

**CALIFORNIA REGIONAL WATER QUALITY CONTROL BOARD
LAHONTAN REGION**

RESOLUTION NO. R6T-2016-0005

**LAHONTAN WATER BOARD
SUPPLEMENTAL ENVIRONMENTAL PROJECT PROGRAM
MEMORANDUM OF UNDERSTANDING
WITH THE
MOJAVE INTEGRATED REGIONAL WATER MANAGEMENT PLAN
IMPLEMENTATION SUPPORT TEAM**

WHEREAS, the California Regional Water Quality Control Board, Lahontan Region (Water Board) finds:

1. The Water Board adopted the “Lahontan Water Board Supplemental Environmental Project (SEP) Program” (Lahontan SEP Program) on February 12, 2014 (Water Board Resolution No. R6T-2014-0014).
2. The Lahontan SEP Program supports establishing partnerships with independent third parties (partner organizations) to (1) identify projects that may qualify for SEPs, (2) manage SEP payments from dischargers, and (3) implement SEPs consistent with the Water Board’s expressed priorities.
3. The Water Board has delayed full implementation of the Lahontan SEP Program until a pilot program is completed and evaluated. While the pilot program time period has been extended, the program was evaluated, in part, at the Water Board’s July 9, 2015 meeting in South Lake Tahoe, California. The Water Board indicated that staff may proceed with developing agreements with potential partner organizations.
4. The Mojave Integrated Regional Water Management (IRWM) Plan Implementation Support Team submitted an application to become a SEP Program partner organization to the Water Board on October 26, 2015 (Attachment A). Water Board staff determined that the Integrated Regional Water Management Plan Coordinating Committee met the criteria established by Water Board Resolution No. R6T-2014-0014 for maintaining public transparency in identifying potential projects.
5. Water Board staff accepted the application on November 10, 2015 and began negotiating a Memorandum of Understanding (MOU) with the Mojave IRWM Plan Implementation Support Team. The format of the agreement allows for individual stakeholder organizations of the Mojave IRWM region to be signatory to this MOU and implement SEPs once they demonstrate institutional and financial capacity for completing water quality projects.
6. The Mojave IRWM Plan Implementation Support Team accepted the proposed MOU at its December 17, 2015 meeting.

7. The Water Board has notified interested parties throughout the Lahontan Region of its intent to adopt this Resolution by posting to a list server and on the Water Board's web site.
8. The Water Board, in a public meeting, heard and considered all comments regarding the Resolution.

THEREFORE, BE IT RESOLVED THAT:

1. The Water Board approves the agreement with the Mojave IRWM Plan Implementation Support Team (Attachment B) to become a SEP Program partner organization.
2. The Water Board authorizes the Water Board Executive Officer to approve individual stakeholder organizations of the Mojave IRWM region to be signatory to this MOU for completing SEPs once they demonstrate institutional and financial capacity for completing water quality projects consistent with the SEP Program identified in Water Board Resolution No. R6T-2014-0014.
3. The Water Board directs staff to post the agreement with the Mojave IRWM Plan Implementation Support Team in a prominent location on the Water Board's web site.
4. The Water Board authorizes the Water Board Executive Officer to approve any amendments in the agreement that are still consistent with the SEP Program identified in Water Board Resolution No. R6T-2014-0014.

I, Patty Z. Kouyoumdjian, Executive Officer, do hereby certify that the foregoing is a full, true, and correct copy of a Resolution adopted by the California Regional Water Quality Control Board, Lahontan Region, on February 11, 2016.

PATTY Z. KOUYOUMDJIAN
EXECUTIVE OFFICER

Attachments: A. Mojave Integrated Regional Water Management Plan Implementation Support Team's application

B. Memorandum of Understanding: Lahontan Water Board Supplemental Environmental Project Program with the Mojave Integrated Regional Water Management Plan Coordinating Committee

Attachment A



[13846 Conference Center Drive](http://13846_Conference_Center_Drive_Apple_Valley_California_92307) ♦ [Apple Valley, California 92307](http://Apple_Valley_California_92307)
Phone (760) 946-7000 ♦ Fax (760) 240-2642 ♦ www.mojavewater.org

October 26, 2015

Mr. Eric Taxer
2501 Lake Tahoe Blvd.
South Lake Tahoe, CA 96150

Subject: Letter of Interest and Statement of Qualifications to become a SEP Account
Partner Organization with the Lahontan Regional Water Quality Control Board

Dear Mr. Taxer,

The Mojave Water Agency (MWA) is a regional public agency formed in 1960. With a Service Area of 4,900 square miles, the MWA serves roughly 450,000 residents of the Mojave Desert area of San Bernardino County. The MWA is well positioned to serve as a Supplemental Environmental Program (SEP) Account Partner Organization with the Lahontan Regional Water Quality Control Board (LRWQCB) and provide guidance in identifying relevant projects within our local area. Since this partnership relies on the ability of the MWA to represent the region, we will focus on how the MWA uses its Technical Advisory Committee (TAC) to develop an Integrated Regional Water Management (IRWM) Plan for the Mojave Region.

Our Statement of Qualifications is as follows:

1. Mission Statement - The Mojave Water Agency Mission Statement is: To manage the region's water resources for the common benefit to assure stability in the sustained use by the citizens we serve.
2. Governance Structure - The Mojave Water Agency is governed by seven officials each elected from the Division they serve. Each Division includes approximately 65,000 people. All board and committee meetings are open to the public. Mr. Kirby Brill serves as General Manager for the Agency.
3. How our organization's governance structure addresses and ensures important collaboration factors - In June of 2014, the MWA in conjunction with the Mojave Desert Resource Conservation District, the Victor Valley Wastewater Reclamation Authority, the Morongo Basin Pipeline Commission and the TAC, completed the Mojave Region IRWM Plan. This collaborative Plan identifies the region's objectives regarding water and created a prioritized project list that could be used to identify potential SEP projects.

The MWA's governance structure addresses and insures the following:

- A. Public Outreach and Involvement Process - The MWA works hard to obtain input from all stakeholders. During the IRWM Planning process, the TAC served as the lead committee for development of the Plan, but public input was solicited in many different ways including numerous public workshops and local level community outreach meetings. One of the most valuable tools in the process was the creation of the *My Water Plan* website (www.mywaterplan.com) which was used to increase communication and allow for electronic contributions and comments. Throughout the creation of the Plan, draft versions of each section were posted on the website for public review. For a list of stakeholders that participated in the IRWM Planning process, see attachment A.
- B. Effective decision making - During the planning process, a consultant team that included a professional facilitator, Mr. Ken Kirby, was brought in to ensure effective decision making. Mr. Kirby guided the TAC through the process of "facilitated broad agreement" to reach decisions regarding the Plan.
- C. Balanced access and opportunity for participation in selecting potential SEP projects for consideration - A Call for Projects was issued as part of the Plan's creation. Projects were submitted by various stakeholders across the entire region. MWA staff and the consultant team screened all projects to ensure they were relevant and met the basic submittal criteria. It was determined which objectives would be met by each project. Then when possible, like-projects were grouped together. Finally, the stakeholder group categorized and prioritized the projects. This process generated the list of over 129 projects that are included in the Plan.
- D. Effective Communication - As stated above, the creation of the *My Water Plan* website was vital in sharing the information as it was being developed and revised for inclusion in the Plan. Emails were also sent out to be sure all interested parties were being notified.
- E. Long-term successful implementation of watershed projects - The MWA has implemented numerous projects over the last decade in an effort to better understand and manage the groundwater basins in the region. These programs and projects have resulted in well over \$50M in successful expenditure of funds. A few of these programs and project include:
 - A. Integrated Regional Water Management Plan
 - B. Urban Water Management Plan
 - C. Groundwater Management Plan
 - D. Salt and Nutrient Management Plan (Draft)
 - E. USGS/MWA cooperative groundwater monitoring and sampling program
 - F. Regional Basin Conceptual Models and focused scientific investigations-
 - G. Regional Recharge and Recover Program (large scale recharge/banking facility and extraction infrastructure to supply multiple cities)
 - H. Multiple recharge facilities for imported State Water Project water
- F. Coordination with neighboring watershed efforts and state and federal agencies - In order to be as inclusive as possible, the TAC agreed to invite adjacent watersheds to participate in developing the Plan. In response to this invitation, four neighboring areas outside of MWA's boundaries, but part of our watershed, participated in the Plan. These included Twentynine Palms, Upper Mojave River Watershed, Afton Canyon, and Wrightwood areas. The Plan also included stakeholders at both the state and federal levels, including the California Department of Fish and Wildlife, the California Department of Water Resources, the U.S. Department of the Interior Bureau of Land Management, U.S. Army Corp of Engineers, and U.S. Bureau of Reclamation.

- G. The collaborative process used to select and prioritize potential watershed projects - As discussed above in Item 4C, MWA staff and the consultant team screened all projects to ensure they were relevant and met the basic submittal criteria. Using this information and a number of other factors, the list was then prioritized, published on the *My Water Plan* website and then brought back to the TAC for approval. The creation and prioritization of the project list took place over several months during which time input was accepted both at the TAC meetings as well as electronically via the website.
 - H. How interim changes and formal changes to watershed project lists will be per-formed - The Plan requires a Call for Projects to be issued at a minimum of once every two years (June of 2016) but projects can be accepted more often if needed. Per the Plan, the Project List can be amended without re-adoption of the Plan. At its October 2015 meeting, the TAC agreed that projects would be accepted more frequently than once every two years in order to allow entities to become eligible for grant opportunities needed to meet changing conditions and regulations (i.e. Chromium 6). Additional projects will be subject to the same review as original projects, and upon acceptance by MWA staff, will be added to the list with approval from the TAC.
 - I. Updating or amending watershed project lists - As mentioned above, updating or amending of the watershed Project List can be done using MWA staff and the TAC, without a full revision/re-adoption of the Plan.
4. A description of the organization's process to incorporate local stakeholder outreach and input in selecting and prioritizing potential watershed projects. Comments on the Integrated Regional Water Management Plan (including the project list) were solicited from the following groups:
 - A. Wholesale and retail water purveyors
 - B. Wastewater agencies
 - C. Watershed agencies
 - D. Flood control agencies
 - E. Municipal and county governments
 - F. Electrical corporations
 - G. Native American Tribes
 - H. Self-supplied water users
 - I. Environmental stewardship organizations
 - J. Industry organizations
 - K. State, federal and regional agencies or universities
 - L. Any other interested group appropriate to the region, including private citizens
 5. A description of the organization's experience for completing water quality projects. - The MWA has extensive experience in completing water quality projects, including but not limited to:
 - The MWA has been involved in two major water quality related projects that utilized funds associated with LRWQCB programs:
 - \$500,000 associated with permitting of the High Desert Power Plant. These monies resulted in the construction of a comprehensive water quality database for the region and a TDS computer model based on a calibrated regional USGS MODFLOW model. The report associated with this effort was completed in 2007.

- \$322,606 of SEP funds originating from the Victor Valley Wastewater Reclamation Authority were used to update and greatly improve the 2007 TDS model to create a regional Salt and Nutrient Management plan (and associated computer model) used to forecast potential water quality impacts decades into the future.
 - Maintains a monitoring network of over 800 wells across the MWA Service Area that are regularly monitored for water levels and water quality
 - Undergoes an Annual Training and Field Review by U.S. Geological Survey (USGS) California Water Science Center specialists to ensure water level and water quality data integrity
 - MWA's water level and water quality data are publicly available on the USGS's National Water Information System (NWIS) website:
<http://www.mojavewater.org/regional-water-quality.html>
 - MWA acts as the "project manager" for the region's Salt and Nutrient Management Plan <http://www.mojavewater.org/snm-plan.html>
 - Designed and completed a series of major scientific studies to define the region's various groundwater basins which include a material amount of basin water quality analyses and interpretation <http://www.mojavewater.org/regional-studies.html>
6. A description of the organizations accounting practices, including a description of the how its annual financial statements are prepared and audited. - Every year, before July 1, the Mojave Water Agency adopts its average annual budget of approximately \$40+ million. This process involves countless meetings and accepts input from staff, elected officials and citizens alike. The MWA has its own Financial Committee that oversees the budget development process and reviews monthly financial statements. An annual financial audit (executed by an outside firm that is rotated on a five to seven year basis) is completed by December of each year.

The Mojave Water Agency and the Technical Advisory Committee support the Lahontan Regional Water Quality Control Board's effort to develop SEP Account Partners. We look forward to working together to make this program a reality.

Sincerely,

Mojave Water Agency



Kirby Brill,
General Manager

Attachments:

- A. Technical Advisory Committee Participants List
- B. Project Submittal Instructions
- C. Project Submittal Short Form
- D. Project Submittal Long Form
- E. Project Submittal Finance Questionnaire
- F. Mojave Water Agency Comprehensive Annual Financial Report, 2013-2014

Technical Advisory Committee Participants 2014 Mojave Region Integrated Regional Water Management Plan

- 29 Palms, City of
- Adelanto, City of
- Agio Real Estate
- Altec Engineering
- Apple Valley Chamber
- Apple Valley Heights County Water District
- Apple Valley Ranchos Water
- Apple Valley, Town of
- Aqua Capital Management
- Bar H Mutual Water Company
- Bar-Len Mutual Water Company
- Barstow Chamber
- Barstow, City of
- Best, Best, Krieger
- Bighorn-Desert View Water
- Building Industry Association
- Center Water Company
- Chevron
- Citizens for a Better Community
- Daggett Chamber Of Commerce
- Daggett CSD
- Daily Press Newspaper
- Department of Fish and Game
- Department of Water Resources
- Desert Dawn Mutual Water Company
- Desert Springs Water Company
- Dezign Engineering
- Earth Science Consulting
- El Mirage Chamber of Commerce
- GEI Consultants
- Golden State Water Company
- Helendale CDS
- Helendale Chamber of Commerce
- Hesperia Golf & Country Club
- Hesperia, City of
- Hi Desert Water
- Hi-Desert Medical Center
- Jess Ranch
- Joshua Basin Citizens Advisory
- Joshua Basin Water District
- Jubilee Mutual Water
- Lake Wainani
- Lucerne Valley Chamber of Commerce
- Lucerne Valley Leader Newspaper
- Lucerne Vista Water Company
- Mariana Ranchos County Water District
- Marine Corps
- Mojave Desert Resource Conservation District
- Mountaineer Progress Newspaper
- Natural Resource Conservation Service, Victorville
- Navajo Mutual Water Company
- Newberry CSD
- Newberry Springs Chamber
- Newberry-Harvard Association
- Nissi Agents
- Oro Grande Agriculture
- Phelan Chamber of Commerce
- Phelan Piñon Hills CSD
- Pinon Hills Chamber of Commerce
- Psomas Consulting
- Rancheritos Mutual Water
- San Bernardino County
- San Bernardino County Advanced Planning Division
- San Bernardino County Board of Supervisors
- San Bernardino County Department of Public Health
- San Bernardino County Department of Public Works
- San Bernardino County Local Agency Formation Commission
- San Bernardino County Special Districts
- Sheep Creek Water Company
- Sierra Club/Mojave Group
- Silver Lakes Association
- So & Associates
- Stakeholders (35)
- State Water Resource Conservation Board - Lahontan
- State Water Resource Conservation Board-Colorado
- Sunset Breeze Real Estate
- Thunderbird County Water District
- Todd Engineers
- United States Army Corps of Engineers
- United States Bureau of Reclamation
- Valley Wide News
- Victor Valley Wastewater Reclamation Authority
- Victorville Water District
- Victorville, City of
- Yermo CSD
- Yucca Valley Chamber
- Z107.7 FM Joshua Tree

Required Project Information

Mojave Integrated Regional Water Management Plan

Forms

There are two available project forms for submitting a project –

1. A **short form** used for a conceptual project idea or a project not fully developed yet.
2. A **long form** used for a more defined project that has gone through stages of planning and design and is ready for construction or implementation.

Project proponents can fill out the appropriate form of their choice and must provide as much of the project information requested in the form as possible. The information will be reviewed by the Project Team using the screening process outlined during the June 6 meeting (see link below). Project proponents are expected to collect and assemble project-specific information for projects to be considered for inclusion in the Mojave Region IRWM Plan Update.

It is acceptable if not all of the blanks are filled in on either form but the proponent should try to complete as many as possible to allow the reviewers to make appropriate screening decisions in a timely manner.

Integration Highly Recommended

We highly recommend that those submitting new projects (or updating an existing IRWM Plan project) look for and review other projects in the Region to see if there are opportunities to team up and create an integrated and multipurpose project. Contact the Mojave website (www.mywaterplan.com) for help in finding other projects that may be complementary to or supportive of your project.

2013 IRWM Plan Update - Project Review Process

All projects to be included in the 2013 IRWM Plan Update will undergo review. The draft process for project review, and the draft scoring methodology to be used for all projects can be found in Meeting #3 (June 6, 2013) Handout 2 at www.mywaterplan.com/meetings.

Mojave Integrated Regional Water Management Plan

Project Identification - Short Form

Note: This two page project identification short form gathers the minimum amount of information required to submit a project for consideration in the IRWM Plan. More information may be required at a later date. This form should be submitted via email or mail BY **August 1, 2013** to comments@mywaterplan.com.

General Information (Required)					
Project Name:					
Project Sponsor:					
If Joint Project, Other Partners:					
Project Website (if available):					
Project Contact Person:	Phone	FAX	Email		
Project Description					
Project Type (e.g. Conceptual, Design, Feasibility Study, Implementable Project, Implementable Program)					
Project Description (1 -2 sentences):					
Project Integration (Describe how the project does or could integrate with other projects in the Region):					
Project Source (Cite Plan(s) to which the project belongs [e.g., Watershed Master Plans, Capital Improvement Plans]):					
Project Location					
Descriptive (Description of property location etc.):					
Latitude/Longitude - info available at: http://geocoder.us/	Lat:		Long:		
Estimated Capital Costs: (Note estimated cost, if known OR check rough estimate):					
Estimated Cost:	<\$100K <input type="checkbox"/>	\$100K - \$1M <input type="checkbox"/>	\$1M - \$10M <input type="checkbox"/>	>\$10M <input type="checkbox"/>	
Project Status (Check all that apply):	Conceptual <input type="checkbox"/>	In-Design <input type="checkbox"/>	Ready to Implement <input type="checkbox"/>	CEQA Complete <input type="checkbox"/>	N/A <input type="checkbox"/>
Estimated Year of Completion:					

Project Benefits			
Water Demand: <i>Water Savings/Demand Reduction (AFY)</i> (Check one)	<input type="checkbox"/>	1-100 AF	<input type="checkbox"/> 100-1000AF <input type="checkbox"/> 1000+ AF
Water Supply: <i>New Supply Created (AFY)</i> (Check one)	<input type="checkbox"/>	1-100 AF	<input type="checkbox"/> 100-1000AF <input type="checkbox"/> 1000+ AF
Recycled Water: <i>New RW Supply created (AFY)</i> (Check one)	<input type="checkbox"/>	1-100 AF	<input type="checkbox"/> 100-1000AF <input type="checkbox"/> 1000+ AF
Groundwater: <i>Reduction in overdraft/increase in recharge (AFY)</i> (Check one)	<input type="checkbox"/>	1-100 AF	<input type="checkbox"/> 100-1000AF <input type="checkbox"/> 1000+ AF
DACs Involvement	Y/N:		
Public Access, Open Space, Habitat, Recreation (<i>acres created/restored</i>):			
Stormwater: <i>Reduction in Flood Damage (Y/N):</i>			Multi-benefit Y/N:
Multi-stakeholder project/regional collaboration	Y/N:		
Climate Change: <i>Helps assess potential impacts (Y/N):</i>			
Environmental Stewardship/Public Awareness	Direct Benefits:		
Other: (<i>Describe X amount of benefit</i>)			
Project Criteria			
Please review the project against the IRWM Plan Objectives, Statewide Priorities, Program Preferences, and California Water Plan Resource Management Strategies and place a check in the box if the project meets the criteria.			
IRWM Plan Objectives Met			
Prim. Second.			
<input type="checkbox"/>	<input type="checkbox"/>	1. Balance average annual future water demands with available future supplies to ensure sustainability throughout the Region between now and the 2035 planning horizon and beyond.	
<input type="checkbox"/>	<input type="checkbox"/>	3. Maintain stability in previously overdrafted groundwater basins and reduce overdraft in groundwater basins experiencing ongoing water table declines.	
<input type="checkbox"/>	<input type="checkbox"/>	7. Provide support and assistance to Disadvantaged Communities and help facilitate projects and programs that benefit those communities.	
<input type="checkbox"/>	<input type="checkbox"/>	8. Protect and restore sensitive environmental areas in coordination with land use and conservation plans to support stewardship and awareness of environmental resources.	
<input type="checkbox"/>	<input type="checkbox"/>	9. Improve stormwater management throughout the Plan area.	
<input type="checkbox"/>	<input type="checkbox"/>	2. Continue improving regional water use efficiency by implementing a portfolio of conservation actions that are regionally cost-effective.	
<input type="checkbox"/>	<input type="checkbox"/>	10. Preserve local beneficial uses as it relates to water quality of water supplied by each source, including groundwater, stormwater, surface water, imported water, and recycled water.	
<input type="checkbox"/>	<input type="checkbox"/>	11. Obtain financial assistance from outside sources to help implement this Plan across a range of project sizes during the planning horizon.	
<input type="checkbox"/>	<input type="checkbox"/>	13. Identify and establish reliable funding sources to maintain, modernize and improve water infrastructure to ensure a high quality, resilient and reliable water supply.	
<input type="checkbox"/>	<input type="checkbox"/>	14. Increase the use of recycled water in the Region while maintaining compliance with the Mojave Basin Area Judgment.	
<input type="checkbox"/>	<input type="checkbox"/>	4. Address the State policy goal of reducing reliance on the Delta by meeting water demands with alternative sources of supply during times when State Water Project (SWP) supplies are reduced or unavailable due to droughts, outages, environmental and regulatory restrictions, or other reasons.	
<input type="checkbox"/>	<input type="checkbox"/>	5. Optimize the use of the Region's water related assets to maximize available supplies to meet projected demands while mitigating against risks. Water related assets to be optimized include financial resources, groundwater storage programs, available imported water supplies, transfer and exchange opportunities, available physical infrastructure, and management policies.	
<input type="checkbox"/>	<input type="checkbox"/>	12. Improve public awareness of water supply, conservation, water quality, and environmental stewardship challenges and opportunities throughout the planning horizon.	
<input type="checkbox"/>	<input type="checkbox"/>	6. Prevent land subsidence throughout the Region.	

