regulatory mandate is estimated to cost \$60 million in capital costs, and \$1 million annually in operating costs.

Actions Taken

Prior to issuance of these financial statements, the District executed the following mitigating actions:

- Collaboration with the US Water Alliance, a nonprofit organization that provides programs and resources to assist communities in addressing important water challenges.
- Retaining an engineering firm, via US Water Alliance, to complete an Alternatives Analysis.
- Submitted a compliance plan to the SWRCB in July 2025 and continues to work closely with SWRCB to achieve compliance.
- Retained a Municipal Advisory firm to advise on future financing needs.
- Making efforts towards contracting a legislative advocate and grant writer to assist with earmark and grant seeking.
- Piloting treatment options are expected to begin this fiscal year.

These actions are expected to eliminate the substantial risk of service disruption and material financial impact associated with the compliance order.

Joshua Basin Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(14) 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. The District is a member of the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California water agencies. The purpose of the ACWA/JPIA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage.

At June 30, 2025, the District participated in the liability, property, and workers' compensation programs of the ACWA/JPIA as follows:

- General and auto liability, public officials and employees' errors and omissions: Total risk financing self-insurance limits of \$5,000,000, combined single limit at \$5,000,000 per occurrence. The JPIA purchases additional excess coverage up to \$55 million per occurrence for general, auto, and public officials' liability, which increases the limits on the insurance coverage noted above.
- Cyber liability coverage protects the District from risks relating to information technology infrastructure and activities by first and third parties. The limit is \$3,000,000 per loss/\$5,000,000 program annual aggregate. The retention is based on total insurable value – the District's retention is \$100,000 per loss.
- Employee dishonesty coverage up to \$1,000,000 per loss includes public employee theft, depositors forgery or alteration, and computer and funds transfer fraud, subject to a \$1,000 deductible per loss. JPIA pools for the first \$100,000; excess coverage is purchased through Fidelity & Deposit.
- Property loss, including boiler and machinery coverage is paid at the replacement cost for buildings, personal property, fixed equipment, and unscheduled vehicles on premise of \$28,381,139 subject to a \$5,000 deductible per occurrence. Repairs or replacement must be completed within two years, otherwise loss is valued on an actual cash value basis. Boiler and Machinery Accidental Breakdown based on actual cash value at the time of loss, subject to a \$25,000 deductible per occurrence. Mobile equipment and vehicles are valued based on actual cash value at time of loss, subject to a \$5,000 deductible per occurrence. Flood loss subject to a deductible of \$100,000. Earthquake loss up to 5% per unit of insurance and subject to \$75,000 minimum. ACWA JPIA has purchased excess coverage up to \$150 million.
- Workers' compensation insurance up to California statutory limits for all work-related injuries/illnesses covered by California law, and employer's liability limit of \$4 million. The ACWA JPIA is self-insured up to \$2 million and excess insurance coverage has been purchased.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the fiscal years ended June 30, 2025, 2024, and 2023. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There was no IBNR claims payable as of June 30, 2025, 2024, and 2023.

Joshua Basin Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(15) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2025 that have effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 103

In April 2024, the GASB issued Statement No. 103 – *Financial Reporting Model Improvements*. The primary objective of this Statement is to improve key components of the financial reporting model to enhance effectiveness in providing information that is essential for decision making and assessing a government’s accountability. Also, this Statement: (1) continues the requirement that the basic financial statements be preceded by management’s discussion and analysis (MD&A), which is presented as required supplementary information (RSI); (2) describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence; (3) requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses; (4) requires governments to present each major component unit separately in the reporting entity’s statement of net position and statement of activities if it does not reduce the readability of the statements; and (5) requires governments to present budgetary comparison information using a single method of communication—RSI.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 104

In September 2024, the GASB issued Statement No. 104 – *Disclosure of Certain Capital Assets*. The primary objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement establishes requirements for certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. Also, this Statement establishes requirements for capital assets held for sale, including additional disclosures for those capital assets. The requirements of this Statement apply to the financial statements of all state and local governments.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

(16) Commitments and Contingencies

Grant Awards

Grant funds received by the District are subject to audit by grantor agencies. Such audit could lead to requests for reimbursements to grantor agencies for expenditures disallowed under terms of the grant. Management of the District believes that such disallowances, if any, would not be significant.

Construction Contracts

The District has a variety of agreements with private parties relating to the installation, improvement, or modification of water and wastewater facilities and distribution systems within its service area. The financing of such construction contracts is being provided primarily from the District’s replacement reserves and capital contributions.

Litigation

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

Joshua Basin Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2025 and 2024

(17) Subsequent Events

Events occurring after June 30, 2025, have been evaluated for possible adjustment to the financial statements or disclosure as of November 19, 2025, which is the date the financial statements were available to be issued.