Statewide Priorities	
<input type="checkbox"/>	Drought Preparedness
<input type="checkbox"/>	Use and Reuse Water More Efficiently
<input type="checkbox"/>	Climate Change Response Actions (Adaptation to Climate Change, Reduction of Greenhouse Gas Emissions, Reduce Energy Consumption)
<input type="checkbox"/>	Expand Environmental Stewardship
<input type="checkbox"/>	Practice Integrated Flood Management
<input type="checkbox"/>	Protect Surface and Groundwater Quality
<input type="checkbox"/>	Improve Tribal Water and Natural Resources
<input type="checkbox"/>	Ensure Equitable Distribution of Benefits
Program Preferences	
<input type="checkbox"/>	Include Regional Projects or Programs
<input type="checkbox"/>	Effectively Integrate Water Management Programs and Projects within a Hydrologic Region Identified in the CA Water Plan; the RWQCB Region or Subdivision; or Other Region or Sub-Region Specifically Identified by DWR
<input type="checkbox"/>	Effectively Resolve Significant Water-Related Conflicts within or between Regions
<input type="checkbox"/>	Contribute to Attainment of One or More of the Objectives of the CALFED Bay-Delta Program
<input type="checkbox"/>	Address Critical Water Supply or Water Quality Needs of Disadvantaged Communities within the Region
<input type="checkbox"/>	Effectively Integrate Water Management with Land Use Planning
CA Water Plan - Resource Management Strategies	
<input type="checkbox"/>	Agricultural Lands Stewardship
<input type="checkbox"/>	Agricultural Water Use Efficiency
<input type="checkbox"/>	Conjunctive Management and Groundwater Storage
<input type="checkbox"/>	Conveyance - Delta, Regional/Local
<input type="checkbox"/>	Desalination - Brackish & Seawater
<input type="checkbox"/>	Drinking Water Treatment and Distribution
<input type="checkbox"/>	Economic Incentives
<input type="checkbox"/>	Ecosystem Restoration
<input type="checkbox"/>	Flood Risk Management
<input type="checkbox"/>	Forest Management
<input type="checkbox"/>	Groundwater/Aquifer Remediation
<input type="checkbox"/>	Land Use Planning & Management
<input type="checkbox"/>	Matching Water Quality to Water Use
<input type="checkbox"/>	Pollution Prevention
<input type="checkbox"/>	Precipitation Enhancement
<input type="checkbox"/>	Recharge Areas Protection
<input type="checkbox"/>	Recycled Municipal Water
<input type="checkbox"/>	Salt & Salinity Management
<input type="checkbox"/>	Surface Storage - CALFED
<input type="checkbox"/>	Surface Storage - Regional/Local
<input type="checkbox"/>	System Reoperation
<input type="checkbox"/>	Urban Runoff Management
<input type="checkbox"/>	Urban Water Use Efficiency
<input type="checkbox"/>	Water Transfers
<input type="checkbox"/>	Water-Dependent Recreation
<input type="checkbox"/>	Watershed Management

Mojave Integrated Regional Water Management Plan

Project Identification – Long Form

To the extent possible this form should be electronically filled out and e-mailed BY **August 1, 2013** to comments@mywaterplan.com. Items denoted with an asterisk are required.

PART 1: LEAD IMPLEMENTING AGENCY/ORGANIZATIONAL INFORMATION

Please provide the following information regarding the project sponsor and proposed project.

Implementing Agency/ Organization / Individual: *

Agency / Organization / Individual Address:

Possible Partnering Agencies:

Name: *

Title:

Telephone: *

Fax:

Email: *

Website:

Project Name: *

Either the latitude/longitude or a location description is required. To determine the latitude/longitude, use the closest address or intersection. If the project is linear, use the furthest upstream latitude/longitude.

Project Latitude:

Project Longitude:

Location Description:	
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Project Cooperating Agency(ies)/Organization(s)/Individual(s):

•
•
•
•

Project Status (e.g., new, ongoing, expansion, new phase):

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Project Type (e.g., Conceptual, Design, Feasibility Study, Implementable Project, Implementable Program):

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PART 2: PROJECT NEED*

It is important to understand the need(s) or issue(s) that the proposed project will address and the benefits that it will provide. Information provided in this section defines the need(s) or issue(s) that the proposed project will address and will help to catalog existing need(s) or issue(s) in the Mojave IRWM Region.

Please provide a 1-2 paragraph description of the need(s) or problem(s) that the project will address. As applicable, discuss the water supply need, operational efficiency need, water quality need, or resource stewardship need (e.g. ecosystem restoration, floodplain management) need. Discuss critical impacts that will occur if the proposal is not implemented.

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PART 3: PROJECT DESCRIPTION*

A general description of the proposed project is needed. This section will provide information associated with the project concept, general project information, and readiness to proceed. It is recognized that much of the requested information may not be available for projects that are at a conceptual level of project development. We appreciate and need your ideas.

Please provide a 1-2 paragraph description of the project including the general project concept, what will be constructed/implemented, how the constructed project will function, and treatment methods, as appropriate.

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If applicable, list surface water bodies and groundwater basins associated with the proposed project:

•
•
•
•

Please identify up to three available documents which contain information specific to the proposed project and associated benefits (this information helps determine the technical justification and feasibility):

•
•
•

How do you rate the technical feasibility of the proposed project?

<input type="checkbox"/> High	The technical feasibility is well-documented and is based on similar successful projects and/or the project uses common and widely accepted technology/practices and/or the project includes or is based on pilot studies or similar results.
<input type="checkbox"/> Medium	The project does not use common or widely accepted technology/practices, but substantial documentation is available on proposed benefits and project success.
<input type="checkbox"/> Low	The project has not been done before and technical feasibility is not adequately documented.

PART 4: IRWM PLAN OBJECTIVES ADDRESSED BY PROJECT *

Describe how the project meets any of the following Mojave IRWM Plan Objectives:

Mojave IRWM Plan Objective	Contribution			Description
1. Balance average annual future water demands with available future supplies to ensure sustainability throughout the Region between now and the 2035 planning horizon and beyond.	<input type="checkbox"/> Primary	<input type="checkbox"/> Secondary	<input type="checkbox"/> NA	
3. Maintain stability in previously overdrafted groundwater basins and reduce overdraft in groundwater basins experiencing ongoing water table declines.	<input type="checkbox"/> Primary	<input type="checkbox"/> Secondary	<input type="checkbox"/> NA	
7. Provide support and assistance to Disadvantaged Communities and help facilitate projects and programs that benefit those communities.	<input type="checkbox"/> Primary	<input type="checkbox"/> Secondary	<input type="checkbox"/> NA	
8. Protect and restore sensitive environmental areas in coordination with land use and conservation plans to support stewardship and awareness of environmental resources.	<input type="checkbox"/> Primary	<input type="checkbox"/> Secondary	<input type="checkbox"/> NA	
9. Improve stormwater management throughout the Plan area.	<input type="checkbox"/> Primary	<input type="checkbox"/> Secondary	<input type="checkbox"/> NA	
2. Continue improving regional water use efficiency by implementing a portfolio of conservation actions that are regionally cost-effective.	<input type="checkbox"/> Primary	<input type="checkbox"/> Secondary	<input type="checkbox"/> NA	
10. Preserve local beneficial uses as it relates to water quality of water supplied by each source, including groundwater, stormwater, surface water, imported water, and recycled water.	<input type="checkbox"/> Primary	<input type="checkbox"/> Secondary	<input type="checkbox"/> NA	
11. Obtain financial assistance from outside sources to help implement this Plan across a range of project sizes during the planning horizon.	<input type="checkbox"/> Primary	<input type="checkbox"/> Secondary	<input type="checkbox"/> NA	

Mojave IRWM Plan Objective	Contribution			Description
13. Identify and establish reliable funding sources to maintain, modernize and improve water infrastructure to ensure a high quality, resilient and reliable water supply.	<input type="checkbox"/> Primary	<input type="checkbox"/> Secondary	<input type="checkbox"/> NA	
14. Increase the use of recycled water in the Region while maintaining compliance with the Mojave Basin Area Judgment.	<input type="checkbox"/> Primary	<input type="checkbox"/> Secondary	<input type="checkbox"/> NA	
4. Address the State policy goal of reducing reliance on the Delta by meeting water demands with alternative sources of supply during times when State Water Project (SWP) supplies are reduced or unavailable due to droughts, outages, environmental and regulatory restrictions, or other reasons.	<input type="checkbox"/> Primary	<input type="checkbox"/> Secondary	<input type="checkbox"/> NA	
5. Optimize the use of the Region's water related assets to maximize available supplies to meet projected demands while mitigating against risks. Water related assets to be optimized include financial resources, groundwater storage programs, available imported water supplies, transfer and exchange opportunities, available physical infrastructure, and management policies.	<input type="checkbox"/> Primary	<input type="checkbox"/> Secondary	<input type="checkbox"/> NA	
12. Improve public awareness of water supply, conservation, water quality, and environmental stewardship challenges and opportunities throughout the planning horizon.	<input type="checkbox"/> Primary	<input type="checkbox"/> Secondary	<input type="checkbox"/> NA	
6. Prevent land subsidence throughout the Region.	<input type="checkbox"/> Primary	<input type="checkbox"/> Secondary	<input type="checkbox"/> NA	

PART 5: RESOURCE MANAGEMENT STRATEGIES*

**Please indicate California Water Plan strategies addressed by the proposed project.
(Check all that apply)**

Reduce Water Demands			
<input type="checkbox"/> Primary	<input type="checkbox"/> Secondary	<input type="checkbox"/> NA	Agricultural Water Use Efficiency
<input type="checkbox"/> Primary	<input type="checkbox"/> Secondary	<input type="checkbox"/> NA	Urban Water Use Efficiency
Improve Operational Efficiency and Transfers			
<input type="checkbox"/> Primary	<input type="checkbox"/> Secondary	<input type="checkbox"/> NA	Conveyance – Delta, Regional/Local
<input type="checkbox"/> Primary	<input type="checkbox"/> Secondary	<input type="checkbox"/> NA	System Reoperation
<input type="checkbox"/> Primary	<input type="checkbox"/> Secondary	<input type="checkbox"/> NA	Water Transfers
<input type="checkbox"/> Primary	<input type="checkbox"/> Secondary	<input type="checkbox"/> NA	Other (Please State): _____
Increase Water Supply			
<input type="checkbox"/> Primary	<input type="checkbox"/> Secondary	<input type="checkbox"/> NA	Conjunctive Management and Groundwater Storage
<input type="checkbox"/> Primary	<input type="checkbox"/> Secondary	<input type="checkbox"/> NA	Desalination – Brackish/Seawater
<input type="checkbox"/> Primary	<input type="checkbox"/> Secondary	<input type="checkbox"/> NA	Precipitation Enhancement
<input type="checkbox"/> Primary	<input type="checkbox"/> Secondary	<input type="checkbox"/> NA	Recycled Municipal Water
<input type="checkbox"/> Primary	<input type="checkbox"/> Secondary	<input type="checkbox"/> NA	Surface Storage – CALFED or Regional/Local
<input type="checkbox"/> Primary	<input type="checkbox"/> Secondary	<input type="checkbox"/> NA	Other (Please State): _____
Improve Water Quality			
<input type="checkbox"/> Primary	<input type="checkbox"/> Secondary	<input type="checkbox"/> NA	Drinking Water Treatment and Distribution
<input type="checkbox"/> Primary	<input type="checkbox"/> Secondary	<input type="checkbox"/> NA	Groundwater/Aquifer Remediation
<input type="checkbox"/> Primary	<input type="checkbox"/> Secondary	<input type="checkbox"/> NA	Matching Quality to Use
<input type="checkbox"/> Primary	<input type="checkbox"/> Secondary	<input type="checkbox"/> NA	Pollution Prevention
<input type="checkbox"/> Primary	<input type="checkbox"/> Secondary	<input type="checkbox"/> NA	Salt and Salinity Management
<input type="checkbox"/> Primary	<input type="checkbox"/> Secondary	<input type="checkbox"/> NA	Urban Runoff Management
<input type="checkbox"/> Primary	<input type="checkbox"/> Secondary	<input type="checkbox"/> NA	Other (Please State) _____

Practice Resource Stewardship			
<input type="checkbox"/> Primary	<input type="checkbox"/> Secondary	<input type="checkbox"/> NA	Agricultural Lands Stewardship
<input type="checkbox"/> Primary	<input type="checkbox"/> Secondary	<input type="checkbox"/> NA	Economic Incentives (loans, grants, water pricing)
<input type="checkbox"/> Primary	<input type="checkbox"/> Secondary	<input type="checkbox"/> NA	Ecosystem Restoration
<input type="checkbox"/> Primary	<input type="checkbox"/> Secondary	<input type="checkbox"/> NA	Forest Management
<input type="checkbox"/> Primary	<input type="checkbox"/> Secondary	<input type="checkbox"/> NA	Land Use Planning and Management
<input type="checkbox"/> Primary	<input type="checkbox"/> Secondary	<input type="checkbox"/> NA	Recharge Areas Protection
<input type="checkbox"/> Primary	<input type="checkbox"/> Secondary	<input type="checkbox"/> NA	Water-Dependent Recreation
<input type="checkbox"/> Primary	<input type="checkbox"/> Secondary	<input type="checkbox"/> NA	Watershed Management
<input type="checkbox"/> Primary	<input type="checkbox"/> Secondary	<input type="checkbox"/> NA	Other (Please State): _____
Improve Flood Risk Management			
<input type="checkbox"/> Primary	<input type="checkbox"/> Secondary	<input type="checkbox"/> NA	Flood Risk Management
Other Strategies			
<input type="checkbox"/> Primary	<input type="checkbox"/> Secondary	<input type="checkbox"/> NA	Please State: _____

Is the proposed project an element or phase of a regional or larger program?	<input type="checkbox"/> Yes <input type="checkbox"/> No
If yes, please identify the program	_____

PART 6: PROJECT READINESS*

Item	Status (e.g., not initiated, in process, complete, N/A)	Expected Completion Date
Conceptual Plans	_____	_____ (mm/dd/yyyy)
Feasibility Study	_____	_____ (mm/dd/yyyy)
Preliminary Design and Cost Estimates	_____	_____ (mm/dd/yyyy)
CEQA/NEPA	_____	_____ (mm/dd/yyyy)
Permits	_____	_____ (mm/dd/yyyy)
Construction Drawings	_____	_____ (mm/dd/yyyy)
Funding	_____	_____ (mm/dd/yyyy)

For projects that do not include construction, please briefly describe the project's readiness-to proceed.

Have funding sources been identified for implementation of the project? Please provide a brief explanation.

PART 7: PROJECT BENEFITS*

Please provide a 1-2 paragraph description of the benefit(s) that the project will address. Information provided will be used in the assessment of project benefits. Quantify benefits to the extent possible (e.g., project will result in x acre-feet of water savings, project will benefit x acres of habitat)

<p>Does the project address environmental justice issues (including helping reduce inequitable distribution of environmental burdens and access to environmental goods)?</p> <p> <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Sure </p>
<p>Does the project address critical water issues (including water supply or water quality) of a disadvantaged community?</p> <p> <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Sure </p>
<p>Does the project provide specific benefits to critical water issues for Native American tribal communities?</p> <p> <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Sure </p> <p>If yes, please identify the tribal community: _____</p>

Please indicate to what extent your project contributes to Climate Change Response Actions.

Adaptation to Climate Change	
<input type="checkbox"/>	Increases Water Supply Reliability
<input type="checkbox"/>	Advances/ Expands Conjunctive Management of Multiple Water Supply Sources
<input type="checkbox"/>	Increases Water Use and/or Reuse Efficiency
<input type="checkbox"/>	Provides Additional Water Supply
<input type="checkbox"/>	Promotes Water Quality Protection
<input type="checkbox"/>	Reduces Water Demand
<input type="checkbox"/>	Advances/Expands Water Recycling
<input type="checkbox"/>	Promotes Urban Runoff Reuse
<input type="checkbox"/>	Addresses Sea Level Rise
<input type="checkbox"/>	Addresses other Anticipated Climate Change Impact (e.g. through water management system modifications) Please State:
<input type="checkbox"/>	Improves Flood Control (e.g. through wetlands restoration, management, protection)
<input type="checkbox"/>	Promotes Habitat Protection
	<input type="checkbox"/> Establishes Migration Corridors
	<input type="checkbox"/> Re-establishes River-Floodplain Hydrologic Continuity
	<input type="checkbox"/> Re-introduces Anadromous Fish Populations to Upper Watersheds
	<input type="checkbox"/> Enhances and Protects Upper Watershed Forests and Meadow Systems
	<input type="checkbox"/> Other (Please State):
<input type="checkbox"/>	Other (Please State):_____
Reduces Greenhouse Gas Emissions and/or Energy Consumption	
<input type="checkbox"/>	Promotes Energy-Efficient Water Demand Reduction or Increases Water Use Efficiency
<input type="checkbox"/>	Improves Water System Energy Efficiency
<input type="checkbox"/>	Advances/Expands Water Recycling
<input type="checkbox"/>	Promotes Urban Runoff Reuse that Leads to Reduced Energy Demand
<input type="checkbox"/>	Promotes Use of Renewable Energy Sources
<input type="checkbox"/>	Contributes to Carbon Sequestration (e.g. through vegetation growth)
<input type="checkbox"/>	Other (Please State):

PART 8: PROJECT COST ESTIMATE

Project cost information is needed to assist in comparing benefits and costs. Additionally, knowledge of the project type and cost will assist in identifying funding sources for potential projects.

Please indicate the estimated total capital cost for project implementation. These costs include land purchase/easement, planning/design/engineering, construction/implementation, environmental compliance, administration, and contingency.

Lower estimated total capital cost (\$): _____

Upper estimated total capital cost (\$): _____

Of the total capital cost, please indicate the estimated cost for land purchase / easement (\$):

Annual Operation and Maintenance Cost (\$): _____

Design Life of Project (years): _____

Economic Feasibility

Is the project cost-effective?		
<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> Not Sure
Does the project have a positive benefit-cost ratio?		
<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> Not Sure



Project Finance Questionnaire

For Projects Included in the Mojave Integrated Regional Water Management (IRWM) Plan

Please provide answers to the following questions based on your best available information. If you cannot answer any of the questions, please indicate that on the form. We expect completed forms for each project shown in Tier 1. We request completed forms for all other projects. If you have questions regarding this form please contact Kathy Cortner at (760) 946-7054 or via email at kcortner@mojavewater.org.

1. Project Name & Mojave IRWM Plan Project Number:	Estimated Capital Cost for Project (in 2014 Dollars):	
2. Anticipated Project Begin and Completion Date	Begin: Complete:	
3. If project implementation has begun, please describe where you are in the process:		
4. Please provide a brief description of your agency/organization and how it is funded. If this is a joint project, please provide a description for each organization providing funding. This description is meant to provide an overview of how project costs can be paid, including capital and O&M:		
5. If a joint project, describe how the project costs are planned to be split among the participants:	List for Each Participant:	
	Participant	Amount
6. List the local funding sources for the project by each project sponsor and dollar amount of those funds. If one or more of the sources include grant funds, please indicate they are grants and describe their source.	Sponsor: Source 1 Source 2 Source 3 Sponsor: Source 1 Source 2 Source 3	

Mojave Water Agency

Apple Valley, California



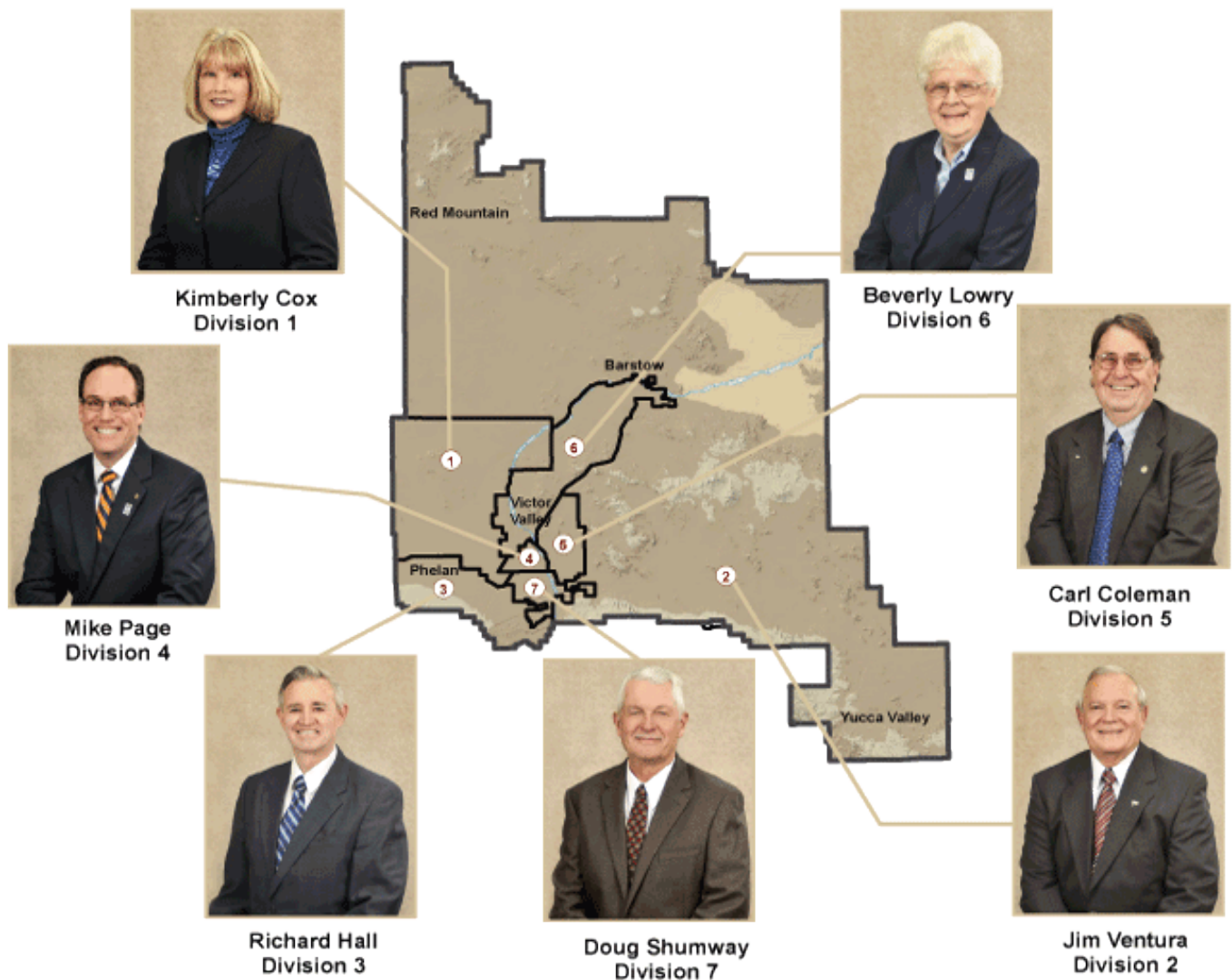
Comprehensive Annual Financial Report

For the Fiscal Years Ended June 30, 2014 and 2013

Together, we're securing water for today and tomorrow...



Mojave Water Agency Board of Directors



Mojave Water Agency
Kirby Brill, General Manager
13846 Conference Center Drive
Apple Valley, California 92307
www.mojavewater.org
760-946-7000

Mojave Water Agency
Comprehensive Annual Financial Report
For the Fiscal Years Ended June 30, 2014 and 2013

MOJAVE WATER AGENCY
13846 Conference Center Drive
Apple Valley, California 92307

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Kathy Cortner, Chief Financial Officer
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Mojave Water Agency
Comprehensive Annual Financial Report
For the Fiscal Years Ended June 30, 2014 and 2013

Table of Contents

	<u>Page No.</u>
Table of Contents	i
Introductory Section	
Letter of Transmittal	1-6
Organizational Chart	7
GFOA’s Certificate of Achievement for Excellence in Financial Reporting	8
Financial Section	
Independent Auditor’s Report	9-10
Management’s Discussion and Analysis	11-15
Basic Financial Statements:	
Statements of Net Position	16-17
Statements of Revenues, Expenses and Changes in Net Position	18
Statements of Cash Flows	19-20
Notes to the Basic Financial Statements	21-44
Required Supplementary Information:	
Schedule of Funding Status	45-46
Statistical Information Section	
Statistical Section – Table of Contents	47
Net Position by Component – Last Ten Fiscal Years	48
Changes in Net Position – Last Ten Fiscal Years	49
Tax Revenues by Source – Last Ten Fiscal Years	50
Property Tax Rates – Last Ten Fiscal years	51
Principal Property Taxpayers	52
Property Tax Assessed Valuations, Levies and Collections – Last Ten Fiscal Years	53-56
Ratios of Outstanding Debt by Type – Last Ten Fiscal Years	57
Ratios of General Obligated Debt Outstanding – Last Ten Fiscal Years	58
Legal Debt Margin Information – Last Ten Fiscal Years	59
Pledged-Revenue Coverage – Last Ten Fiscal Years	60-63
Demographic and Economic Statistics – Last Ten Fiscal Years	64-65
Demographic and Economic Statistics – Principal Employers – Current Year	66
Operating and Capacity Indicators – Full-Time Employees – Last Ten Fiscal Years	67
Operating and Capacity Indicators – Acre Feet of Water Sold – Last Ten Fiscal Years	68
Operating and Capacity Indicators – Capital Assets Statistics – Last Ten Fiscal Years	69
Report on Internal Controls and Compliance	
Independent Auditor’s Report on Internal Control Over Financial Reporting And on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	70-71

Introductory Section



October 31, 2014

To the Members of the Board of Directors and the Citizens and Agencies of the Mojave Water Agency:

We are pleased to provide you with the Comprehensive Annual Financial Report (CAFR) for the Mojave Water Agency (MWA) for the fiscal year ended June 30, 2014. The intended purpose of the financial report is to provide the Board of Directors, the customers of the Agency, and other interested parties with reliable information on the finances of the Agency. Management assumes full responsibility for the completeness and reliability of all of the information presented in this report. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Agency's financial statements have been audited by Charles Z. Fedak & Company, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Agency for the fiscal year ended June 30, 2014, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified ("clean") opinion that the Agency's financial statements for the fiscal year ended June 30, 2014 are fairly presented in conformity with Generally Accepted Accounting Principles (GAAP). The independent auditor's report is presented as the first component of the financial section of this report.

GASB requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). The Agency's MD&A can be found immediately following the report of the independent auditors in the financial section of this report.

In addition to the required components of the Financial Report, the Agency has elected to prepare this Comprehensive Annual Financial Report which includes supplementary information in this Letter of Transmittal and the Statistical Section. The Letter of Transmittal is intended to discuss the Agency's future direction and accomplishments. It is designed to complement the MD&A and should be read in conjunction with it. The Statistical Section includes various financial trends and demographic information.

AGENCY OVERVIEW

The Mojave Water Agency is a public agency that is one of twenty-nine State Water Project contracting agencies and is governed by a seven (7) member elected Board of Directors. The Agency is governed by a seven-member board of directors (the "Board of Directors"), the members of which are elected to four-year terms from geographical divisions by the registered voters residing in each division of the Agency. Day-to-day management of the MWA is delegated to the General Manager who reports directly to the Board of Directors.

Mojave Water Agency is a groundwater management and wholesale water agency that was formed by popular vote in 1960, when residents, concerned about the overdraft of the region's aquifers, agreed to become part of the State Water Project (SWP) and secure a source of supplemental water for the region. Section 1.5 of the Mojave Water Agency Law states that:

“...the purpose of the agency shall be to do any and every act necessary to be done so that sufficient water may be available for any present or future beneficial use of the land and inhabitants of the agency...”

The Agency's adopted mission, which is very similar, reads: *“to manage the region's water resources for the common benefit to assure stability in the sustained use by the citizens we serve.”*

However, in recent years California's water suppliers, including MWA, are facing significant challenges in meeting demands. Several factors are influencing the difficulty in meeting water demands:

- A federal court ruling cut water supplies from the state's two largest water delivery systems by up to one third to protect the endangered Delta Smelt fish —potentially the largest court-ordered water supply reduction in California history.
- California's population continues to increase, thereby placing additional demands on the state's water supplies and infrastructure.
- Many parts of the state are facing drought conditions, with low allocations of water in 2014 that is anticipated to continue into 2015; climate change is dramatically reducing our mountain snow pack—a critical source of natural water storage.
- The Sacramento-San Joaquin River Delta, the single most important link in California's water supply system, faces an ecological crisis that threatens people as well as the environment. Its 1,100 miles of aging levees are on the brink of collapse and susceptible to failure should a major earthquake occur.

In addition to these challenges, and perhaps in response to some of these emerging pressures, laws and regulations have been evolving that have changed the paradigm relating to land use and water supply. This paradigm shift has put greater pressure on water agencies to better plan, prepare and demonstrate the availability of water for the citizens served not only now but into the future. This has created a greater reliance on water agency planning documents that land use regulators such as cities and counties are now required to use in their decision-making processes. Water supply documentation used in this manner can now have a significant impact on future projects, jobs, and overall economic stability in some regions. Examples of recent legislation and regulations effecting economic decisions are:

- The passage of SB610 and SB221 put a greater burden on water agencies and land use authorities to demonstrate the availability of water prior to major construction projects taking place.
- State regulations requiring Urban Water Management Plans aimed at demonstrating future demand and supplies available
- Integrated Regional Water Management Planning required for Proposition 84 grant funding, as well as providing the framework of projects necessary to meet future demands.
- 2009 SB X7 legislation creating co-equal goals in managing the Delta, the major transportation hub of water in California
- 2014 groundwater legislation putting greater emphasis on land use planning and local groundwater pumping/water availability

Mojave Water Agency is Court Appointed Watermaster

Triggered by the rapid growth within the Mojave Water Agency service area, particularly in the Victor Valley area, the City of Barstow and the Southern California Water Company filed a complaint in 1990 against upstream water users claiming that the increased withdrawals and lowering of groundwater levels reduced the amount of natural water available to downstream users. Through an adjudication process, the resulting judgment appointed the Mojave Water Agency the court appointed Watermaster for the Mojave Basin.

For purposes of defining and implementing a physical solution, the Mojave Basin Area consists of five distinct but hydrologically interrelated "Subareas". Each Subarea was found to be in overdraft to some extent due to the use of water by all of the producers in that Subarea. In addition, some Subareas were found to historically have received at least a part of their natural water supply as water flowing to them from upstream Subareas, either on the surface or as subsurface flow. To maintain that historical relationship, the average annual obligation of any Subarea to another is set equal to the estimated average annual natural flow (excluding storm flow) between the Subareas over the 60 year period 1930-31 through 1989-90. If the Subarea obligation is not met, producers of water in the upstream Subarea must provide Makeup Water to the downstream Subarea.

To maintain proper water balances within each Subarea, the Judgment establishes a decreasing Free Production Allowance ("FPA") in each Subarea during the first five years, and provides for the Court to review and adjust, as appropriate, the FPA for each Subarea annually thereafter. The FPA is allocated among the Producers in the Subarea based on each Producer's percentage share of the FPA. All water produced in excess of any Producer's share of the FPA must be replaced by the Producer, either by payment to the Watermaster of funds sufficient to purchase Replacement Water, or by transfer of unused FPA from another Producer. The MWA imports water from the State Water Project system to replace the replacement obligation amounts within each sub-area.

Land and Land Use

The Agency's boundaries include approximately 4,900 square miles of land and include small and medium-size communities and large areas of undeveloped land characteristic of California's high desert, including tracts owned by the Federal government which are not subject to taxation. The Agency is located in the south-central Mojave Desert in southern California and includes within its boundaries much of eastern San Bernardino County, including the incorporated communities of Barstow in the center, Adelanto, Apple Valley, Hesperia, and Victorville in the southwest, and Yucca Valley in the southeast. Unincorporated communities include Phelan, Baldy Mesa, Mountain View Acres, El Mirage, Oro Grande, Helendale, Lenwood, Hinkley, Harper Lake, Daggett, Yermo, Lucerne Valley, Johnson Valley, Red Mountain, Landers, Joshua Tree, and Newberry Springs.

Budget

Each year the MWA adopts its budget prior to the beginning of the fiscal year. The budget serves as a management tool intended to aid in the planning efforts of the Agency and to serve as a control in expenditures to ensure the fiscal health and financial future of the agency. To aid in the management of the budget, certain "rules" or "controls" have been established that require appropriate levels of approval on the expenditure of Agency funds as well as reporting requirements of financial information to the Board and the public.

Once the budget is approved, financial statements are issued to report the results of operations which include the budget amounts to measure the performance, efficiency, and planning. This report is provided to both the Personnel, Finance & Security Committee of the Board on a monthly basis as well as to the full Board on a quarterly basis and provides a check and balance of the expenditure of public funds.

LOCAL ECONOMY

When the voters approved the formation of the MWA, they also approved a tax that would be required to make payments to the State for the State Water Project system. As such, the MWA receives over 70% of its revenues from property taxes. Recent years have seen an annual average growth in property taxes of over 20% per year. However, in 2007 the market took a down turn in response to sub-prime loans provided to under qualified buyers. This has resulted in large amounts of foreclosures and a decline in the median home price in the MWA region of over 30% and has caused the County Assessor to revalue homes that were purchased at the height of the housing boom. Since the height of the market, MWA has lost 28% of its total assessed value. Last year the Agency hired HdL Companies and Beacon Economics to provide a forecast of property tax revenues and to estimate when the Agency might start to see an increase in values.

Projections by HDL and Beacon Economics bode well for the area's local economy with both firms anticipating continued growth in assessed valuation. HDL Companies report an active real estate market. California foreclosure rates dipped to a four-year low in the 4th quarter of 2013. Homes sale prices from 2012 to 2013 increased among the incorporated cities in the MWA region on average by 21.8%. Beacon Economics estimates a 3 to 3.5% increase in 2014-2015 and expects that trend to continue beyond 2015 with a trend of 4.5% growth for the long-term. Among the indicators are employment growth, increased consumer spending, new construction activity, and a growing labor market.

The improving economic climate and potential water market opportunities come at a critical time as the Agency plans to address future challenges including undetermined future costs associated with the Bay Delta Conservation Plan and policy discussions aimed at reducing reliance on the Delta, as well as increasing costs for aging statewide State Water Project infrastructure requiring more maintenance and full replacement. Additionally, new projects and programs resulting from the update of the Integrated Regional Water Management Plan will also require new funding sources.

While emerging state water policy and programs will dramatically affect MWA and all State Water Contractors, the Agency is positioned to respond to a variety of scenarios. We enjoy this position as a result of fiscally responsible investments and sound financial projections. Moreover, policy decisions made by the Board of Directors to strategically invest in infrastructure, groundwater banking and conservation have resulted in region-wide resource management efficiencies reducing demand, as well as per capita consumption, and ensuring water supply reliability.

LONG-TERM FINANCIAL PLANNING

The 2014-2015 Fiscal Year Budget totals \$41 million with a projected reserve balance of \$55.5 million, enabling the Agency to complete capital projects identified under the 2004 IRWMP and begin preparation for projects currently identified in the ongoing 2014 IRWMP effort. Among the budgeted capital projects are expansion of R³, Lenwood Recharge Refurbishment, Oro Grande Recharge, and the Helendale Outlet project.

As the Agency endeavors to capture new emerging opportunities, a number of programs and initiatives are included in the FY 2014-2015 budget to accomplish this. These programs and initiatives include: a SCADA Upgrade for the Morongo Basin Pipeline and the Mojave River Pipeline, River Land Acquisition for future recharge sites along the Mojave River, feasibility study of the Alto Regional Aquifer for off river recharge, feasibility study for the Reoperation of Forks Dam/Groundwater Recharge Supply, Baja Sustainability Water Purchase Program, Cash for Grass Commercial Program, and funding for small water systems support for disadvantaged communities.

Looking to the future, the Agency continues to face a number of undetermined future costs related to the Bay Delta Conservation Plan, the Water Bond, and contract negotiations with the Department of Water Resources. Current drought conditions have heightened water policy discussions on state regulation of groundwater supplies that will dramatically affect our region.

This brings opportunity to tell MWA's story of groundwater management success, help develop statewide sustainable groundwater management policies, and redefine "reduced reliance on the Sacramento Delta." In response to these challenges, the Agency has engaged in discussions to further allow flexibility in how it uses its annual Table A allotment to aid other agencies statewide that have annual reliance while at the same time help the Agency to build reserves in anticipation of upcoming challenges. In 2014, the Agency was able to add \$16 million to its reserves as a part of this initiative.

The task before us will require a shift from our current operating model that has focused heavily on needed capital investment. Now, the Agency must adopt practices to achieve greater flexibility to quickly respond to evolving state policies and opportunities that this changing environment brings. However, we stand ready with a new financial model that calculates various hydrological and financial conditions, a growing science data base, and greater community collaboration and integrated planning that will produce more innovative solutions and new partnerships.

RELEVANT FINANCIAL POLICIES

The Agency maintains a policy on debt management and on the minimum cash reserve balance that should be maintained. During the budget process, a five year Cash Flow Risk Model is prepared to ensure the affordability of the major initiatives that will be started during the upcoming year and will have financial impacts or implications over the next five years.

The Agency's Cash Flow Risk Model allows the Agency to be proactive in identifying potential future financial risks and take corrective action in advance. Complimenting this model is a list of potential risk mitigation measures the Agency has available that allows the Agency to maintain a stable and sustainable financial position now and into the future. Risk mitigation measures that have been implemented and are included in this budget is a water exchange program, allowing the Agency to receive as much water as possible at a much lower price and reduced departmental initiatives and expenditures, to name just a couple.

MAJOR INITIATIVES

California's ongoing drought brings both great challenge and opportunity to address needed change to statewide water policy including water sales and groundwater management. The region's ability to withstand the drought is the result of a more than decade of Board policies that reflect sound fiscal investment in recharge capability and the build-up of groundwater storage, integrated planning, collaboration, aggressive conservation, science-based decision making, and efficient use of State Water Project (SWP) resources. Collectively, these actions have served to drought proof and position the region to more effectively leverage resources, despite a five percent allocation from the SWP. The Fiscal Year 2014-2015 Budget builds on MWA's strong foundation, implementing initiatives designed to ensure continued regional sustainability, and positions the Agency to further evolve its procedures and processes to fully capture emerging opportunities in the state's shifting water paradigm.

Last year, the Agency began 2013-2014 with a balanced budget and healthy reserves totaling some \$36 million. Key milestones include the startup of the Regional Recharge and Recovery project (R³), preliminary development of a Baja Sustainability Plan, continued progress of the Integrated Regional Water Management Plan and Salt Nutrient Management Plan, completion of the Ames/Reche Basin Recharge Project, continued success of the Cash for Grass program resulting in the cumulative removal of some 6.2 million square feet of turf, conversion of new financial software, and initiation of a new financial model for the organization. The 2014-2015 Fiscal Year Budget totals \$41 million with a projected reserve balance of \$55.5 million, enabling the Agency to complete capital projects identified under the 2004 IRWMP and begin preparation for projects currently identified in the ongoing 2014 IRWMP effort. Among the budgeted capital projects are expansion of R³, Lenwood Recharge Refurbishment, Oro Grande Recharge, and the Helendale Outlet project.

ACKNOWLEDGEMENTS

The Agency was awarded the Government Finance Officers Association of the United States and Canada's (GFOA) *Certificate of Achievement for Excellence in Financial Reporting* for its Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2013. To be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR. The report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. We believe that this CAFR meets the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for 2014.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the finance department. We wish to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the Board of Directors for their continued support for maintaining the highest standards of professionalism in the management of the Mojave Water Agency's finances.

Respectfully submitted,

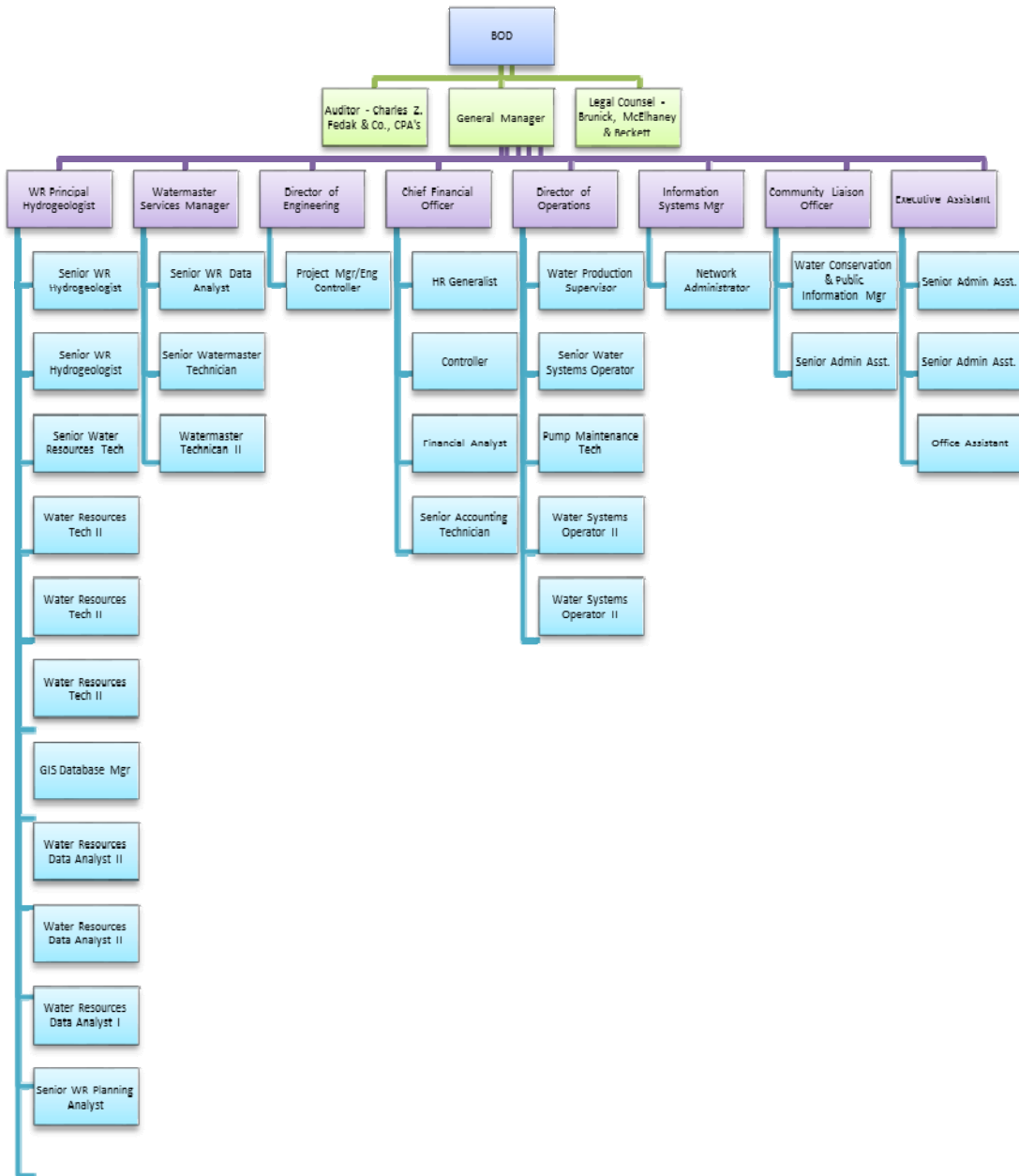


Kirby Brill
General Manager



Kathy Cortner
Chief Financial Officer

MOJAVE WATER AGENCY ORGANIZATIONAL CHART





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

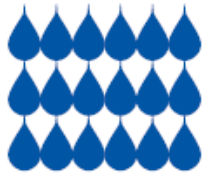
**Mojave Water Agency
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

Financial Section



Charles Z. Fedak, CPA, MBA
Paul J. Kaymark, CPA
Christopher J. Brown, CPA

Charles Z. Fedak & Company

Certified Public Accountants
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Independent Auditor's Report

Board of Directors
Mojave Water Agency
Apple Valley, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Mojave Water Agency (Agency), which comprises the statements of net position as of June 30, 2014 and 2013, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Mojave Water Agency as of June 30, 2014 and 2013, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Independent Auditor's Report, continued

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 11 through 15 and the required supplementary information on pages 45 and 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 Matters

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements as a whole. The introductory section on pages 1 through 8 and the statistical section on pages 47 through 69 are presented for purposes of additional analysis and are not required parts of the basic financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued a report dated October 31, 2014 on our consideration of the Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Agency's internal control over financial reporting and compliance. This report can be found on pages 70 and 71.

Charles Z. Fedak & Company, CPAs - An Accountancy Corporation

Cypress, California

October 31, 2014

Mojave Water Agency
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2014 and 2013

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Mojave Water Agency (Agency) provides an introduction to the financial statements of the Agency for the fiscal year ended June 30, 2014 and 2013. The two year presentation is provided for comparative purposes. We encourage readers to consider the information presented here in conjunction with the transmittal letter in the Introductory Section and with the basic financial statements and related notes, which follow this section.

Financial Highlights

- In 2014, the Agency's net position increased 3.7% or \$14,253,132 to \$399,062,229. In 2013, the Agency's net position increased 2.1% or \$7,940,152 to \$384,809,097.
- In 2014, the Agency's total revenues increased 36.4% or \$14,645,742 due primarily to the State Water Project Table A water sale of \$16,426,784. In 2013, the Agency's total revenues increased 6.1% or \$2,313,508 due primarily to an increase in water sales and services and watermaster assessments of \$1,855,432 and an increase in non-operating revenue of \$458,076.
- In 2014, the Agency's total expenses increased 11.4% or \$4,247,282 due primarily to an operating cost increase of \$1,844,726 and a depreciation expense increase of \$3,980,053. In 2013, the Agency's total expenses decreased 0.2% or \$89,790 due primarily to decreases in non-operating expenses of \$1,633,241.

Required Financial Statements

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 Agency using accounting methods similar to those used by private sector companies.

The Statement of Net Position includes all of the Agency's investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing a rate of return, evaluating the capital structure of the Agency and assessing the liquidity and financial flexibility of the Agency. 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 Agency's operations over the past year and can be used to determine if the Agency 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 Agency'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.

Financial Analysis of the Agency

One of the most important questions asked about the Agency's finances is, "Is the Agency 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 Agency in a way that helps answer this question.

These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting 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.

Mojave Water Agency
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2014 and 2013

These two statements report the Agency's *net position* and changes in them. You can think of the Agency's net position – the difference between assets and liabilities – as one way to measure the Agency's financial health, or *financial position*. Over time, *increases or decreases* in the Agency'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 provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Statement of Net Position

Condensed Statements of Net Position					
	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>2012</u>	<u>Change</u>
Assets:					
Current assets	\$ 67,436,002	45,905,364	21,530,638	44,090,617	1,814,747
Non-current assets	37,996,234	43,366,262	(5,370,028)	46,268,930	(2,902,668)
Capital assets, net	<u>375,573,106</u>	<u>383,974,300</u>	<u>(8,401,194)</u>	<u>383,232,298</u>	<u>742,002</u>
Total assets	<u>481,005,342</u>	<u>473,245,926</u>	<u>7,759,416</u>	<u>473,591,845</u>	<u>(345,919)</u>
Deferred outflows of resources	<u>4,495,633</u>	<u>4,777,398</u>	<u>(281,765)</u>	<u>5,286,080</u>	<u>(508,682)</u>
Total assets and deferred outflows of resources	<u>485,500,975</u>	<u>478,023,324</u>	<u>7,477,651</u>	<u>478,877,925</u>	<u>(854,601)</u>
Liabilities:					
Current liabilities	14,819,258	15,732,025	(912,767)	17,210,520	(1,478,495)
Non-current liabilities	<u>71,619,488</u>	<u>77,482,202</u>	<u>(5,862,714)</u>	<u>84,798,460</u>	<u>(7,316,258)</u>
Total liabilities	<u>86,438,746</u>	<u>93,214,227</u>	<u>(6,775,481)</u>	<u>102,008,980</u>	<u>(8,794,753)</u>
Net position:					
Net investment in capital assets	324,331,059	330,581,016	(6,249,957)	327,577,444	3,003,572
Restricted	37,903,477	35,027,862	2,875,615	31,738,559	3,289,303
Unrestricted	<u>36,827,693</u>	<u>19,200,219</u>	<u>17,627,474</u>	<u>17,552,942</u>	<u>1,647,277</u>
Total net position	<u>399,062,229</u>	<u>384,809,097</u>	<u>14,253,132</u>	<u>376,868,945</u>	<u>7,940,152</u>
Total liabilities and net position	<u>\$ 485,500,975</u>	<u>478,023,324</u>	<u>7,477,651</u>	<u>478,877,925</u>	<u>(854,601)</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Agency, assets of the Agency exceeded liabilities by \$399,062,229 and \$384,809,097 as of June 30, 2014 and June 30, 2013, respectively.