Required Supplementary Information

Joshua Basin Water District
Schedules of the District's Proportionate Share of Net Pension Liability
As of June 30, 2025
Last Ten Years

Description	Measurement Dates									
	6/30/2024	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
District's proportion of the net pension liability	0.00848%	0.00866%	0.00782%	0.00151%	0.00618%	0.00550%	0.00490%	0.00495%	0.00439%	0.00394%
District's proportionate share of the net pension liability	\$ 1,027,832	1,079,924	903,646	81,517	672,436	563,855	472,046	490,750	379,802	270,679
District's covered payroll	\$ 2,131,986	1,662,790	1,824,500	1,963,492	1,950,376	1,743,402	1,467,121	1,462,157	1,344,686	1,384,706
District's proportionate share of the net pension liability as a percentage of its covered payroll	48.21%	64.95%	49.53%	4.15%	34.48%	32.34%	32.17%	33.56%	28.24%	19.55%
Plan's proportionate share of fiduciary net position as a percentage of total pension liability	78.08%	76.21%	76.68%	88.29%	75.10%	75.26%	75.26%	73.31%	74.06%	78.40%

Notes to the Schedules of the District's Proportionate Share of Net Pension Liability

Changes in Benefit Terms

Public agencies can make changes to their plan provisions, and such changes occur on an ongoing basis. A summary of the plan provisions that were used for a specific plan can be found in the plan's annual valuation report.

Change of Assumptions and Methods

In fiscal year 2024 and 2023, there were no changes to actuarial assumptions or methods.

In fiscal year 2022, the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term.

The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.

In fiscal year 2021, there were no changes to actuarial assumptions or methods. The CalPERS Board of Administration adopted a new amortization policy effective with the June 30, 2019, actuarial valuation. The new policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount. In addition, the new policy does not utilize a five-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains/losses. The new policy also does not utilize a five-year ramp-down on investment gains/losses.

Joshua Basin Water District
Schedules of the District's Proportionate Share of Net Pension Liability, continued
As of June 30, 2025
Last Ten Years

Notes to the Schedules of the District's Proportionate Share of Net Pension Liability

Change of Assumptions and Methods, continued

These changes will apply only to new UAL bases established on or after June 30, 2019. In fiscal year 2020, no changes have occurred to the actuarial assumptions in relation to financial reporting. In fiscal year 2020, CalPERS implemented a new actuarial valuation software system for the June 30, 2018 valuation. This new system has refined and improved calculation methodology.

In December 2017, the CalPERS Board adopted new mortality assumptions for plans participating in the PERF. The new mortality table was developed from the December 2017 experience study and includes 15 years of projected ongoing mortality improvement using 90% of scale MP 2016 published by the Society of Actuaries. The inflation assumption is reduced from 2.75% to 2.50%.

The assumptions for individual salary increases and overall payroll growth are reduced from 3.00% to 2.75%. These changes will be implemented in two steps commencing in the June 30, 2017 funding valuation. However, for financial reporting purposes, these assumption changes are fully reflected in the results for fiscal year 2018.

In fiscal year 2017, the financial reporting discount rate for the PERF C was lowered from 7.65% to 7.15%. In December 2016, the CalPERS Board approved lowering the funding discount rate used in the PERF C from 7.50% to 7.00%, which is to be phased in over a three-year period (7.50% to 7.375%, 7.375% to 7.25%, and 7.25% to 7.00%) beginning with the June 30, 2016, valuation reports. The funding discount rate includes a 15 basis-point reduction for administrative expenses, and the remaining decrease is consistent with the change in the financial reporting discount rate.

In fiscal year 2015, the financial reporting discount rate was increased from 7.50% to 7.65% resulting from eliminating the 15 basis-point reduction for administrative expenses. The funding discount rate remained at 7.50% during this period, and remained adjusted for administrative expenses.

Joshua Basin Water District
Schedules of Pension Plan Contributions
As of June 30, 2025
Last Ten Years

Description	Fiscal years ended									
	6/30/2025	6/30/2024	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016
Actuarially determined contribution	\$ 259,365	274,238	285,375	270,609	243,362	189,373	170,464	144,890	145,219	143,957
Contributions in relation to the actuarially determined contribution	<u>(339,023)</u>	<u>(321,984)</u>	<u>(262,145)</u>	<u>(238,632)</u>	<u>(226,625)</u>	<u>(188,604)</u>	<u>(159,828)</u>	<u>(137,342)</u>	<u>(121,564)</u>	<u>(146,314)</u>
Contribution deficiency (excess)	\$ <u>(79,658)</u>	<u>(47,746)</u>	23,230	31,977	16,737	769	10,636	7,548	23,655	(2,357)
District's covered payroll	\$ <u>2,351,729</u>	<u>2,131,986</u>	<u>1,662,790</u>	<u>1,824,500</u>	<u>1,963,492</u>	<u>1,950,376</u>	<u>1,743,402</u>	<u>1,467,121</u>	<u>1,462,157</u>	<u>1,344,686</u>
Contributions as a percentage of covered payroll	<u>11.03%</u>	<u>12.86%</u>	<u>17.16%</u>	<u>14.83%</u>	<u>12.39%</u>	<u>9.71%</u>	<u>9.78%</u>	<u>9.88%</u>	<u>9.93%</u>	<u>10.71%</u>

Report on Internal Controls and Compliance



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Independent Auditor’s Report on Internal Controls Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Joshua Basin Water District
Joshua Tree, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Joshua Basin Water District (District) as of and for the fiscal years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprises the District’s basic financial statements, and have issued our report thereon dated November 19, 2025.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Independent Auditor's Report on Internal Controls Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*, (continued)**

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

C.J. Brown & Company, CPAs

C.J. Brown & Company, CPAs

Cypress, California

November 19, 2025