By far the largest portion of the Agency's net position (81% and 86% as of June 30, 2014 and 2013, respectively) reflects the Agency's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The Agency uses these capital assets to provide services to customers within the Agency's service area; consequently, these assets are not available for future spending.

At the end of fiscal years 2014 and 2013, the Agency showed a positive balance in its unrestricted net position of \$36,827,693 and \$19,200,219, respectively, which may be utilized in future years. See notes 12 and 13 for further discussion.

Mojave Water Agency
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2014 and 2013

Statement of Revenues, Expenses and Changes in Net Position

Condensed Statements of Revenues, Expenses and Changes in Net Position

	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>2012</u>	<u>Change</u>
Revenue:					
Operating revenue	\$ 23,208,005	8,347,095	14,860,910	6,491,663	1,855,432
Non-operating revenue	31,712,595	31,927,763	(215,168)	31,469,687	458,076
Total revenue	<u>54,920,600</u>	<u>40,274,858</u>	<u>14,645,742</u>	<u>37,961,350</u>	<u>2,313,508</u>
Expense:					
Operating expense	20,530,663	19,759,739	770,924	19,139,096	620,643
Depreciation and amortization	15,619,566	11,639,513	3,980,053	10,716,705	922,808
Non-operating expense	5,428,463	5,932,158	(503,695)	7,565,399	(1,633,241)
Total expense	<u>41,578,692</u>	<u>37,331,410</u>	<u>4,247,282</u>	<u>37,421,200</u>	<u>(89,790)</u>
Net income before capital	<u>13,341,908</u>	<u>2,943,448</u>	<u>10,398,460</u>	<u>540,150</u>	<u>2,403,298</u>
Capital contributions	911,224	4,996,704	(4,085,480)	15,987,261	(10,990,557)
Change in net assets	<u>14,253,132</u>	<u>7,940,152</u>	<u>6,312,980</u>	<u>16,527,411</u>	<u>(8,587,259)</u>
Net position, beg. of year	<u>384,809,097</u>	<u>376,868,945</u>	<u>7,940,152</u>	<u>360,341,534</u>	<u>16,527,411</u>
Net position, end of year	<u>\$ 399,062,229</u>	<u>384,809,097</u>	<u>14,253,132</u>	<u>376,868,945</u>	<u>7,940,152</u>

The statement of revenues, expenses and changes of net position shows how the Agency's net position changed during the fiscal years. In the case of the Agency, net position increased by \$14,253,132 and \$7,940,152 for the fiscal years ended June 30, 2014 and 2013, respectively.

A closer examination of the sources of changes in net assets reveals that:

In 2014, the Agency's total revenues increased 36.4% or \$14,645,742 due primarily to the State Water Project Table A water sale of \$16,426,784. In 2013, the Agency's total revenues increased 6.1% or \$2,313,508 due primarily to an increase in water sales and services and watermaster assessments of \$1,855,432 and an increase in non-operating revenue of \$458,076.

In 2014, the Agency's total expenses increased 11.4% or \$4,247,282 due primarily to an operating cost increase of \$1,844,726 and a depreciation expense increase of \$3,980,053. In 2013, the Agency's total expenses decreased 0.2% or \$89,790 due primarily to decreases in non-operating expenses of \$1,633,241.

Operating and Non-Operating Revenues

	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>2012</u>	<u>Change</u>
Operating revenues:					
Water sales and services	\$ 4,347,447	5,594,268	(1,246,821)	4,550,037	1,044,231
State Water Project Table A water sales	16,426,784	-	16,426,784	-	-
Watermaster assessments	2,433,774	2,752,827	(319,053)	1,941,626	811,201
Total operating revenues	<u>23,208,005</u>	<u>8,347,095</u>	<u>14,860,910</u>	<u>6,491,663</u>	<u>1,855,432</u>
Non-operating revenues:					
Property taxes – ad valorem	2,707,084	2,714,184	(7,100)	2,591,715	122,469
Property assessment for State Water Project	26,503,745	26,709,780	(206,035)	24,928,390	1,781,390
Property assessment for IDM	482,182	567,790	(85,608)	80,314	487,476
Redevelopment agency component of property taxes	399,564	327,016	72,548	409,870	(82,854)
Debt service support	813,688	814,064	(376)	813,126	938
Mitigation fees	-	19,468	(19,468)	60,176	(40,708)
Project sponsorships	322,606	38,292	284,314	2,417,625	(2,379,333)
Investment earnings	119,840	83,683	36,157	147,230	(63,547)
Gain on sale of capital asset	337,000	650,000	(313,000)	-	650,000
Other non-operating revenues	26,886	3,486	23,400	21,241	(17,755)
Total non-operating revenue	<u>31,712,595</u>	<u>31,927,763</u>	<u>(215,168)</u>	<u>31,469,687</u>	<u>458,076</u>
Total revenues	<u>\$ 54,920,600</u>	<u>40,274,858</u>	<u>14,645,742</u>	<u>37,961,350</u>	<u>2,313,508</u>

Mojave Water Agency
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2014 and 2013

Operating and Non-Operating Revenues, continued

Total revenues increased by \$14,645,742 and \$2,313,508 in fiscal years 2014 and 2013, respectively.

Operating and Non-Operating Expenses

	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>2012</u>	<u>Change</u>
Operating expenses:					
State water project importation	\$ 11,417,785	12,491,587	(1,073,802)	11,113,359	1,378,228
Operating costs	9,112,878	7,268,152	1,844,726	8,025,737	(757,585)
Depreciation and amortization	15,619,566	11,639,513	3,980,053	10,716,705	922,808
Total operating expenses	\$ 36,150,229	31,399,252	4,750,977	29,855,801	1,543,451
Non-operating expenses:					
Interest expense	3,478,901	3,830,752	(351,851)	4,005,740	(174,988)
IDM funds from members	-	-	-	903,229	(903,229)
CalPERS side-fund obligation	-	-	-	1,657,818	(1,657,818)
Amortization of deferred charges – cost of debt issuance	191,948	1,145,227	(953,279)	110,993	1,034,234
Amortization of deferred outflows	510,997	508,682	2,315	508,682	-
Amortization of bonds premium	(114,600)	(106,263)	(8,337)	(106,263)	-
Property tax and assessment collection charges	77,857	76,024	1,833	71,297	4,727
Joshua Basin recharge project	650,000	-	650,000	-	-
Other non-operating expenses	633,360	477,736	155,624	413,903	63,833
Total non-ops. expenses	5,428,463	5,932,158	(503,695)	7,565,399	(1,633,241)
Total expenses	\$ 41,578,692	37,331,410	4,247,282	37,421,200	(89,790)

Total expenses increased \$4,247,282 and decreased \$89,790 in fiscal years 2014 and 2013, respectively.

Capital Asset Administration

Changes in capital asset amounts for 2014 were as follows:

	<u>Balance</u> <u>2013</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance</u> <u>2014</u>
Capital assets:				
Non-depreciable assets	\$ 12,197,873	2,001,963	(6,532,355)	7,667,481
Depreciable assets	477,928,128	11,748,764	(4,966,920)	484,709,972
Accumulated depreciation and amortization	(106,151,701)	(15,619,566)	4,966,920	(116,804,347)
Total capital assets, net	\$ 383,974,300	(1,868,839)	(6,532,355)	375,573,106

Changes in capital asset amounts for 2013 were as follows:

	<u>Balance</u> <u>2012</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance</u> <u>2013</u>
Capital assets:				
Non-depreciable assets	\$ 74,032,623	7,407,780	(69,242,530)	12,197,873
Depreciable assets	405,590,049	74,216,263	(1,878,184)	477,928,128
Accumulated depreciation and amortization	(96,390,374)	(11,639,511)	1,878,184	(106,151,701)
Total capital assets, net	\$ 383,232,298	69,984,532	(69,242,530)	383,974,300

At the end of fiscal year 2014 and 2013, the Agency's investment in capital assets amounted to \$375,573,106 and \$383,974,300 (net of accumulated depreciation), respectively. This investment in capital assets includes land, state water project entitlement, transmission system, buildings, structures, equipment, vehicles and construction-in-process, etc. Major capital assets additions during the year include improvements to portions of the Agency's transmission system and new headquarters building. (See note 6 for further details)

Mojave Water Agency
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2014 and 2013

Debt Administration

Changes in long-term debt amounts for 2014 were as follows:

	<u>Balance 2013</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>Balance 2014</u>
Long-term debt:				
Bonds payable	\$ 76,950,000	13,155,000	(18,025,000)	72,080,000
Loans payable	<u>2,272,686</u>	<u>-</u>	<u>(748,139)</u>	<u>1,524,547</u>
Total long-term debt	<u>\$ 79,222,686</u>	<u>13,155,000</u>	<u>(18,773,139)</u>	<u>73,604,547</u>

Changes in long-term debt amounts for 2013 were as follows:

	<u>Balance 2012</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>Balance 2013</u>
Long-term debt:				
Bonds payable	\$ 80,555,000	-	(3,605,000)	76,950,000
Loans payable	<u>2,999,621</u>	<u>-</u>	<u>(726,935)</u>	<u>2,272,686</u>
Total long-term debt	<u>\$ 83,554,621</u>	<u>-</u>	<u>(4,331,935)</u>	<u>79,222,686</u>

See note 12 for further details of the Agency's long-term debt.

Conditions Affecting Current Financial Position

Management is unaware of any conditions which could have a significant impact on the Agency's current financial position, net position or operating results based on past, present and future events.

Requests for Information

This financial report is designed to provide the Agency's funding sources, customers, stakeholders and other interested parties with an overview of the Agency'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 Agency's Chief Financial Officer at 13846 Conference Center Drive, Apple Valley, California 92307.

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Basic Financial Statements

Mojave Water Agency
Statements of Net Position
June 30, 2014 and 2013

<i>Assets and Deferred Outflows of Resources</i>	2014			2013
	Mojave Water Agency	Watermaster	Total	Total
Current assets:				
Cash and cash equivalents (note 2)	\$ 26,990,812	-	26,990,812	23,116,951
Restricted – cash and cash equivalents (note 2)	16,888,232	1,568,726	18,456,958	16,391,182
Investments (note 2)	12,029,962	-	12,029,962	-
Accrued interest receivable	27,005	505	27,510	12,395
Accounts receivable – water sales and assessments	4,385,451	1,883,904	6,269,355	2,826,693
Accounts receivable – governmental agencies	2,001,967	-	2,001,967	2,468,975
Accounts receivable – other	721,120	-	721,120	240,238
Property taxes and assessments receivable	875,252	-	875,252	795,327
Internal balances (note 3)	269,399	(269,399)	-	-
Prepaid expenses and deposits	63,066	-	63,066	53,603
Total current assets	64,252,266	3,183,736	67,436,002	45,905,364
Non-current assets:				
Property assessments receivable	18,160,000	-	18,160,000	22,525,000
Water-in-storage – inventory (note 4)	19,590,777	-	19,590,777	20,701,191
Other post-employment benefits asset (note 5)	245,457	-	245,457	140,071
Capital assets, not being depreciated (note 6)	7,667,481	-	7,667,481	12,197,873
Depreciable capital assets, net (note 6)	367,905,625	-	367,905,625	371,776,427
Total non-current assets	413,569,340	-	413,569,340	427,340,562
Total assets	477,821,606	3,183,736	481,005,342	473,245,926
Deferred outflows of resources:				
Deferred loss on debt defeasance, net (note 7)	4,495,633	-	4,495,633	4,777,398
Total deferred outflows of resources	4,495,633	-	4,495,633	4,777,398
Total assets and deferred outflows of resources	\$ 482,317,239	3,183,736	485,500,975	478,023,324

Continued on next page

Mojave Water Agency
Statements of Net Position, continued
June 30, 2014 and 2013

<i>Liabilities and Net Position</i>	2014			2013
	Mojave Water Agency	Watermaster	Total	Total
Current liabilities:				
Accounts payable and accrued expenses	\$ 2,212,532	2,063,001	4,275,533	4,360,687
Accrued wages and related payables	177,892	-	177,892	158,264
Retentions payable	-	-	-	91,071
Accrued interest payable – long-term debt	579,046	-	579,046	798,883
Long-term liabilities – due within one year:				
Compensated absences (note 8)	230,289	-	230,289	185,544
Unearned revenue (note 9)	4,807,814	-	4,807,814	5,490,062
Pension-related debt (note 10)	-	-	-	124,375
Bonds payable (note 11)	4,385,000	-	4,385,000	3,775,000
Loans payable (note 11)	363,684	-	363,684	748,139
Total current liabilities	12,756,257	2,063,001	14,819,258	15,732,025
Non-current liabilities:				
Long-term liabilities – due in more than one year:				
Compensated absences (note 8)	266,159	-	266,159	278,316
Pension-related debt (note 10)	-	-	-	1,424,065
Bonds payable (note 11)	67,695,000	-	67,695,000	73,175,000
Premium on bonds payable, net (note 11)	2,497,466	-	2,497,466	1,080,275
Loans payable (note 11)	1,160,863	-	1,160,863	1,524,546
Total non-current liabilities	71,619,488	-	71,619,488	77,482,202
Total liabilities	84,375,745	2,063,001	86,438,746	93,214,227
Net position:				
Investment in capital assets (note 12)	324,331,059	-	324,331,059	330,581,016
Restricted for debt service	2,956,631	-	2,956,631	4,321,319
Restricted for state water project	33,826,111	-	33,826,111	29,567,658
Restricted for watermaster	-	1,120,735	1,120,735	1,138,885
Unrestricted (note 13)	36,827,693	-	36,827,693	19,200,219
Total net position	397,941,494	1,120,735	399,062,229	384,809,097
Total liabilities and net position	\$ 482,317,239	3,183,736	485,500,975	478,023,324

See accompanying notes to the basic financial statements

Mojave Water Agency
Statements of Revenues, Expenses and Changes in Net Position
For the Fiscal Years Ended June 30, 2014 and 2013

	<u>2014</u>			<u>2013</u>
	<u>Mojave Water Agency</u>	<u>Watermaster</u>	<u>Total</u>	<u>Total</u>
Operating revenues:				
Water sales and services	\$ 4,347,447	-	4,347,447	5,594,268
State Water Project Table A water sale (note 14)	16,426,784	-	16,426,784	-
Watermaster assessments	-	2,433,774	2,433,774	2,752,827
Total operating revenues	<u>20,774,231</u>	<u>2,433,774</u>	<u>23,208,005</u>	<u>8,347,095</u>
Operating expenses:				
State Water Project importation charges	9,581,360	1,836,425	11,417,785	12,491,587
Operating costs	8,730,163	382,715	9,112,878	7,268,152
Total operating expenses	<u>18,311,523</u>	<u>2,219,140</u>	<u>20,530,663</u>	<u>19,759,739</u>
Operating income before depreciation	2,462,708	214,634	2,677,342	(11,412,644)
Depreciation	(15,619,566)	-	(15,619,566)	(11,639,513)
Operating income (loss)	<u>(13,156,858)</u>	<u>214,634</u>	<u>(12,942,224)</u>	<u>(23,052,157)</u>
Non-operating revenues:				
Property taxes – ad valorem	2,707,084	-	2,707,084	2,714,184
Property assessment for State Water Project	26,503,745	-	26,503,745	26,709,780
Property assessment for IDM	482,182	-	482,182	567,790
Redevelopment agency component of property taxes	399,564	-	399,564	327,016
Debt service support	813,688	-	813,688	814,064
Mitigation fees	-	-	-	19,468
Project sponsorships	322,606	-	322,606	38,292
Investment earnings	117,610	2,230	119,840	83,683
Gain on sale of capital asset	337,000	-	337,000	650,000
Other non-operating revenues	26,886	-	26,886	3,486
Total non-operating revenues	<u>31,710,365</u>	<u>2,230</u>	<u>31,712,595</u>	<u>31,927,763</u>
Non-operating expenses:				
Interest expense	3,478,901	-	3,478,901	3,830,752
Amortization of deferred charges – cost of debt issuance	191,948	-	191,948	1,145,227
Amortization of deferred outflows (note 7)	510,997	-	510,997	508,682
Amortization of bonds premium (note 11)	(114,600)	-	(114,600)	(106,263)
Property tax and assessment collection charges	77,843	14	77,857	76,024
Joshua Basin recharge project	650,000	-	650,000	-
Other non-operating expenses	398,360	235,000	633,360	477,736
Total non-operating expenses	<u>5,193,449</u>	<u>235,014</u>	<u>5,428,463</u>	<u>5,932,158</u>
Total non-operating revenue, net	<u>26,516,916</u>	<u>(232,784)</u>	<u>26,284,132</u>	<u>25,995,605</u>
Net income (loss) before capital contributions	<u>13,360,058</u>	<u>(18,150)</u>	<u>13,341,908</u>	<u>2,943,448</u>
Capital contributions:				
Federal capital grants	-	-	-	1,416,142
State capital grant revenue – pass-through	4,553,116	-	4,553,116	-
State capital grant expense – pass-through	(4,553,116)	-	(4,553,116)	-
State capital grants	911,224	-	911,224	3,580,562
Total capital contributions	<u>911,224</u>	<u>-</u>	<u>911,224</u>	<u>4,996,704</u>
Transfers of net position to(from)	-	-	-	-
Change in net position	<u>14,271,282</u>	<u>(18,150)</u>	<u>14,253,132</u>	<u>7,940,152</u>
Net position, beginning of year	<u>383,670,212</u>	<u>1,138,885</u>	<u>384,809,097</u>	<u>376,868,945</u>
Net position, end of year	<u>\$ 397,941,494</u>	<u>1,120,735</u>	<u>399,062,229</u>	<u>384,809,097</u>

See accompanying notes to the basic financial statements

Mojave Water Agency
Statements of Cash Flows
For the Fiscal Year Ended June 30, 2014 and 2013

	<u>2014</u>			<u>2013</u>
	<u>Mojave Water Agency</u>	<u>Watermaster</u>	<u>Total</u>	<u>Total</u>
Cash flows from operating activities:				
Cash receipts from customers and others	\$ 18,814,189	618,918	19,433,107	8,543,913
Cash paid to vendors and suppliers	(15,222,349)	(2,338,569)	(17,560,918)	(21,221,031)
Cash paid to employees for salaries and wages	(3,111,579)	(347,827)	(3,459,406)	(3,073,982)
Net cash provided(used) by operating activities	<u>480,261</u>	<u>(2,067,478)</u>	<u>(1,587,217)</u>	<u>(15,751,100)</u>
Cash flows from non-capital financing activities:				
Property tax revenue	30,012,650	-	30,012,650	30,187,137
Principal paid on long-term debt – pension-related debt	(1,548,440)	-	(1,548,440)	(109,378)
Transfer between funds	(209,069)	209,069	-	-
Net cash provided by non-capital financing activities	<u>28,255,141</u>	<u>209,069</u>	<u>28,464,210</u>	<u>30,077,759</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(7,218,372)	-	(7,218,372)	(12,494,541)
Proceeds from capital contributions	911,224	-	911,224	4,996,704
Debt service support	813,688	-	813,688	814,064
Project sponsorships	322,606	-	322,606	38,292
Property assessments received	4,365,000	-	4,365,000	2,025,000
Cost of refunding escrowed security	(14,553,003)	-	(14,553,003)	-
Cost of issuance of debt refunding	(191,948)	-	(191,948)	-
Revenue refunding bond issued	13,155,000	-	13,155,000	-
Revenue refunding bond premium issued	1,605,563	-	1,605,563	-
Principal paid on long-term debt	(4,523,139)	-	(4,523,139)	(4,331,936)
Interest paid on long-term debt	(3,698,738)	-	(3,698,738)	(3,885,566)
Net cash used by capital and related financing activities	<u>(9,012,119)</u>	<u>-</u>	<u>(9,012,119)</u>	<u>(12,837,983)</u>
Cash flows from investing activities:				
Purchase of investments, net	(12,033,792)	-	(12,033,792)	-
Investment earnings	106,275	2,280	108,555	202,780
Net cash provided(used) by investing activities	<u>(11,927,517)</u>	<u>2,280</u>	<u>(11,925,237)</u>	<u>202,780</u>
Net increase(decrease) in cash and cash equivalents	7,795,766	(1,856,129)	5,939,637	1,691,456
Cash and cash equivalents, beginning of year	<u>36,083,278</u>	<u>3,424,855</u>	<u>39,508,133</u>	<u>37,816,677</u>
Cash and cash equivalents, end of year	<u>\$ 43,879,044</u>	<u>1,568,726</u>	<u>45,447,770</u>	<u>39,508,133</u>
Reconciliation of cash and cash equivalents to statement of financial position:				
Cash and cash equivalents	\$ 26,990,812	-	26,990,812	23,116,951
Restricted assets – cash and cash equivalents	<u>16,888,232</u>	<u>1,568,726</u>	<u>18,456,958</u>	<u>16,391,182</u>
Total cash and cash equivalents	<u>\$ 43,879,044</u>	<u>1,568,726</u>	<u>45,447,770</u>	<u>39,508,133</u>

Continued on next page

Mojave Water Agency
Statements of Cash Flows, continued
For the Fiscal Year Ended June 30, 2014 and 2013

	<u>2014</u>			<u>2013</u>
	<u>Mojave Water Agency</u>	<u>Watermaster</u>	<u>Total</u>	<u>Total</u>
Reconciliation of operating income(loss) to net cash provided(used) by operating activities:				
Operating income(loss)	\$ (13,156,858)	214,634	(12,942,224)	(23,052,157)
Adjustments to reconcile operating income(loss) to net cash provided(used) by operating activities:				
Depreciation	15,619,566	-	15,619,566	11,639,513
Gain on sale of asset	337,000	-	337,000	650,000
Non-operating revenue	26,886	-	26,886	22,954
Non-operating expenses	(1,126,203)	(235,014)	(1,361,217)	(553,760)
Changes in assets and liabilities:				
(Increase)Decrease in assets:				
Accounts receivable – water sales and assessments	(1,627,806)	(1,814,856)	(3,442,662)	(745,556)
Accounts receivable – governmental agencies	467,008	-	467,008	848,560
Accounts receivable – other	(480,882)	-	(480,882)	(174,459)
Prepaid expenses and other deposits	(9,463)	-	(9,463)	74,119
Water-in-storage – inventory	1,110,414	-	1,110,414	(127,882)
Other post-employment benefits asset	(105,386)	-	(105,386)	(140,071)
Increase(Decrease) in liabilities:				
Accounts payable and accrued expenses	147,088	(232,242)	(85,154)	(1,590,057)
Accrued wages and related payables	19,628	-	19,628	13,709
Retentions payable	(91,071)	-	(91,071)	(2,223,252)
Compensated absences	32,588	-	32,588	11,920
Unearned revenue	(682,248)	-	-	(404,681)
Total adjustments	<u>13,637,119</u>	<u>(2,282,112)</u>	<u>12,037,255</u>	<u>7,301,057</u>
Net cash provided(used) by operating activities	<u>\$ 480,261</u>	<u>(2,067,478)</u>	<u>(904,969)</u>	<u>(15,751,100)</u>

See accompanying notes to the basic financial statements

Mojave Water Agency
Notes to the Financial Statements
For the Fiscal Years Ended June 30, 2014 and 2013

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

The Mojave Water Agency (Agency) was organized July 21, 1960 by an act of the legislature of the State of California known as the Mojave Water Agency Act. Within the limits of its power and authority set forth in this act, the purpose of the Agency is to do any and every act necessary to be done so that sufficient water may be available for any present or future beneficial use of the lands and inhabitants of the Agency, including, but not limited to, the construction, maintenance, alteration, purchase, and operation of any and all works or improvements within the Agency necessary or proper to carry out any object or purpose of this act; and the gathering of data for, and the development and implementation of, after consultation and coordination with all public and private water entities who are in any way affected, management and master plans to mitigate the cumulative overdraft of groundwater basins, to monitor the condition of the groundwater basins, to pursue all necessary water conservation measures, and to negotiate for additional water supplies from all state, federal, and local sources. The Agency is governed by a seven-member Board of Directors who serve overlapping four-year terms.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Statements No. 61, The Financial Reporting Entity. The Agency 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 Agency 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.

In 1994, to administer the provisions of the groundwater adjudication judgment, the Superior Court of Riverside appointed the Agency as the Mojave Basin Area Watermaster (Watermaster) and ordered the Watermaster to formulate a plan and program for management of the Basin's resources. Although the Watermaster is legally separate, it is included as a blended component unit of the Agency, as it is in substance part of the Agency's operations as it is governed by the same Board of Directors and the Agency has operational responsibility for the Watermaster. Complete financial statements for the Watermaster are available at the Agency's office or upon request of the Agency's Chief Financial Officer at 13846 Conference Center Drive, Apple Valley, California 92307.

The Mojave Water Agency Public Facilities Corporation (MWAPFC) was incorporated in 1997. The MWAPFC is a California nonprofit public benefit corporation formed to assist the Mojave Water Agency (Agency) by acquiring, constructing, operating and maintaining facilities, equipment, or other property needed by the Agency and leasing or selling such property to the Agency and as such has no employees or other operations. Although the MWAPFC is legally separate, it is included as a blended component unit of the Agency, as it is in substance part of the Agency's operations. No separate financial statements are prepared for the MWAPFC.

Mojave Water Agency Fund

This fund accounts for the activities of the Agency and the Mojave Water Agency Act, which authorizes the Agency to assess taxes to pay for the costs of the California State Water Project system plus costs necessary for the administration of the Agency.

Watermaster Fund

This fund was established as part of the groundwater adjudication judgment to account separately for the annual activities of the Watermaster and accounting for the types of fees the Watermaster may impose and the expenditures made during the year.

Mojave Water Agency
Notes to the Financial Statements
For the Fiscal Years Ended June 30, 2014 and 2013

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

B. Basis of Accounting and Measurement Focus

The Agency 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 Agency is that the costs of delivering wholesale water to its service area on a continuing basis be financed or recovered primarily through user charges (water sales and service charges), 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 service charges as well as watermaster assessments result from exchange transactions associated with the principal activity of the Agency. Exchange transactions are those in which each party receives and gives up essentially equal values. The principal operating revenues of the Agency are water sales to the Watermaster and the principal operating revenues of the Watermaster are water sales (assessments) to member water right holders. 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.

C. Financial Reporting

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

D. Assets, Liabilities 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 and liabilities and disclosures of contingent assets and liabilities 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 Agency's cash is invested in interest bearing accounts. The Agency considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

3. Investments and Investment Policy

The Agency has adopted an investment policy directing the Chief Financial Officer to deposit funds in financial institutions.

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. Restricted Assets

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

Mojave Water Agency
Notes to the Financial Statements
For the Fiscal Years Ended June 30, 2014 and 2013

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

D. Assets, Liabilities and Net Position

5. Accounts Receivable and Allowance for Uncollectible Accounts

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

6. Property Taxes and Special 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 Agency's share of property taxes and assessments. The San Bernardino County Treasurer's Office remits current and delinquent property tax collections to the Agency 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 Agency'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

7. 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.

8. Water-In-Storage Inventory

Water-in-storage inventory is valued and computed based upon the cost of water sold using and average cost method for local and State of California Department of Water Resources deliveries.

9. Compensated Absences

The Agency's policy is to permit employees to accumulate a limited amount of earned vacation and sick leave. Accumulated vacation time is accrued at year-end to account for the Agency's obligation to the employees for the amount owed. It is management's belief that the majority of the obligation will be utilized within the next fiscal year.

10. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. Agency policy has set the capitalization threshold for reporting capital assets at \$5,000. Contributed assets are recorded at estimated fair market value at the date of donation and/or historical cost. 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. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

- State Water Project Entitlement – 75 years
- Transmission system – 50 to 100 years
- Monitoring wells – 25 to 50 years
- Structures and improvements – 25 to 40 years
- Other plant and equipment – 5 to 25years

Mojave Water Agency
Notes to the Financial Statements
For the Fiscal Years Ended June 30, 2014 and 2013

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

D. Assets, Liabilities and Net Position

11. Capital Contributions

Capital contributions represent cash and capital asset additions contributed to the Agency by property owners, granting agencies or real estate developers desiring services that require capital expenditures or connection to the Agency's system.

12. Budgetary Policies

The Agency 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.

13. Net Position

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

- **Net Investment in Capital Assets Component of Net Position**– This component of net position consists of capital assets, net of accumulated depreciation and reduced by any debt outstanding against the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt is included in this component of net position
- **Restricted Component of Net Position** – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
- **Unrestricted Component of Net Position** – This component of net position is the net amount of the 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 component of net position.

14. Reclassification

The Agency has reclassified certain prior year information to conform to current year presentation.

Mojave Water Agency
Notes to the Financial Statements
For the Fiscal Years Ended June 30, 2014 and 2013

(2) Cash and Investments

Cash and investments as of June 30, are classified in the accompanying financial statements as follows:

	<u>2014</u>	<u>2013</u>
Cash and cash equivalents	\$ 26,990,812	23,116,951
Restricted – cash and cash equivalents	18,456,958	16,391,182
Investments	<u>12,029,962</u>	<u>-</u>
Total cash and investments	<u>\$ 57,477,732</u>	<u>39,508,133</u>

Cash and investments as of June 30, consist of the following:

	<u>2014</u>	<u>2013</u>
Cash on hand	\$ 1,000	1,000
Deposits with financial institutions	14,505,802	17,203,457
Investments	<u>42,970,930</u>	<u>22,303,676</u>
Total cash and investments	<u>\$ 57,477,732</u>	<u>39,508,133</u>

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

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
State and local agency bonds, notes and warrants	5 years	10%	None
U.S. treasury obligations	5 years	None	None
Federal agency securities	5 years	None	None
Banker's acceptances	180 days	30%	30%
Prime commercial paper	270 days	10%	10%
Negotiable certificates of deposit	5 years	15%	None
Repurchase agreements	None	None	None
Reverse repurchase agreements	None	None	None
Medium-term notes	5 years	10%	None
Money market mutual funds	90 days	20%	10%
Mortgage pass-through securities	5 years	20%	None
California Local Agency Investment Fund (LAIF)	N/A	None	\$40 million
County Pooled Investment Fund	N/A	None	None
JPA Pools (other investment pools)	N/A	None	None

Mojave Water Agency
Notes to the Financial Statements
For the Fiscal Years Ended June 30, 2014 and 2013

(2) Cash and Investments, continued

Investment in State Investment Pool

The Agency is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the Agency's investment in this pool is reported in the accompanying financial statements at amounts based upon the Agency'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.

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the Agency's investment policy. The table below identifies the investment types that are authorized for investment held by bond trustees. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. treasury obligations	None	None	None
Federal agency securities	None	None	None
Banker's acceptances	180 days	None	None
Commercial paper	180 days	None	10%
Negotiable certificates of deposit	None	None	None
Money market mutual funds	1 year	None	None
Investment contracts	None	None	None
Repurchase agreements	30 days	None	None
Municipal obligations	None	None	None
California Local Agency Investment Fund (LAIF)	None	None	None

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the Agency's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, 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. 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 Agency's name.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Code and the Agency's investment policy contains legal and policy requirements that would limit the exposure to custodial credit risk for investments. 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).

Mojave Water Agency
Notes to the Financial Statements
For the Fiscal Years Ended June 30, 2014 and 2013

(2) Cash and Investments, continued

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Agency manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio matures or comes close to maturity evenly over time as necessary to provide for cash flow requirements and liquidity needed for operations. Information about the sensitivity of the fair values of the Agency's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Agency's investments by maturity date:

Investments at June 30, 2014:		Remaining Maturity		
		12 Months Or Less	13 to 24 Months	25 to 60 Months
Investment Type	Total			
Government sponsored entities securities	\$ 6,022,052	-	-	6,022,052
U.S. Treasury notes	4,015,940	-	999,690	3,016,250
Medium-term notes	1,991,970	998,610	-	993,360
Local Agency Investment Fund (LAIF)	20,470,650	20,470,650	-	-
Money market funds	7,961,824	7,961,824	-	-
Held by bond or escrow trustee:				
Money market funds	2,508,494	2,508,494	-	-
Total	\$ 42,970,930	31,939,578	999,690	10,031,662

Investments at June 30, 2013:		Remaining Maturity		
		12 Months Or Less	13 to 24 Months	25 to 60 Months
Investment Type	Total			
Local Agency Investment Fund (LAIF)	\$ 20,419,710	20,419,710	-	-
Held by bond or escrow trustee:				
Money market funds	1,883,966	1,883,966	-	-
Total	\$ 22,303,676	22,303,676	-	-

Credit Risk

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

Mojave Water Agency
Notes to the Financial Statements
For the Fiscal Years Ended June 30, 2014 and 2013

(2) Cash and Investments, continued

Investments at June 30, 2014:		Minimum Legal Rating	Exempt From Disclosure	Rating at Year End AAA to AA-
Investment Type	Total			
Government sponsored entities securities	\$ 6,022,052	AA-	\$ -	6,022,052
U.S. Treasury notes	4,015,940	AA-	-	4,015,940
Medium-term notes	1,991,970	AA-	-	1,991,970
Local Agency Investment Fund (LAIF)	20,470,650	N/A	20,470,650	-
Money market funds	7,961,824	AAA	-	7,961,824
Held by bond trustee:				
Money market funds	<u>2,508,494</u>	AAA	<u>-</u>	<u>2,508,494</u>
Total	\$ <u>42,970,930</u>		<u>20,470,650</u>	<u>22,500,280</u>

Investments at June 30, 2013:		Minimum Legal Rating	Exempt From Disclosure	Rating at Year End AAA
Investment Type	Total			
Local Agency Investment Fund (LAIF)	\$ 20,419,710	N/A	\$ 20,419,710	-
Held by bond trustee:				
Money market funds	<u>1,883,966</u>	AAA	<u>-</u>	<u>1,883,966</u>
Total	\$ <u>22,303,676</u>		<u>20,419,710</u>	<u>1,883,966</u>

Concentration of Credit Risk

The Agency's investment policy contains no limitations on the amounts that can be invested in any one issuer as beyond that stipulated by the California Government Code. There were no single investments in any one issuer that represent 5% or more of total Agency's investments at June 30, 2014 and 2013, respectively.

(3) Internal Balances

Internal balances consist of the following as of June 30, 2014 as follows:

Purpose	Receivable Fund	Payable Fund	Amount
Repayment	Mojave Water	Watermaster	\$ <u>269,399</u>

Mojave Water Agency
Notes to the Financial Statements
For the Fiscal Years Ended June 30, 2014 and 2013

(4) Water-In-Storage – Inventory

In 1994, the Agency completed and adopted its current Regional Water Management Plan, which recognizes the Agency’s Conjunctive Use Program (Program). The Program calls for the conjunctive use of surface water supplies, both local and imported, with groundwater supplies. The Agency acquires Free Production Allowances (FPA) from local sources and California State Water Project deliveries to recharge groundwater basins in “wet” years to provide relief in dry years. The Agency values its water inventory and computes the cost of water sold using an average cost method for local and state deliveries. The Agency’s policy is to record only variable OMP&R costs for transportation. The Agency’s transportation cost of water sold for the past two fiscal years was computed as follows.

State Water Project	2014		2013	
	Acre-Feet	Cost	Acre-Feet	Cost
Inventory – beginning of year	153,075	\$ 20,701,191	146,709	\$ 20,573,309
Water purchases	4,278	365,460	20,635	1,144,780
Inventory – available for sale	157,353	21,066,651	167,344	21,718,089
Water sales – variable cost of sales	(10,913)	(1,475,874)	(14,269)	(1,016,898)
Total inventory – end of year	<u>146,440</u>	<u>\$ 19,590,777</u>	<u>153,075</u>	<u>\$ 20,701,191</u>

(5) Other Post-Employment Benefits – Asset

During the fiscal year ended June 30, 2009, the Agency implemented GASB Statement No. 45, which changed the accounting and financial reporting used by local government employers for post employment benefits. Previously, the costs of such benefits were generally recognized as expenses of local government employers on a pay-as-you-go basis. The new reporting requirements for these benefit programs as they pertain to the Agency are set forth below.

Plan Description – Eligibility

The Agency pays a portion of the cost of health insurance for retirees under any group plan offered by CalPERS, subject to certain restrictions as determined by the Agency.

Membership in the OPEB plan consisted of the following members as of June 30:

	2014	2013	2012
Active plan members	39	36	35
Retirees and beneficiaries receiving benefits	27	27	21
Separated plan members entitled to but not yet receiving benefits	-	-	-
Total plan membership	<u>66</u>	<u>63</u>	<u>56</u>

Plan Description – Benefits

The Agency offers post employment medical benefits to retired employees who satisfy the eligibility rules. Spouses and surviving spouses are also eligible to receive benefits. Retirees may enroll in any medical plan available through the Agency’s CalPERS medical coverage, a cost-sharing multiple-employer medical coverage plan. The contribution requirements of eligible retired employees and the Agency are established and may be amended by the Board of Directors.

Funding Policy

The Agency is required to contribute the *Annual Required Contribution (ARC) of the Employer*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Mojave Water Agency
Notes to the Financial Statements
For the Fiscal Years Ended June 30, 2014 and 2013

(5) Other Post-Employment Benefits – Asset, continued

Funding Policy, continued

The Agency will pay a fixed contribution equal to \$500 per month (\$200 per month for eligible employees retiring prior to July 1, 2006) towards the cost of the post-employment benefit plan for those employees who meet the required service years for retirement from the Agency. The Agency funds the plan on a pay-as-you-go basis and maintains reserves (and records a liability) for the difference between pay-as-you-go and the actuarially determined ARC cost.

Annual Cost

For the year ended June 30, 2014, the Agency's ARC cost is \$210,524. The Agency's net OPEB asset amounted to \$140,071 for the year ended June 30, 2014. The Agency contributed \$210,524 in age adjusted contributions and premiums for current retiree OPEB premiums for the year ended June 30, 2014.

The balance at June 30, consists of the following:	<u>2014</u>	<u>2013</u>	<u>2012</u>
Annual OPEB expense:			
Annual required contribution (ARC)	\$ 216,418	210,524	180,488
Interest on net OPEB obligation	-	-	-
Interest earnings on irrevocable trust balance	(106,256)	(48,643)	(3,733)
Adjustment to annual required contribution	<u>870</u>	<u>(91,428)</u>	<u>34,679</u>
Total annual OPEB expense	<u>111,032</u>	<u>70,453</u>	<u>211,434</u>
Contributions made:			
Contributions made to irrevocable trust	(103,308)	(96,596)	(102,119)
Retiree benefit payments paid outside of a trust	<u>(113,110)</u>	<u>(113,928)</u>	<u>(109,315)</u>
Total contributions made	<u>(216,418)</u>	<u>(210,524)</u>	<u>(211,434)</u>
Total change in net OPEB payable obligation	(105,386)	(140,071)	-
OPEB payable - beginning of year	<u>(140,071)</u>	<u>-</u>	<u>-</u>
OPEB asset - end of year	<u>\$ (245,457)</u>	<u>(140,071)</u>	<u>-</u>

The Agency's annual OPEB cost, the percentage of the annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2014 and the two preceding years were as follows:

<u><i>Three-Year History of Net OPEB Obligation</i></u>					
<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Contributions Made</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation (Asset)</u>	
2014	\$ 111,032	216,418	194.91%	\$	(245,457)
2013	70,453	210,524	298.81%		(140,071)
2012	211,434	211,434	100.00%		-

The most recent valuation (dated July 1, 2011) includes an Actuarial Accrued Liability of \$1,708,176 and an Unfunded Actuarial Accrued Liability of \$1,383,262. The covered payroll (annual payroll of active employees covered by the plan) for the year ended June 30, 2010 was estimated at \$3,005,000. The ratio of the unfunded actuarial accrued liability to annual covered payroll is 46.03%.

Mojave Water Agency
Notes to the Financial Statements
For the Fiscal Years Ended June 30, 2014 and 2013

(5) Other Post-Employment Benefits – Asset, continued

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and the pattern of sharing of costs between the employer and plan members to that point. Consistent with the long-term perspective of actuarial calculations, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities for benefits.

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

Valuation date	July 1, 2011
Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of payroll amortization
Amortization period	closed-basis
Remaining amortization period	27 Years as of the valuation date
Asset valuation method	30 Year smoothed market
Actuarial assumptions:	
Discount rate	7.61%
Projected salary increase	3.25%, per year
Inflation - discount rate	3.00%, per year
Health care trend rate:	
Fiscal year 2013	7.00%
Fiscal year 2014	6.50%
Fiscal year 2015	6.00%
Fiscal year 2016	5.50%
Fiscal year 2017	5.00%
Fiscal year 2018+	5.00%

See Page 46 for the Schedule of Funding Status.

Mojave Water Agency
Notes to the Financial Statements
For the Fiscal Years Ended June 30, 2014 and 2013

(6) Capital Assets

Changes in capital assets for the year were as follows:

	<u>Balance 2013</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2014</u>
Non-depreciable assets:				
Land and right of ways	\$ 7,336,307	60,750	-	7,397,057
Morongo pipeline entitlement	208,000	-	-	208,000
Construction-in-progress	<u>4,653,566</u>	<u>1,941,213</u>	<u>(6,532,355)</u>	<u>62,424</u>
Total non-depreciable assets	<u>12,197,873</u>	<u>2,001,963</u>	<u>(6,532,355)</u>	<u>7,667,481</u>
Depreciable assets:				
State Water Project entitlement	242,771,100	5,099,385	-	247,870,485
Water management plan	6,461,177	887,837	(3,076,949)	4,272,065
Long-term storage plan	496,009	-	(496,009)	-
Transmission system	191,434,934	1,413,593	(307,758)	192,540,769
Monitoring wells	20,190,868	-	-	20,190,868
Structures and improvements	12,857,220	4,230,925	(679,071)	16,409,074
Other plant and equipment	<u>3,716,820</u>	<u>117,024</u>	<u>(407,133)</u>	<u>3,426,711</u>
Total depreciable assets	<u>477,928,128</u>	<u>11,748,764</u>	<u>(4,966,920)</u>	<u>484,709,972</u>
Accumulated depreciation:				
State Water Project entitlement	(71,694,406)	(8,008,004)	-	(79,702,410)
Water management plan	(2,485,324)	(1,599,343)	3,076,949	(1,007,718)
Long-term storage plan	(251,084)	(244,925)	496,009	-
Transmission system	(27,327,394)	(3,874,538)	307,758	(30,894,174)
Monitoring wells	(725,384)	(975,674)	-	(1,701,058)
Structures and improvements	(896,482)	(678,718)	679,071	(896,129)
Other plant and equipment	<u>(2,771,627)</u>	<u>(238,364)</u>	<u>407,133</u>	<u>(2,602,858)</u>
Total accumulated depreciation	<u>(106,151,701)</u>	<u>(15,619,566)</u>	<u>4,966,920</u>	<u>(116,804,347)</u>
Total depreciable assets, net	<u>371,776,427</u>	<u>(3,870,802)</u>	<u>-</u>	<u>367,905,625</u>
Total capital assets, net	<u>\$ 383,974,300</u>	<u>(1,868,839)</u>	<u>(6,532,355)</u>	<u>375,573,106</u>

Construction-In-Process 2014

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

	<u>Balance 2013</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2014</u>
Ames/Means-Bighorn recharge	\$ 948,313	354,497	(1,302,810)	-
Integrated Regional Water Management Plan	224,274	663,563	(887,837)	-
Lenwood recharge refurbishment	28,699	16,326	-	45,025
Operations and interpretive center	3,452,280	778,645	(4,230,925)	-
Oro Grande north recharge	-	17,399	-	17,399
R3 regional recharge and recovery	-	58,056	(58,056)	-
Warren Vista reservoir project	-	52,727	(52,727)	-
Total	<u>\$ 4,653,566</u>	<u>1,941,213</u>	<u>(6,532,355)</u>	<u>62,424</u>

Mojave Water Agency
Notes to the Financial Statements
For the Fiscal Years Ended June 30, 2014 and 2013

(6) Capital Assets, continued

Changes in capital assets for the year were as follows:

	<u>Balance 2012</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2013</u>
Non-depreciable assets:				
Land and right of ways	\$ 7,336,307	-	-	7,336,307
Morongo pipeline entitlement	208,000	-	-	208,000
Construction-in-progress	<u>66,488,316</u>	<u>7,407,780</u>	<u>(69,242,530)</u>	<u>4,653,566</u>
Total non-depreciable assets	<u>74,032,623</u>	<u>7,407,780</u>	<u>(69,242,530)</u>	<u>12,197,873</u>
Depreciable assets:				
State Water Project entitlement	237,891,984	4,879,116	-	242,771,100
Water management plan	6,461,177	-	-	6,461,177
Long-term storage plan	496,009	-	-	496,009
Transmission system	139,386,544	52,048,390	-	191,434,934
Monitoring wells	4,615,017	15,575,851	-	20,190,868
Structures and improvements	12,549,621	1,289,589	(981,990)	12,857,220
Other plant and equipment	<u>4,189,697</u>	<u>423,317</u>	<u>(896,194)</u>	<u>3,716,820</u>
Total depreciable assets	<u>405,590,049</u>	<u>74,216,263</u>	<u>(1,878,184)</u>	<u>477,928,128</u>
Accumulated depreciation:				
State Water Project entitlement	(63,918,193)	(7,776,213)	-	(71,694,406)
Water management plan	(1,978,915)	(506,409)	-	(2,485,324)
Long-term storage plan	(205,867)	(45,217)	-	(251,084)
Transmission system	(25,435,666)	(1,891,728)	-	(27,327,394)
Monitoring wells	(515,868)	(209,516)	-	(725,384)
Structures and improvements	(1,145,596)	(732,876)	981,990	(896,482)
Other plant and equipment	<u>(3,190,269)</u>	<u>(477,552)</u>	<u>896,194</u>	<u>(2,771,627)</u>
Total accumulated depreciation	<u>(96,390,374)</u>	<u>(11,639,511)</u>	<u>1,878,184</u>	<u>(106,151,701)</u>
Total depreciable assets, net	<u>309,199,675</u>	<u>62,576,752</u>	<u>-</u>	<u>371,776,427</u>
Total capital assets, net	<u>\$ 383,232,298</u>	<u>69,984,532</u>	<u>(69,242,530)</u>	<u>383,974,300</u>

Construction-In-Process 2013

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

	<u>Balance 2012</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2013</u>
Ames/Means-Bighorn recharge	\$ 764,529	183,784	-	948,313
Finance system	347,395	21,118	(368,513)	-
Integrated Regional Water Management Plan	-	224,274	-	224,274
Lenwood recharge refurbishment	16,368	12,331	-	28,699
Operations and interpretive center	373,133	3,079,147	-	3,452,280
Oro Grande north recharge	10,075,380	155,715	(10,231,095)	-
R3 regional recharge and recovery	54,488,052	3,466,806	(57,954,858)	-
Warren Vista reservoir project	<u>423,459</u>	<u>264,605</u>	<u>(688,064)</u>	<u>-</u>
Total	<u>\$ 66,488,316</u>	<u>7,407,780</u>	<u>(69,242,530)</u>	<u>4,653,566</u>

Mojave Water Agency
Notes to the Financial Statements
For the Fiscal Years Ended June 30, 2014 and 2013

(7) Deferred Outflows of Resources

Changes in deferred outflows of resources for 2014, were as follows:

	<u>Balance 2013</u>	<u>Additions</u>	<u>Amortization</u>	<u>Balance 2014</u>
Deferred outflows of resources:				
Deferred loss on debt defeasance, net	\$ 4,777,398	229,232	(510,997)	4,495,633
Total deferred outflows of resources	<u>\$ 4,777,398</u>	<u>229,232</u>	<u>(510,997)</u>	<u>4,495,633</u>

Changes in deferred outflows of resources for 2013, were as follows:

	<u>Balance 2012</u>	<u>Additions</u>	<u>Amortization</u>	<u>Balance 2013</u>
Deferred outflows of resources:				
Deferred loss on debt defeasance, net	\$ 5,286,080	-	(508,682)	4,777,398
Total deferred outflows of resources	<u>\$ 5,286,080</u>	<u>-</u>	<u>(508,682)</u>	<u>4,777,398</u>

(8) Compensated Absences

Changes to compensated absences for 2014, were as follows:

<u>Balance 2013</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance 2014</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
\$ 463,860	241,348	(208,760)	496,448	230,289	266,159

Changes to compensated absences for 2013, were as follows:

<u>Balance 2012</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance 2013</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
\$ 451,940	218,865	(206,945)	463,860	185,544	278,316

(9) Pension Related Debt – CalPERS Side-Fund

As of June 30, 2003, CalPERS implemented risk-pooling for the Agency’s agent multiple-employer public employee defined benefit pension plan. As a result, the Agency’s defined benefit pension plan with CalPERS converted from an agent multiple-employer plan to a cost sharing multiple-employer plan. This change in the type of the plan created the CalPERS Side-Fund, which CalPERS financed at a 7.75% interest rate (for fiscal year 2014 and beyond CalPERS reduced the rate to 7.50%). CalPERS actuarially calculated the amount needed to bring the Agency into the cost sharing multiple-employer plan on an equal basis with other governmental agencies that all had less than 100 active and retired employees combined. The reason that CalPERS switched these governmental agencies into the cost sharing multiple-employer plan was to smooth the annual costs related to the pension benefit over a longer period of time resulting in a lower cost of service to the governmental agencies.

A portion of the Agency’s annual required contribution to CalPERS are actuarially determined and shared by all governmental agencies within the cost sharing risk pool. Also, the Agency is required to make systematic pay-as-you-go payments to pay-down the CalPERS Side-Fund, as well. The responsibility for paying-down the Agency’s CalPERS Side-Fund is specific to the Agency and is not shared by all governmental agencies within the cost sharing risk pool. Therefore, the CalPERS Side-Fund falls under the definition of pension-related debt, as described in GASB Statement No. 27. The following long-term debt has been recorded on the Agency’s financial statements as the Agency is making systematic pay-as-you-go payments to CalPERS each payroll period. In 2014, the Agency paid-off this debt.

Mojave Water Agency
Notes to the Financial Statements
For the Fiscal Years Ended June 30, 2014 and 2013

(10) Unearned Revenue

The Agency has allowed for pre-purchase claims of acre-feet of water to its customers. The transaction is recorded as unearned revenue until the transfer is complete in future periods. The following is a listing of Agencies that have pre-purchase claims of water and their respective acre-feet of water to be delivered:

<u>Description</u>	<u>2014</u>	<u>2013</u>
Unearned revenue in dollars (FIFO method)	\$ 4,807,814	5,490,062
<u>Agency</u>	<u>Acre-Feet</u>	<u>Acre-Feet</u>
Apple Valley Ranchos Water Company	8,737	8,840
Luz Solar Partners	2,800	2,800
San Bernardino County Special Districts	2,600	2,600
City of Victorville	1,397	3,521
Hesperia Water District	1,263	2,157
Helendale Community Services District	500	500
Silver Lakes Association	354	354
City of Hesperia	125	125
Mariana Ranchos County Water District	90	90
Apple Valley Heights County Water District	84	104
Rancheritos Mutual Water Company	53	63
Total acre-feet	<u>18,003</u>	<u>21,154</u>

(11) Long-term Debt

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

	<u>Balance</u> <u>2013</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>2014</u>	<u>Current</u> <u>Portion</u>
Long-term debt:					
Bonds payable:					
2004 Certificates of participation	\$ 15,530,000	-	(15,530,000)	-	-
2006 General obligation bond	24,550,000	-	(2,025,000)	22,525,000	2,130,000
2009 Certificates of participation	36,870,000	-	(470,000)	36,400,000	785,000
2014 Revenue refunding bonds	-	13,155,000	-	13,155,000	1,470,000
Total bonds payable	<u>76,950,000</u>	<u>13,155,000</u>	<u>(18,025,000)</u>	<u>72,080,000</u>	<u>4,385,000</u>
Loans payable:					
1993 Rock Springs loan	343,275	-	(343,275)	-	-
1995 Yucca Valley loan	154,480	-	(102,099)	52,381	52,381
2000 Mojave River pipeline loan	1,774,931	-	(302,765)	1,472,166	311,302
Total loans payable	<u>2,272,686</u>	<u>-</u>	<u>(748,139)</u>	<u>1,524,547</u>	<u>363,683</u>
Total long-term debt	<u>\$ 79,222,686</u>	<u>13,155,000</u>	<u>(18,773,139)</u>	<u>73,604,547</u>	<u>4,748,683</u>

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

	<u>Balance</u> <u>2012</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>2012</u>	<u>Current</u> <u>Portion</u>
Long-term debt:					
Bonds payable:					
2004 Certificates of participation	\$ 16,755,000	-	(1,225,000)	15,530,000	1,280,000
2006 General obligation bond	26,475,000	-	(1,925,000)	24,550,000	2,025,000
2009 Certificates of participation	37,325,000	-	(455,000)	36,870,000	470,000
Total bonds payable	<u>80,555,000</u>	<u>-</u>	<u>(3,605,000)</u>	<u>76,950,000</u>	<u>3,775,000</u>
Loans payable:					
1993 Rock Springs loan	676,516	-	(333,241)	343,275	343,275
1995 Yucca Valley loan	253,597	-	(99,117)	154,480	102,099
2000 Mojave River pipeline loan	2,069,508	-	(294,577)	1,774,931	302,765
Total loans payable	<u>2,999,621</u>	<u>-</u>	<u>(726,935)</u>	<u>2,272,686</u>	<u>748,139</u>
Total long-term debt	<u>\$ 83,554,621</u>	<u>-</u>	<u>(4,331,935)</u>	<u>79,222,686</u>	<u>4,523,139</u>

Mojave Water Agency
Notes to the Financial Statements
For the Fiscal Years Ended June 30, 2014 and 2013

(11) Long-term Debt, continued

Changes in premiums on bonds payable for 2014, were as follows:

	<u>Balance 2013</u>	<u>Additions</u>	<u>Transfer to Deferred Loss</u>	<u>Amortization</u>	<u>Balance 2014</u>
Total premium on bonds payable, net	\$ 1,080,275	1,605,563	(73,772)	(114,600)	2,497,466

Changes in premiums on bonds payable for 2013, were as follows:

	<u>Balance 2012</u>	<u>Additions</u>	<u>Transfer to Deferred Loss</u>	<u>Amortization</u>	<u>Balance 2013</u>
Total premium on bonds payable, net	\$ 1,186,538	-	-	(106,263)	1,080,275

2004 Certificates of Participation

On May 1, 1997, the Agency and Mojave Water Agency Public Facilities Corporation (Corporation) entered into an installment purchase agreement. The agreement provided for the Corporation to purchase 25,000 acre-feet of Berrenda Mesa Water District's current entitlement to the delivery of firm water from the State Water Project, including Berrenda Mesa's rights to delivery capacity (25,000 acre-feet) in state water project facilities with the California Aqueduct. The Corporation sold to the Agency the entitlement and capacity under an installment purchase agreement. On December 21, 2004, the Corporation issued \$24,125,000 in 2004 Refunding Certificates of Participation (COPs) for the purposes of refunding the remaining \$21,830,000 of the 1997 Certificates of Participation and to pay the costs incurred in connection with the issuance, sale and delivery of the bonds. The bonds bear interest rates from 2.50% to 5.00% and are due in annual installments ranging from \$765,000 to \$1,855,000 through September 2022. The certificates are payable pursuant to a lease agreement of the Corporation to the Agency. In fiscal year 2014, these certificates-of-participation were refunded with the 2014 Certificates-of-Participation issuance.

2006 General Obligation Bonds

In June 1990, a portion of the Agency voted in favor of forming Improvement District "M" (IDM) and to incur bonded indebtedness in the principal amount of \$66,500,000. The proceeds of the bonds were used to finance costs of designing, planning, and constructing the Morongo Basin Pipeline Project to bring water from the California Aqueduct in Hesperia to Yucca Valley.

The Agency issued on May 29, 1991 \$12,000,000 and on November 19, 1992 \$40,735,000 aggregated principal general obligation bonds to finance a portion of the costs of the Morongo Basin Pipeline Project. The Agency issued on April 25, 1996 \$51,780,000 aggregated principal general obligation bonds to refund the 1991 and 1992 Series bonds.

The Agency on June 7, 2006 issued \$34,825,000 aggregated principal general obligation bonds for the purpose of refunding the remaining \$40,810,000 of the 1996 general obligation bonds and to pay the costs incurred with the issuance, sale and delivery of the bonds. The new bonds bear interest at 5%, and are due in annual installments ranging from \$1,510,000 to \$3,000,000 through 2022.

The Agency has entered into agreements with four water purveyors who are participants in the pipeline project. The purposes of the agreements are to sell and deliver water available to the Agency to the participants, the sell Project Capacity from the pipeline project to the participants and to sell Project Allotment and Project Capacity among the participants, all within the scope of the Agency's water service policy. During the fiscal year ended June 30, 1995, the Agency acquired 4% of the rights of the project from County service are 70.

Mojave Water Agency
Notes to the Financial Statements
For the Fiscal Years Ended June 30, 2014 and 2013

(11) Long-term Debt, continued

2006 General Obligation Bonds, continued

The participants and their respective percentages of water allotted from the pipeline project are as follows:

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

Project participants are assessed for 25% of the debt service of the bonds. Each project participant also pays its project allotment percentage of estimated project costs for the current fiscal year. Project participant payments are due June 1st of each year (commencing June 1, 1994).

The Agency will levy property taxes upon the taxable property (other than personal property) in Improvement District "M" after fiscal year 1993-1994 in the amount of 75% of debt service bonds. The bonds carry an interest rate at 5.0%, and they mature through 2023 as follows:

Fiscal Year	Principal	Interest	Total
2015	\$ 2,130,000	1,073,000	3,203,000
2016	2,235,000	963,875	3,198,875
2017	2,345,000	849,375	3,194,375
2018	2,460,000	729,250	3,189,250
2019	2,590,000	603,000	3,193,000
2020-2023	10,765,000	1,041,125	11,806,125
Total	\$ 22,525,000	5,259,625	27,784,625
Less current portion	(2,130,000)		
Total non-current	\$ 20,395,000		

2009 Certificates of Participation

On October 15, 2009, the Agency entered into an agreement to issue \$39,355,000 in certificates of participation. The certificates are to provide the funds to acquire a Table A amount of 14,000 acre feet of State Water Project Table A water from Dudley Ridge Water District. Pursuant to the acquisition agreement, dated April 30, 2009, the Table A will be transferred to the agency on the following schedule:

Entitlement Transfer Date	Table A Amount (acre feet)
January 1, 2010	7,000
January 1, 2015	3,000
January 1, 2020	4,000

Mojave Water Agency
Notes to the Financial Statements
For the Fiscal Years Ended June 30, 2014 and 2013

(11) Long-term Debt, continued

2009 Certificates of Participation, continued

The certificates are payable solely from Installment Payments to be made by the Agency to the Mojave Water Agency Public Facilities Corporation pursuant to the Installment Purchase Agreement dated July 1, 2009. The bonds bear interest rates from 2% to 5.50% and are due in annual installments ranging from \$435,000 to \$2,475,000 through 2039 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 785,000	906,825	1,691,825
2016	815,000	891,125	1,706,125
2017	850,000	874,825	1,724,825
2018	880,000	857,825	1,737,825
2019	920,000	838,025	1,758,025
2019-2023	5,280,000	3,852,625	9,132,625
2024-2028	6,810,000	3,089,400	9,899,400
2029-2033	8,815,000	2,088,250	10,903,250
2034-2038	<u>11,245,000</u>	<u>870,875</u>	<u>12,115,875</u>
Total	\$ 36,400,000	<u>14,269,775</u>	<u>50,669,775</u>
Less current portion	<u>(785,000)</u>		
Total non-current	\$ <u>35,615,000</u>		

2014 Revenue Refunding Bonds

In 2014, the Agency issued \$13,155,000 in Revenue Refunding Bonds, Series 2014A to advance refund the 2004 Certificates-of-Participation issue. As a result, the Agency's 2004 Certificates-of-Participation issue is considered defeased and the liability for that obligation has been removed from the Agency's financial statements. The Agency completed the advance refunding to reduce the Agency's total debt service payments over the next nine years by a present-value amount of approximately \$1.296 million and to obtain an economic gain of approximately \$1.391 million. Also, the refunding issuance resulted in a deferred loss of \$229,231, which will be amortized over the remaining life of the debt service.

The certificates-of-participation are scheduled to mature in fiscal year 2023. An interest rate premium in the amount of \$1,605,563 was calculated on the issuance of the refunding revenue bonds and will be amortized over the life of the debt. Principal and interest are payable annually on September 1st each year at rates ranging from 2.00% to 5.00% with principal installments ranging from \$1,280,000 to \$1,685,000 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,470,000	125,292	1,595,292
2016	1,280,000	489,050	1,769,050
2017	1,320,000	450,650	1,770,650
2018	1,365,000	411,050	1,776,050
2019	1,410,000	356,450	1,766,450
2020-2023	<u>6,310,000</u>	<u>775,100</u>	<u>7,085,100</u>
Total	\$ 13,155,000	<u>2,607,592</u>	<u>15,762,592</u>
Less current portion	<u>(1,470,000)</u>		
Total non-current	\$ <u>11,685,000</u>		

Mojave Water Agency
Notes to the Financial Statements
For the Fiscal Years Ended June 30, 2014 and 2013

(11) Long-term Debt, continued

1993 Rock Springs Loan

In 1993, the Agency initiated a \$5,250,000 loan from the California Department of Water Resources for the Rock Springs construction project.

The loan is scheduled to mature in 2014. Principal and interest is payable semi-annually on October 1st and April 1st at a rate of 3.00%. This debt was paid-off in fiscal year 2014.

1995 Yucca Valley Loan

In 1995, the Agency initiated a \$1,585,000 loan from the California Department of Water Resources for the Yucca Valley construction project.

The loan is scheduled to mature in 2015. Principal and interest is payable semi-annually on October 1st and April 1st at a rate of 3.00%. Future annual debt service requirements on the loan are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 52,381	790	53,171
Total	\$ 52,381	790	53,171
Less current portion	(52,381)		
Total non-current	\$ -		

2000 Mojave River Pipeline Loan

In 1993, the Agency initiated a \$5,250,000 loan from the California Department of Water Resources for the Mojave River Pipeline construction project.

The loan is scheduled to mature in 2019. Principal and interest is payable semi-annually on October 1st and April 1st at a rate of 2.80%. Future annual debt service requirements on the loan are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 311,302	39,063	350,365
2016	320,021	30,344	350,365
2017	329,148	21,217	350,365
2018	338,383	11,982	350,365
2019	173,312	2,433	175,745
Total	\$ 1,472,166	105,039	1,577,205
Less current portion	(311,302)		
Total non-current	\$ 1,160,864		

Mojave Water Agency
Notes to the Financial Statements
For the Fiscal Years Ended June 30, 2014 and 2013

(12) Net Investment in Capital Assets

Net investment in capital assets:	<u>2014</u>	<u>2013</u>
Capital assets, not being depreciated	\$ 7,667,481	12,197,873
Depreciable capital assets, net	367,905,625	371,776,427
Deferred outflows of resources	4,495,633	4,777,398
Bonds payable – current portion	(4,385,000)	(3,775,000)
Loans payable – current portion	(363,684)	(748,139)
Bonds payable – long-term portion	(67,695,000)	(73,175,000)
Loans payable – long-term portion	(1,160,863)	(1,524,546)
Premium on bonds payable, net	(2,497,466)	(1,080,275)
Less: 2006 Deferred loss on debt defeasance	(2,946,302)	(3,296,823)
Add back: 2006 General obligation bonds	22,525,000	24,550,000
Add back: 2006 General obligation bonds premium	785,635	879,101
Total net investment in capital assets	<u>\$ 324,331,059</u>	<u>330,581,016</u>

(13) Unrestricted Net Position

Unrestricted net position:	<u>2014</u>	<u>2013</u>
Non-spendable net position:		
Prepaid expenses and deposits	\$ 63,066	53,603
Spendable net position are designated as follows:		
Operating reserve	5,000,000	5,000,000
Capital replacement reserve	10,000,000	10,000,000
Contingency reserve	21,764,627	4,146,616
Total spendable net position	<u>36,764,627</u>	<u>19,146,616</u>
Total unrestricted net position	<u>\$ 36,827,693</u>	<u>19,200,219</u>

(14) State Water Project Table A Water Sale

Agreement with the State of California Department of Water Resources

On July 12, 2013, the Agency entered into an agreement, pursuant to the provisions of the California Water Resources Development Bond Act, with the California Department of Water Resources (DWR), to be either a buyer or seller under the 2013-2014 Multi-Year Water Pool Demonstration Program. Per the revised Multi-Year Water Pool Demonstration Program allocation dated July 2, 2013, the Agency's allocation of contracted Table "A" water was 82,800 acre feet. In July 2013, the Agency sold 64,928 acre feet of its Table "A" water at \$253 per acre foot amounting to \$16,426,784.

(15) Defined Benefit Pension Plan

Plan Description

The Agency contributes to the California Public Employees Retirement System (CalPERS), a cost-sharing multi-employer defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public agencies within the State of California. Benefit provisions and all other requirements are established by state statute and the Agency. Copies of CalPERS annual financial report may be obtained from their executive Office: 400 P Street, Sacramento, California 95814.

Mojave Water Agency
Notes to the Financial Statements
For the Fiscal Years Ended June 30, 2014 and 2013

(15) Defined Benefit Pension Plan, continued

Funding Policy

The contribution rate for plan members in the CalPERS, 2.7% at 55 Risk Pool Retirement Plan is 8% of their annual covered salary. The Agency contributes 4% and the employee contributes 4% of the 8% amount on their behalf and for their account. Also, the Agency is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The required employer contribution rates are equal to the annual pension costs (APC) percentage of payroll for fiscal years 2014, 2013 and 2012 as noted below. The contribution requirements of the plan members are established by State statute, and the employer contribution rate is established and may be amended by CalPERS. For Fiscal years 2014, 2013 and 2012, the Agency's annual contributions for the CalPERS plan were equal to the Agencies required and actual contributions for each fiscal year as noted below. The contribution requirements of the plan members are established by State statute, and the employer contribution rate is established and may be amended by CalPERS.

Second-Tier – Beginning August 1, 2012

The contribution rate for plan members in the CalPERS 2.0% at 55 Retirement Plan is 7% of their annual covered wages. The Agency filed a Certification of a Memorandum of Understanding (MOU) Impairment with CalPERS prior to August 1, 2012. All Agency employees, including those employees hired on or after August 1, 2012 contribute 7% of their annual covered wages to their account. Also, the Agency is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members.

California Public Employees Pension Reform Act of 2013

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.

Key components of the legislation are as follows:

- Establishes PEPRA which will apply to all public employers and public pension plans on and after January 1, 2013 (Except specific exemptions);
- Establishes new retirement tiers/benefits for new public employees;
- Prohibits certain cash payments from being counted as compensation; and
- Increases retirement age for all new public employees.

Third-Tier – Beginning January 1, 2013

The contribution rate for plan members in the CalPERS 2.0% at 62 Retirement Plan under PEPRA is 6.50% of their annual covered wages. The Agency filed a Certification of a Memorandum of Understanding (MOU) Impairment with CalPERS prior to January 1, 2013. All Agency employees, including those employees hired on or after January 1, 2013 contribute 6.50% of their annual covered wages to their account. Also, the Agency is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members.

For fiscal years 2014, 2013 and 2011, the Agency's annual contributions for the CalPERS plan were equal to the Agency's required and actual contributions for each fiscal year as follows:

Three Year Trend Information:

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	APC Percentage of Payroll
2011-2012	\$ 689,024	100%	22.522%
2012-2013	793,064	100%	22.616%
2013-2014	628,908	100%	23.274%

See Page 45 and 46 for the Schedule of Funding Status.

Mojave Water Agency
Notes to the Financial Statements
For the Fiscal Years Ended June 30, 2014 and 2013

(15) Defined Benefit Pension Plan, continued

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and the pattern of sharing of costs between the employer and plan members to that point. Consistent with the long-term perspective of actuarial calculations, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities for benefits.

Valuation date	June 30, 2012
Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of payroll, open
Asset valuation method	Market value
Actuarial assumptions:	
Discount rate	7.50% (net of administrative expenses)
Projected salary increase	3.30% to 14.20% depending on age, service, and type of employment
Inflation	2.75%
Payroll growth	3.00%
Individual salary growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%

(16) Risk Management

The Agency 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 Authority has purchased commercial insurance coverage to limit the risk of loss for the above named sources. Also, the Agency has obtained workers' compensation coverage to the statutory limits.

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 Agency's insurance coverage during the years ending June 30, 2014, 2013, and 2012. 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 were no IBNR claims payable as of June 30, 2014, 2013, and 2012.

(17) Commitments and Contingencies

State Water Contract

Estimates of the Agency's share of the project fixed costs of the State Water Project (SWP) are provided annually by the State. The estimates are subject to future increases or decreases resulting from changes in planned facilities, refinements in cost estimates and inflation.

According to the State's latest estimates, the Agency's long-term obligations under the contract, for capital and minimum operations and maintenance costs, including interest to the year 2036, are as follows:

Mojave Water Agency
Notes to the Financial Statements
For the Fiscal Years Ended June 30, 2014 and 2013

(17) Commitments and Contingencies, continued

State Water Contract, continued

	<u>State Water Contract</u> <u>Long-term Obligations</u>
Fixed charges:	
Transportation facilities capital	\$ 30,707,775
Transportation minimum OMP&R	119,693,060
Delta water charge	83,851,063
Water system revenue bond surcharge	21,377,441
East Branch enlargement capital	21,453,517
East Branch minimum OMP&R	<u>4,082,350</u>
Total estimated fixed charges	<u>281,165,206</u>
Variable charges:	
Variable OMP&R	228,318,976
Off-aqueduct OMP&R	<u>2,654,889</u>
Total estimated variable charges	<u>230,973,865</u>
Total estimated future charges	<u>\$ 512,139,071</u>

The amounts shown on the following page do not contain any escalation for inflation and are subject to significant variation over time because the amounts are based on a number of assumptions and are contingent on future events. Accordingly, none of the estimated long-term obligations are recorded as liabilities in the accompanying basic financial statements.

There are other pending actions that may adversely impact the Agency's ability to control the sale of water transported through the SWP into its service area. The impact on future revenues of such actions cannot be determined.

Construction Contracts

The Agency has a variety of agreements with developers and private parties relating to the installation, improvement or modification of transmission facilities and distribution systems within its service area. The financing of such improvements is provided primarily from debt, grants and the Agency's capital replacement reserve.

Grant Awards

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

Litigation

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

(18) Subsequent Events

Events occurring after June 30, 2014, have been evaluated for possible adjustment to the financial statements or disclosure as of October 31, 2014, which is the date the financial statements were available to be issued. The Agency is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

Mojave Water Agency
Notes to the Financial Statements
For the Fiscal Years Ended June 30, 2014 and 2013

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

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2014, that has effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 68

In June 2012, the GASB issued Statement No. 68 – *Accounting and Financial Reporting for Pensions— an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. The provisions of Statement 68 are effective for fiscal years beginning after June 15, 2014. The impact of the implementation of this Statement to Agency’s financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 69

In January 2013, the GASB issued Statement No. 69 – *Government Combinations and Disposals of Government Operations*. The objective of this Statement is to provide new accounting and financial reporting standards for government mergers and acquisitions and for government operations that have been transferred or sold. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2013. The impact of the implementation of this Statement to Agency’s financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 71

In November 2013, the GASB issued Statement No. 71 – *Pension Transition for Contributions made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government’s beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of GASB Statement No. 68. The impact of the implementation of this Statement to the Agency’s financial statements has not been assessed at this time.

Required Supplementary Information

Mojave Water Agency
Schedule of Funding Status
For the Years Ended June 30, 2014 and 2013

(1) Defined Benefit Pension Plan – Miscellaneous Plan – First Tier

Development of the Actuarial Value of Assets Calculation in a Risk Pool			
The Agency is part of the CalPERS Miscellaneous 2.7% at 55 yrs. Risk Pool	June 30, 2011	June 30, 2012	June 30, 2013
1. Plan's accrued liability	\$ 15,916,107	17,065,448	18,187,792
2. Plan's side fund	(1,748,899)	(1,657,819)	(1,548,441)
3. Pool's accrued liability	2,486,708,579	2,680,181,441	2,858,731,321
4. Pool's side fund	(160,864,546)	(128,673,283)	(110,416,422)
5. Pool's actuarial value of assets (AVA) including receivables	1,981,073,089	2,178,799,790	N/A
6. Plan's actuarial value of assets (AVA) including receivables [(1+2) / (3+4) x 5]	12,067,135	13,156,979	N/A
7. Pool's market value of assets (MVA) including receivables	1,786,913,296	1,849,406,219	N/A
8. Plan's market value of assets (MVA) including receivables [(1+2) / (3+4) x 7]	10,884,467	11,167,891	12,763,636

Funding History

The Funding History below shows the actuarial accrued liability, the actuarial value of assets, the market value of assets, funded ratios and the annual covered payroll. The actuarial value of assets is used to establish funding requirements and the funded ratio on this basis represents the progress toward fully funding future benefits for current plan participants. The funded ratio based on the market value of assets is an indicator of the short-term solvency of the plan in the risk pool.

Actuarial Valuation Date	Actuarial Accrued Liability (a)	Share of Pool's Market Value of Assets (MVA) (b)	Plan's Share of Pool's Unfunded Liability (a-b)	Funded Ratio MVA b/a	Annual Covered Payroll
June 30, 2011	\$ 15,916,107	10,884,467	5,031,640	68.39%	\$ 3,232,421
June 30, 2012	17,065,448	11,167,891	5,897,557	65.44%	3,096,861
June 30, 2013	18,187,792	12,763,636	5,424,156	70.18%	2,744,914

(2) Defined Benefit Pension Plan – Miscellaneous Plan – Second Tier

Development of the Actuarial Value of Assets Calculation in a Risk Pool			
The Agency is part of the CalPERS Miscellaneous 2.0% at 55 yrs. Risk Pool	June 30, 2011	June 30, 2012	June 30, 2013
1. Plan's accrued liability	\$ N/A	N/A	27,968
2. Plan's side fund	N/A	N/A	-
3. Pool's accrued liability	N/A	N/A	4,434,848,248
4. Pool's side fund	N/A	N/A	(108,339,918)
5. Pool's actuarial value of assets (AVA) including receivables	N/A	N/A	N/A
6. Plan's actuarial value of assets (AVA) including receivables [(1+2) / (3+4) x 5]	N/A	N/A	N/A
7. Pool's market value of assets (MVA) including receivables	N/A	N/A	N/A
8. Plan's market value of assets (MVA) including receivables [(1+2) / (3+4) x 7]	N/A	N/A	22,730

Actuarial Valuation Date	Actuarial Accrued Liability (a)	Share of Pool's Market Value of Assets (MVA) (b)	Plan's Share of Pool's Unfunded Liability (a-b)	Funded Ratio MVA b/a	Annual Covered Payroll
June 30, 2011	*	N/A	N/A	N/A	N/A
June 30, 2012	*	N/A	-	N/A	N/A
June 30, 2013	\$ 27,968	22,730	5,238	81.27%	\$ 233,286

* The District began its participation in this Plan in Fiscal Year 2013.

Mojave Water Agency
Schedule of Funding Status
For the Years Ended June 30, 2014 and 2013

(3) Defined Benefit Pension Plan – Miscellaneous PEPRA Plan – Third Tier

Development of the Actuarial Value of Assets Calculation in a Risk Pool			
The Agency is part of the CalPERS PEPRA 2.0% at 62 yrs. Risk Pool	June 30, 2011	June 30, 2012	June 30, 2013
1. Plan's accrued liability	\$ N/A	N/A	2,703
2. Plan's side fund	N/A	N/A	-
3. Pool's accrued liability	N/A	N/A	1,063,294
4. Pool's side fund	N/A	N/A	-
5. Pool's actuarial value of assets (AVA) including receivables	N/A	N/A	N/A
6. Plan's actuarial value of assets (AVA) including receivables [(1+2) / (3+4) x 5]	N/A	N/A	N/A
7. Pool's market value of assets (MVA) including receivables	N/A	N/A	N/A
8. Plan's market value of assets (MVA) including receivables [(1+2) / (3+4) x 7]	N/A	N/A	3,627

Actuarial Valuation Date	Actuarial Accrued Liability (a)	Share of Pool's Market Value of Assets (MVA) (b)	Plan's Share of Pool's Unfunded Liability(Asset) (a-b)	Funded Ratio MVA b/a	Annual Covered Payroll
June 30, 2011	*	N/A	N/A	N/A	N/A
June 30, 2012	*	N/A	-	N/A	N/A
June 30, 2013	\$ 2,703	3,627	(924)	134.18%	\$ 108,753

* The District began its participation in this Plan in Fiscal Year 2013.

(4) Other Post-Employment Benefits – Asset

Funded Status and Funding Progress of the Plan

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2011	\$ 324,914	1,708,176	1,383,262	19.02%	\$ 3,005,000	46.03%
July 1, 2008	-	1,527,612	1,527,612	0.00%	2,267,000	67.38%

Funding progress is presented for the year(s) that an actuarial study has been prepared since the effective date of GASB Statement 45. Actuarial review and analysis of the post-employment benefits liability and funding status is performed every three years or annually if there are significant changes in the plan. The next scheduled actuarial review and analysis of the post-employment benefits liability and funding status will be performed in fiscal year 2015 based on the year ending June 30, 2014.

Statistical Information Section

Mojave Water Agency Statistical Section

This part of the Agency's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Agency's overall financial health.

Table of Contents

	<u>Page No.</u>
Financial Trends	48-49
These schedules contain information to help the reader understand how the Agency's financial performance and well-being have changed over time.	
Revenue Capacity	50-56
These schedules contain information to help the reader assess the Agency's most significant own-source revenue, property tax.	
Debt Capacity	57-63
These schedules present information to help the reader assess the affordability of the Agency's current levels of outstanding debt and the Agency's ability to issue additional debt in the future.	
Demographic Information	64-66
This schedule offers demographic indicators to help the reader understand the environment within which the Agency's financial activities take place.	
Operating Information	67-69
This schedule contains service and infrastructure data to help the reader understand how the information in the Agency's financial report relates to the service the Agency provides.	

Mojave Water Agency
Net Position and Net Position by Component
Last Ten Fiscal Years

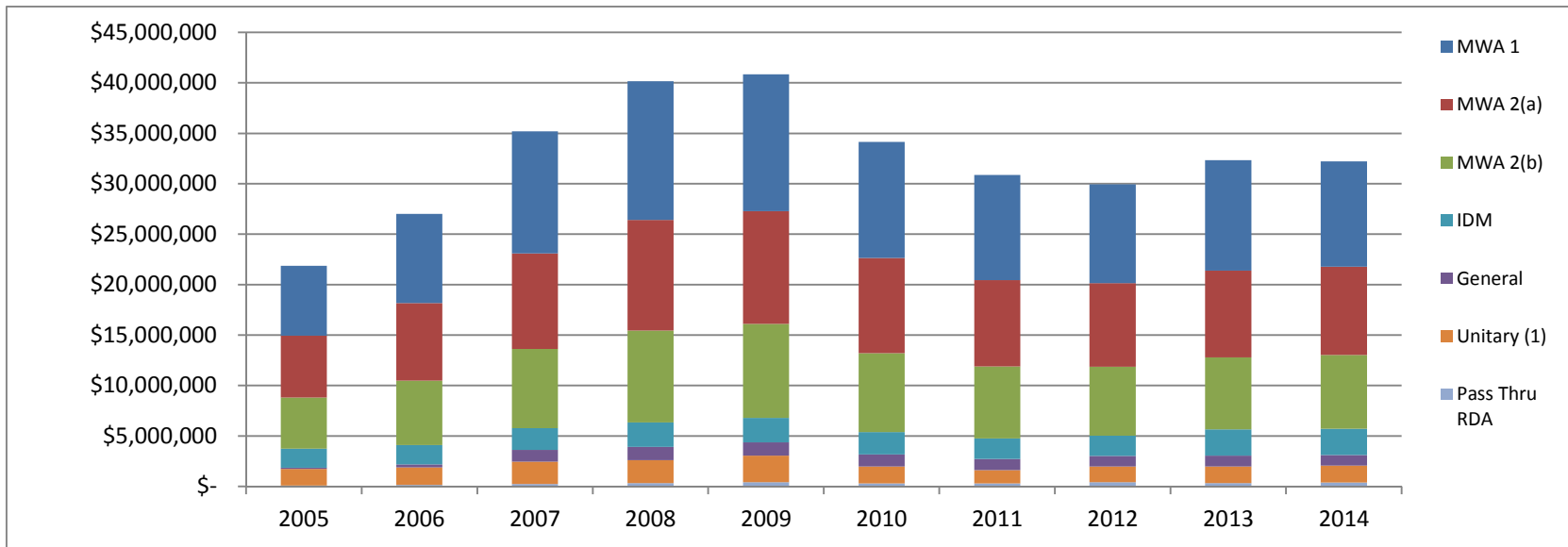
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Business-type Activities:										
Net Investment in Capital										
Assets	\$ 324,331,059	330,581,016	327,577,444	300,343,361	273,034,391	243,742,203	199,634,473	197,278,534	191,943,604	174,444,084
Restricted	\$ 37,903,477	35,027,862	31,738,559	28,949,280	34,231,596	56,711,734	28,555,113	30,078,980	18,810,721	16,383,132
Unrestricted	\$ 36,827,693	19,200,219	17,552,942	31,048,893	35,676,490	43,167,363	24,370,220	961,159	(1,555,023)	6,604,194
Total Net Position	\$ 399,062,229	384,809,097	376,868,945	360,341,534	342,942,477	343,621,300	252,559,805	228,318,674	209,199,303	197,431,410

Mojave Water Agency Changes in Net Position Last Ten Fiscal Years

	06/30/14	06/30/13	06/30/12	06/30/11	06/30/10	06/30/09	06/30/08	06/30/07	06/30/06	06/30/05
OPERATING REVENUE:										
Watermaster Assmt	\$ 2,433,774	2,752,826	1,941,626	3,250,049	4,686,265	6,908,932	8,447,402	4,568,633	2,688,383	1,978,820
Water Sales	4,347,447	5,594,269	4,550,037	7,593,587	7,485,689	8,643,681	10,882,901	6,746,363	6,033,033	2,563,543
SWP Table A Water Sales	16,426,784	-	-	-	-	-	-	-	-	-
WtrSls: Set Up Charges	-	-	-	-	-	-	450	-	-	500
Minimum OMP: IDM(840)	-	-	-	-	-	-	-	156,296	148,804	148,804
Rplcmt.Costs:IDM (840)	-	-	-	-	-	-	-	277,864	276,356	276,356
Total Operating Revenues	23,208,005	8,347,095	6,491,663	10,843,636	12,171,954	15,552,613	19,330,754	11,749,156	9,146,576	4,968,022
OPERATING EXPENSE:										
State Water Project Costs	11,417,785	12,491,587	11,113,359	14,242,963	13,332,303	14,103,568	16,084,892	11,500,764	10,316,316	6,247,890
Employment Costs	4,764,101	4,457,006	4,438,600	4,520,170	4,862,992	3,804,058	3,681,982	3,517,037	3,440,720	3,029,363
Administration Costs	2,526,374	1,477,057	2,578,265	2,328,611	5,122,475	3,274,308	1,472,437	908,633	1,100,430	671,428
Utilities	1,058,176	697,776	308,661	426,445	304,078	233,906	344,871	375,064	331,670	275,664
Supplies and Materials	285,913	255,077	222,719	326,951	318,285	301,304	345,894	288,562	202,010	210,457
Repairs and Maintenance	478,315	381,236	477,492	513,745	654,415	311,547	328,394	198,523	215,917	256,216
Mitigation Expense	-	-	-	366,000	-	-	-	-	-	-
Depreciation	15,619,566	11,639,513	10,716,705	10,041,933	21,370,216	6,560,275	4,494,605	4,934,353	5,196,818	3,846,985
Total Operating Expense	36,150,229	31,399,252	29,855,801	32,766,818	45,964,764	28,588,966	26,753,076	21,722,937	20,803,880	14,538,005
OPERATING INCOME / (LOSS)	(12,942,224)	(23,052,157)	(23,364,138)	(21,923,182)	(33,792,810)	(13,036,353)	(7,422,322)	(9,973,781)	(11,657,304)	(9,569,982)
NON-OPERATING REVENUES										
Property Taxes	30,092,574	30,318,770	28,010,289	29,026,251	32,395,925	40,856,896	40,164,181	35,198,145	27,017,593	21,860,493
D/S Support Fr.IDM:849	813,688	814,064	813,126	812,188	813,938	813,313	792,562	812,689	803,375	393,631
Interest Income	119,841	83,684	147,230	274,578	621,518	1,653,074	2,453,406	2,023,896	949,265	474,800
Mitigation Fees	-	19,468	60,176	286,356	-	-	-	-	-	-
Other Income	686,492	691,778	2,438,866	68,019	197,778	58,823	81,107	124,000	1,609,034	51,796
Total Non-Operating Revenue	31,712,595	31,927,763	31,469,687	30,467,392	34,029,159	43,382,106	43,491,256	38,158,730	30,379,268	22,780,719
NON-OPERATING EXPENSES:										
Collection Charges	77,857	76,024	71,297	109,673	128,844	244,564	454,313	551,083	336,228	184,698
Other Expenses	633,360	477,736	413,904	563,432	71,795	420,254	282,620	35,770	(58,516)	849,183
Release of IDM Funds	-	-	903,229	353,838	1,308,753	-	-	-	-	-
CalPERS Side-Fund payoff	-	-	1,657,818	-	-	-	-	-	-	-
Yermo Community Services District Project	-	-	-	150,000	-	-	-	-	-	-
Joshua Basin Recharge Project	650,000	-	-	-	-	-	-	-	-	-
Amortization & Deferred Loss on Refunding	588,345	1,547,646	513,411	513,411	510,510	761,683	420,167	657,635	477,828	411,268
Interest Expense	3,478,901	3,830,752	4,005,740	4,168,950	3,749,415	2,488,246	2,615,507	2,699,329	2,810,949	3,350,293
Total Non-Operating Expenses:	5,428,463	5,932,158	7,565,399	5,859,304	5,769,317	3,914,747	3,772,608	3,943,818	3,566,490	4,795,443
NON-OPERATING INCOME / (LOSS)	26,284,132	25,995,605	23,904,288	24,608,088	28,259,842	39,467,359	39,718,648	34,214,912	26,812,778	17,985,277
INCOME BEFORE CONTRIBUTIONS	13,341,907	2,943,448	540,150	2,684,906	(5,532,968)	26,431,006	322,963,256	24,241,131	15,155,474	8,415,294
Capital Contributions / Capital Grants	911,224	4,996,704	15,987,261	14,714,150	4,854,146	862,929	335,742	-	4,273,112	1,957,577
Change in Net Position:	14,253,131	7,940,152	16,527,411	17,399,056	(678,822)	27,293,935	32,632,068	24,241,131	19,428,586	10,372,871
Beginning of Year	384,809,097	376,868,945	360,341,534	342,942,477	343,621,300	316,327,365	283,695,297	229,389,166	209,941,774	199,568,903
End of Year	399,062,228	384,809,097	376,868,945	360,341,534	342,942,477	343,621,300	316,327,365	253,630,297	229,389,166	209,941,774
Prior Yr Adjustment	-	-	-	-	-	-	-	-	18,805	-
Net Position by Component:										
Net Investment in Capital Assets	324,331,059	330,581,016	327,577,444	300,343,361	273,034,391	245,742,203	229,714,453	199,634,473	197,278,534	191,943,604
Restricted	37,903,477	35,027,862	31,738,559	28,949,280	34,231,596	64,261,091	48,178,637	29,625,604	31,149,472	19,553,192
Unrestricted	36,827,693	19,200,219	17,552,942	31,048,893	35,676,490	35,708,048	38,434,275	24,370,220	961,159	(1,555,023)
Total Net Position	\$ 399,062,229	384,809,097	376,868,945	360,341,534	342,942,477	345,711,342	316,327,365	253,630,297	229,389,166	209,941,774

**Mojave Water Agency
Tax Revenues by Source
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>MWA 1</u>	<u>MWA 2(a)</u>	<u>MWA 2(b)</u>	<u>General</u>	<u>Unitary (1)</u>	<u>Pass Thru RDA</u>	<u>IDM</u>	<u>Total</u>
2005	6,928,616	6,122,475	5,090,850	132,643	1,644,904	84,866	1,856,139	21,860,493
2006	8,846,649	7,687,505	6,392,174	298,287	1,727,932	137,801	1,927,244	27,017,591
2007	12,115,372	9,448,069	7,856,086	1,165,815	2,207,605	235,095	2,170,103	35,198,145
2008	13,755,986	10,963,684	9,116,324	1,325,677	2,266,846	316,936	2,418,729	40,164,181
2009	13,582,350	11,185,087	9,300,420	1,299,748	2,633,850	424,186	2,431,255	40,856,896
2010	11,492,689	9,433,914	7,844,317	1,187,672	1,678,049	293,894	2,215,390	34,145,925
2011	10,423,279	8,564,582	7,121,465	1,087,612	1,314,348	302,611	2,052,355	30,866,251
2012	9,811,628	8,253,752	6,863,010	1,036,290	1,555,426	409,870	2,005,314	29,935,289
2013	10,964,481	8,596,933	7,148,366	1,069,422	1,644,762	327,016	2,592,790	32,343,771
2014	\$ 10,431,354	8,775,525	7,296,865	1,062,717	1,644,367	399,564	2,612,182	\$ 32,222,574



**Mojave Water Agency
Property Tax Rates
Last Ten Fiscal Years**

Fiscal Year Ended June 30,	MWA 1		MWA 2		IDM	
	Secured	Unsecured	Secured	Unsecured	Secured	Unsecured
	Assessed Value	Assessed Value	Assessed Value	Assessed Value	Assessed Value	Assessed Value
2005	0.1125	0.1125	0.0550	0.0550	0.1000	0.1000
2006	0.1125	0.1125	0.0550	0.0550	0.9000	0.1000
2007	0.1125	0.1125	0.0550	0.0550	0.0850	0.0900
2008	0.1125	0.1125	0.0550	0.0550	0.0850	0.0850
2009	0.1125	0.1125	0.0550	0.0550	0.0850	0.0850
2010	0.1125	0.1125	0.0550	0.0550	0.0850	0.0850
2011	0.1125	0.1125	0.0550	0.0550	0.0850	0.0850
2012	0.1125	0.1125	0.0550	0.0550	0.1050	0.0850
2013	0.1125	0.1125	0.0550	0.0550	0.1050	0.0850
2014	0.1125	0.1125	0.0550	0.0550	0.1050	0.0850

Source:
MWA

**Mojave Water Agency
Principal Property Tax Payers
Fiscal Year 2013**

2014			
Taxpayer	Secured Assessed Value	Rank	% of Total Secured Assessed Value
CEMEX CONSTRUCTION MATERIALS PACIFIC	\$ 243,865,251	1	0.88%
HIGH DESERT POWER TRUST 2000-A	231,100,000	2	0.83%
RIVERSIDE CEMENT COMPANY	190,656,154	3	0.68%
WALMART STORES INC	186,846,549	4	0.67%
MITSUBISHI CEMENT CORPORATION	158,791,042	5	0.57%
INTERMOUNTAIN POWER AGENCY	154,128,333	6	0.55%
THE AMERICAN BOTTLING COMPANY	119,829,589	7	0.43%
NUTRO PRODUCTS INC	94,446,418	8	0.34%
CARL E. ROSS LIVING TRUST	93,374,101	9	0.34%
STIRLING CAPITAL INVESTMENTS	90,854,064	10	0.33%
Total	<u>1,563,891,501</u>		<u>5.61%</u>
Local Secured Assessed Valuation	<u><u>\$ 27,858,389,448</u></u>		

Mojave Water Agency
Property Tax Assessed Valuations, Tax Levies and Collections
Last Ten Fiscal Years

MWA #1

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections from Prior Years	Total Collections to Date	
		Amount (2)	Percent of Levy (3)		Amount	Percent of Levy (1)
2005	5,666,398	5,867,873	103.56%	1,060,742	6,928,616	122.3%
2006	7,021,039	8,231,507	117.24%	615,142	8,846,649	126.0%
2007	9,998,397	11,594,962	115.97%	520,410	12,115,372	121.2%
2008	12,671,101	12,956,489	102.25%	799,497	13,755,986	108.6%
2009	13,523,645	12,199,600	90.21%	1,382,750	13,582,350	100.4%
2010	12,610,003	10,063,740	79.81%	1,428,949	11,492,689	91.1%
2011	10,611,905	9,264,516	87.30%	1,158,763	10,423,279	98.2%
2012	10,196,119	8,837,752	86.68%	973,876	9,811,628	96.2%
2013	9,907,907	9,551,624	96.40%	1,412,857	10,964,481	110.7%
2014	9,656,319	8,939,072	92.57%	1,492,283	10,431,354	108.0%

MWA #2

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections from Prior Years	Total Collections to Date	
		Amount (2)	Percent of Levy (3)		Amount	Percent of Levy (1)
2005	10,238,749	10,262,654	100%	950,671	11,213,325	109.5%
2006	12,293,075	13,445,215	109%	634,463	14,079,679	114.5%
2007	15,655,298	16,712,110	107%	592,045	17,304,155	110.5%
2008	19,120,607	19,001,321	99%	1,078,687	20,080,008	105.0%
2009	19,919,338	18,497,287	93%	1,988,220	20,485,507	102.8%
2010	17,486,368	15,504,961	89%	1,773,270	17,278,231	98.8%
2011	15,454,895	14,493,855	94%	1,192,192	15,686,047	101.5%
2012	15,177,349	14,150,668	93%	966,093	15,116,762	99.6%
2013	15,070,063	14,569,069	97%	1,176,230	15,745,299	104.5%
2014	15,303,875	14,838,185	97%	1,234,206	16,072,390	105.0%

(1) Percent of Levy for 'Total Collections to Date' is greater than 100% due to 'Collections from Previous Years'.

(2) Amount Collected within Fiscal Year of Levy includes Current Secured, Current Unsecured, and Supplemental Taxes.

(3) Percent of Levy for 'General tax collected within the Fiscal Year of Levy' is greater than 100% due to the collection of RDA Pass Thru Taxes.

Mojave Water Agency
Property Tax Assessed Valuations, Tax Levies and Collections, continued
Last Ten Fiscal Years

General Tax

Fiscal Year	Taxes Levied	Collected within		Total Collections to Date		
		Amount (2)	Percent of Levy	Collections from	Amount	Percent of Levy
2005	2,325,061	1,823,532	78.43%	38,881	1,862,413	80.10%
2006	2,587,446	2,129,055	82.28%	34,965	2,164,020	83.64%
2007	3,278,798	3,569,519	108.87%	38,996	3,608,515	110.06%
2008	3,660,537	3,848,294	105.13%	61,165	3,909,459	106.80%
2009	4,086,758	4,252,501	104.06%	105,283	4,357,784	106.63%
2010	2,954,170	3,067,933	103.85%	91,682	3,159,615	106.95%
2011	2,949,926	2,647,624	89.75%	56,947	2,704,571	91.68%
2012	2,366,193	2,953,101	124.80%	48,484	3,001,585	126.85%
2013	2,588,976	3,007,440	116.16%	33,760	3,041,201	117.47%
2014	1,564,741	3,065,212	195.89%	41,437	3,106,648	198.54%

IDM

Fiscal Year	Taxes Levied	Collected within		Total Collections to Date		
		Amount (2)	Percent of Levy	Collections from	Amount	Percent of Levy
2005	1,555,795	1,611,293	103.57%	244,845	1,856,139	119.30%
2006	1,629,169	1,778,207	109.15%	149,037	1,927,244	118.30%
2007	1,906,752	2,044,627	107.23%	125,476	2,170,103	113.81%
2008	2,192,539	2,284,873	104.21%	133,855	2,418,729	110.32%
2009	2,359,395	2,258,283	95.71%	172,972	2,431,255	103.05%
2010	2,168,137	2,014,058	92.89%	201,332	2,215,390	102.18%
2011	2,018,760	1,877,124	92.98%	175,231	2,052,355	101.66%
2012	2,012,371	1,852,338	92.05%	152,976	2,005,314	99.65%
2013	2,467,690	2,378,743	96.40%	214,047	2,592,790	105.07%
2014	2,440,025	2,317,316	94.97%	294,867	2,612,182	107.06%

(1) Estimated

(2) Amount Collected within Fiscal Year of Levy includes Current Secured, Current Unsecured, Unitary and Supplemental Taxes.

(3) Percent of Levy for 'General tax collected within the Fiscal Year of Levy' is greater than 100% due to the collection of RDA Pass Thru Taxes.

(4) Percent of Levy for 'Total Collections to Date' is greater than 100% due to 'Collections from Previous Years'.

Mojave Water Agency
Property Tax Allocation of Ad Valorem Taxes Collected
Last Ten Fiscal Years

Ad Valorem Taxes

Fiscal Year Ended June 30	Ad Valorem Taxes Received	Amount Allocated to Payment Under Water Supply Contract	Amount Allocated to Supplement Table A Amount Revenues
2005	13,051,091	8,490,916	4,560,175
2006	16,534,154	8,667,289	7,866,865
2007	21,563,441	9,076,227	12,487,214
2008	24,719,670	9,799,868	14,919,802
2009	24,767,437	9,577,589	15,189,848
2010	20,926,603	10,917,808	10,008,795
2011	18,987,861	13,448,072	5,539,789
2012	92,349,151	12,447,582	79,901,569
2013	19,561,414	13,034,376	6,527,038
2014	19,206,879	12,996,300	6,210,579

**Mojave Water Agency
Annual Change in Assessed Value
Last Ten Fiscal Years**

Fiscal Year Ended June 30	Secured Assessed Valuation Within Service Area	Unsecured Assessed Valuation Within Service Area	Percentage Increase/(Decrease)
2005	18,275,415,534	340,491,179	14.19%
2006	21,972,885,994	378,160,096	20.06
2007	28,069,398,437	394,780,185	27.35
2008	34,313,920,899	450,819,455	22.14
2009	35,610,069,578	606,908,285	4.18
2010	31,119,466,104	673,930,872	(12.21)
2011	27,375,296,579	724,511,959	(11.62)
2012	26,894,046,920	701,133,760	(1.80)
2013	26,681,108,169	719,006,056	(0.71)
2014	27,004,903,579	820,324,180	1.55

Fiscal Year Ended June 30	Assessed Valuation Within Service Area (Land Only)	Assessed Valuation Within Service Area (Improvements)	Percentage Increase/(Decrease)
2005	5,036,798,048	13,579,108,665	14.19%
2006	6,240,923,396	16,110,122,694	20.06
2007	8,887,464,430	19,576,714,192	27.35
2008	11,263,201,017	23,501,539,337	22.14
2009	12,021,018,146	24,195,959,717	4.18
2010	11,208,891,543	20,584,505,433	(12.21)
2011	9,432,804,274	18,667,004,264	(11.62)
2012	9,063,216,846	18,531,963,834	(1.80)
2013	8,807,028,882	18,593,085,343	(0.71)
2014	8,583,394,618	19,241,833,141	1.55

Mojave Water Agency
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year Ending	General Obligation Bond 1996	General Obligation Bond 2006	Certificate of Participation 2004	Revenue Refunding Bonds 2014	Certificate of Participation 2009	DWR 860 Reach 1 Oversize E74005	DWR 870 MRP Recharge E72008	DWR 880 HD Extension MBP E74007A	TOTAL	Per Capita (1)	% of Per Capital
2005	43,655,000	-	24,125,000	-	-	2,750,545	3,916,041	870,324	75,316,910	27,481	0.036%
2006	42,270,000	-	23,360,000	-	-	2,480,137	3,673,712	789,893	72,573,742	28,607	0.039%
2007	-	34,825,000	22,340,000	-	-	2,201,449	3,424,485	707,000	63,497,934	29,765	0.047%
2008	-	33,315,000	21,290,000	-	-	1,914,465	3,168,841	621,793	60,310,098	30,220	0.050%
2009	-	31,730,000	20,205,000	-	-	1,618,562	2,905,197	533,781	56,992,540	29,072	0.051%
2010	-	30,065,000	19,095,000	-	38,205,000	1,313,833	2,634,302	443,147	91,756,282	29,609	0.032%
2011	-	28,315,000	17,945,000	-	37,770,000	999,893	2,355,767	349,774	87,735,434	29,998	0.034%
2012	-	26,475,000	16,755,000	-	37,325,000	676,516	2,069,507	253,597	83,554,621	32,072	0.038%
2013	-	24,550,000	15,530,000	-	36,870,000	343,275	1,774,931	154,480	79,222,686	N/A	-
2014	-	22,525,000	-	13,155,000	36,400,000	-	1,472,166	52,381	73,604,547	N/A	-

(1) <http://www.bea.gov/iTable/iTable.cfm?reqid=70&step=1&isuri=1&acrln=4>

Bureau of Economic Analysis: Regional Economic Accounts for San Bernardino County.

Bureau of Economic Analysis is an agency of the U.S. Department of Commerce. Statistics are available through 2012.

Note: Outstanding Debt by Type includes both short-term and long-term portions of debt, for a total outstanding debt at the end of each year.

Mojave Water Agency
Ratios of General Obligated Debt Outstanding
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Total Assessed Taxable Value of Property (1)</u>	<u>% of Est. Actual Taxable Value of Property</u>	<u>Per Capita (2)</u>
2005	43,655,000	1,555,794,725	2.81%	27,481
2006	42,270,000	1,808,554,207	2.34%	28,607
2007	34,825,000	2,242,279,274	1.55%	29,765
2008	33,315,000	2,579,457,175	1.29%	30,220
2009	31,730,000	2,775,758,480	1.14%	29,072
2010	30,065,000	2,550,749,524	1.18%	29,609
2011	28,315,000	2,375,011,808	1.19%	29,998
2012	26,475,000	2,367,494,975	1.12%	32,072
2013	24,550,000	2,363,922,670	1.04%	N/A
2014	22,525,000	2,323,833,066	0.97%	N/A

(1) Source: <http://www.sbcounty.gov/ATC/Services/Documents?expandID=10#xpand-10>

(2) Source: <http://www.bea.gov/itable/iTable.cfm?ReqID=70&step=1#reqid=70&step=1&isuri=1>

Bureau of Economic Analysis: Regional Economic Accounts for San Bernardino County. Bureau of Economic Analysis is an agency of the U.S. Department of Commerce. Statistics are available through 2009.

N/A - Stistical information was not available for the specified time periods.

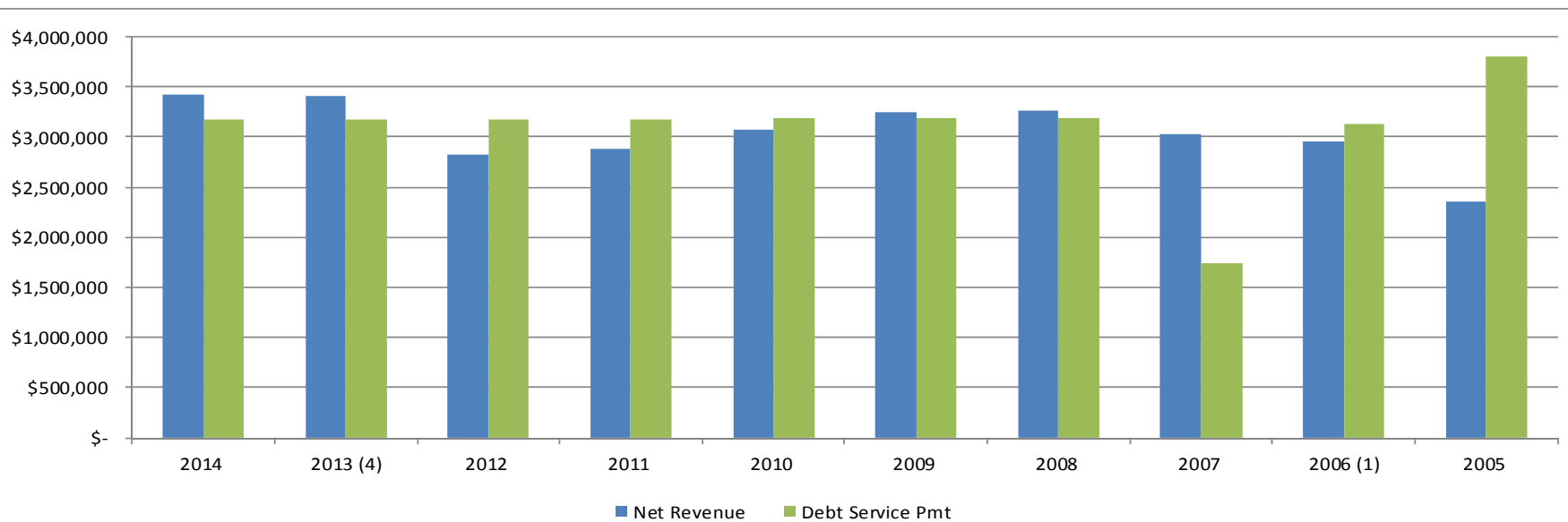
**Mojave Water Agency
Legal Debt Margin Information
Last Ten Fiscal Years**

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Total Assessed Value of Taxable Property	\$ 2,323,833,066	\$ 2,363,922,670	2,367,494,975	2,375,011,808	2,550,749,524	2,775,758,480	2,579,457,175	2,242,279,274	1,808,554,207	1,555,794,725
Debt Limit (10% of total assessed value)	232,383,307	236,392,267	236,749,498	237,501,181	255,074,952	277,575,848	257,945,718	224,227,927	180,855,421	155,579,473
Debt Applicable to limit: General Obligation Bonds	22,525,000	24,550,000	26,475,000	28,315,000	30,065,000	31,730,000	33,315,000	34,825,000	42,270,000	43,655,000
Less: Amount set aside for repayment of general obligation debt	3,168,125	3,168,542	3,179,083	3,180,333	3,182,125	3,184,708	3,191,195	1,743,950	3,136,647	3,798,608
Total Net Debt applicable to the limit	25,693,125	27,718,542	29,654,083	31,495,333	33,247,125	34,914,708	36,506,195	36,568,950	45,406,647	47,453,608
Legal Debt Margin	\$ 258,076,432	\$ 264,110,809	266,403,581	268,996,514	288,322,077	312,490,556	294,451,913	260,796,877	226,262,068	203,033,080
Total Net Debt applicable to the limit as a percentage of debt limit	11.06%	11.73%	12.53%	13.26%	13.03%	12.58%	14.15%	16.31%	25.11%	30.50%

**Mojave Water Agency
Pledged Revenue Coverage
Last Ten Fiscal Years**

General Obligation Bonds - IDM

	2014	2013 ⁽⁴⁾	2012	2011	2010	2009	2008	2007	2006 ⁽¹⁾	2005
Revenues:										
Tax Assessments	\$ 2,612,182	\$ 2,592,790	2,005,314	2,052,355	2,215,390	2,431,255	2,418,729	2,170,103	1,927,244	1,856,139
Debt Service Support ⁽²⁾	813,688	814,064	813,126	812,188	813,938	813,313	792,562	812,689	803,375	393,631
Interest	4,239	2,061	3,806	19,926	46,769	8,192	45,192	38,833	227,562	102,514
Total Revenue	\$ 3,430,109	\$ 3,408,915	2,822,246	2,884,469	3,076,097	3,252,760	3,256,483	3,021,624	2,958,181	2,352,283
Debt Service	\$ 3,168,125	\$ 3,168,542	3,179,083	3,180,333	3,182,125	3,184,708	3,191,195	1,743,950	3,136,647	3,798,608
Coverage Ratio	1.08	1.08	0.89	0.91	0.97	1.02	1.02	1.73	0.94	0.62
Revenues Remaining After Debt Service Payment⁽³⁾										
	\$ 261,984	\$ 240,374	(356,837)	(295,865)	(106,028)	68,051	65,287	1,277,675	(178,467)	(1,446,324)



(1) Refunding FY 2006.

(2) Project Participants pay 25% of annual Debt Service. Project Participants include High Desert Water District, Joshua Basin Water District, Bighorn Desert View Water Agency, County of San Bernardino, and Mojave Water Agency.

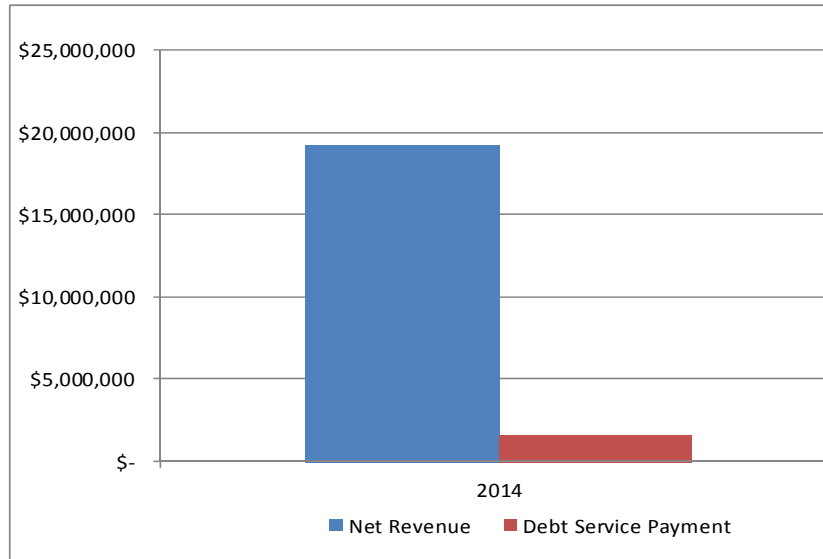
(3) Overcollection in prior years created a buildup in reserves, which were used to supplement during years of undercollection.

(4) Tax rate increased in 2013.

**Mojave Water Agency
Pledged Revenue Coverage, continued
Last Ten Fiscal Years**

Refunding Revenue Bonds Series 2014A

	2014
Revenues:	
Tax Assessments ⁽¹⁾	\$ 19,271,169
Interest	26,343
Total Revenue	\$ 19,297,512
Debt Service	\$ 1,595,292
Coverage Ratio	12.10
Revenues Remaining After Debt Service Payment	\$ 17,702,220



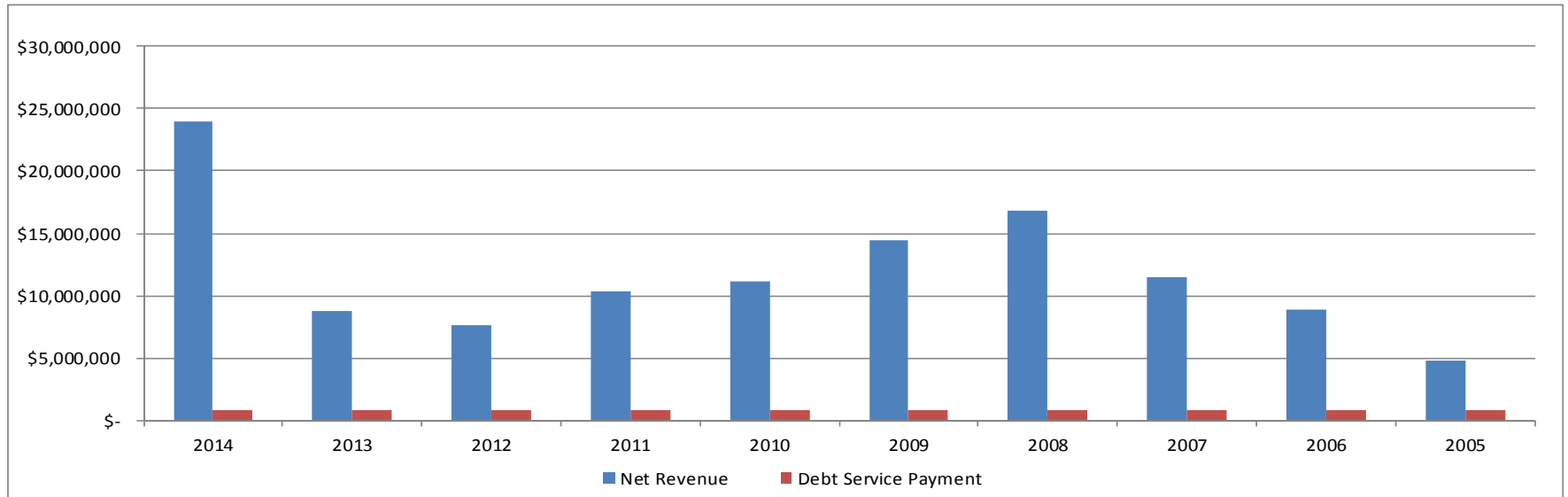
(1) Tax assessments are based off MWA 1 and 2(a).

* 2014 is the first year of issuance for the 2014 Revenue Refunding Bonds

**Mojave Water Agency
Pledged Revenue Coverage, continued
Last Ten Fiscal Years**

DWR Debt Service - Loans

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Water Sales	\$ 20,774,232	\$ 5,594,269	4,550,037	7,593,587	7,485,689	8,643,681	10,882,901	6,746,363	6,033,033	2,563,543
General Tax Assessments	1,462,281	1,396,438	1,446,160	1,390,223	1,481,566	1,723,935	1,642,613	1,400,910	436,088	217,509
Unitary Tax Assessments (1)	1,644,367	1,644,762	1,555,426	1,314,348	1,678,049	2,633,850	2,266,846	2,207,605	1,727,932	1,644,904
Interest	46,530	81,638	78,276	104,156	486,956	1,395,642	2,013,411	1,098,790	662,553	338,679
Total Revenue	\$ 23,927,409	\$ 8,717,108	7,629,899	10,402,314	11,132,260	14,397,107	16,805,771	11,453,668	8,859,607	4,764,635
Debt Service	\$ 807,365	\$ 807,365	807,365	807,365	807,365	807,365	808,224	807,365	807,163	807,163
Coverage Ratio	29.64	10.80	9.45	12.88	13.79	17.83	20.79	14.19	10.98	5.90
Revenues Remaining After Debt Service Payment	\$ 23,120,045	\$ 7,909,743	6,822,534	9,594,949	10,324,895	13,589,743	15,997,548	10,646,303	8,052,444	3,957,472

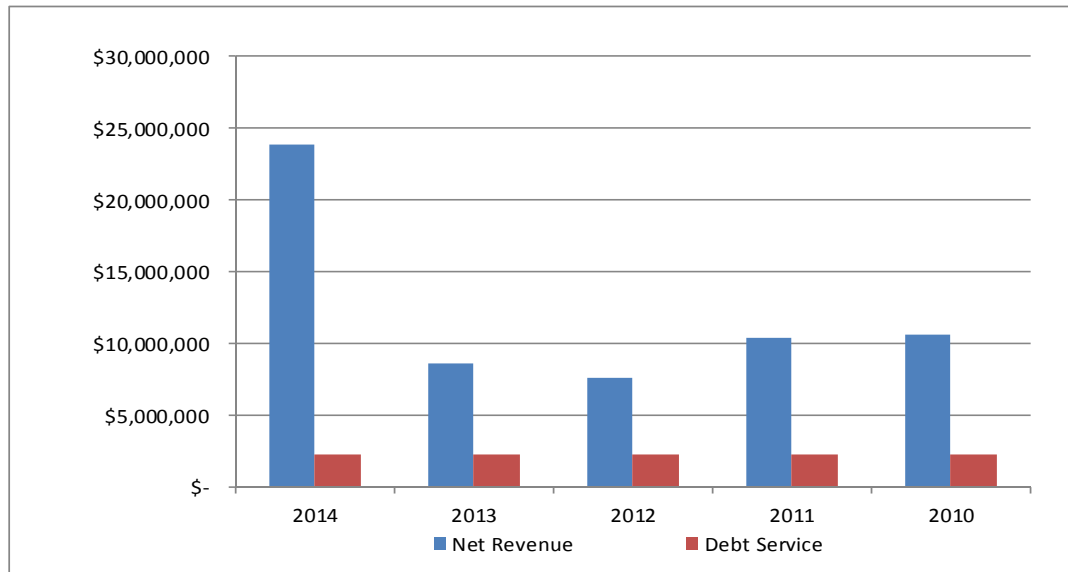


(1) The Mojave Water Agency began separately tracking the Unitary portion of the tax receipts in the fiscal year ending 2003.

**Mojave Water Agency
Pledged Revenue Coverage, continued
Last Ten Fiscal Years**

2009A Certificate of Participation - Table A Water

	2014	2013	2012	2011	2010
Revenues:					
Water Sales	\$ 20,774,232	\$ 5,594,269	4,550,037	7,593,587	7,485,689
General Tax Assessments	1,462,281	1,396,438	1,446,160	1,390,223	1,481,566
Unitary Tax Assessments	1,644,367	1,644,762	1,555,426	1,314,348	1,678,049
Interest	43,817	5,410	34,807	65,527	38,643
Total Revenue	<u>\$ 23,924,696</u>	<u>\$ 8,640,880</u>	<u>7,586,430</u>	<u>10,363,685</u>	<u>10,683,947</u>
Debt Service	<u>\$ 2,297,750</u>	<u>\$ 2,296,400</u>	<u>2,299,750</u>	<u>2,298,450</u>	<u>2,297,590</u>
Coverage Ratio	10.41	3.76	3.30	4.51	4.65
Revenues Remaining After Debt Service Payment	<u>\$ 21,626,946</u>	<u>\$ 6,344,480</u>	<u>5,286,680</u>	<u>8,065,235</u>	<u>8,386,356</u>



* 2010 is the first year of issuance for the 2009 Certificates of Participation.

**Mojave Water Agency
Demographic and Economic Statistics
Last Ten Fiscal Years**

County of San Bernardino						
Year	Population(1)	Personal Income (1)	Per Capita Personal Income(1)	Median Age(2)	School Enrollment (K- 12) (3)	Unemployment Rate (4)
2005	1,943,924	\$ 53,420,562	\$ 27,481	30.2	422,234	5.2
2006	1,974,140	56,475,057	28,607	30.3	426,080	4.8
2007	1,992,161	59,296,141	29,765	30.2	426,168	5.6
2008	2,003,735	60,552,997	30,220	30.5	426,779	8.6
2009	2,013,960	58,549,659	29,072	30.9	419,074	14.1
2010	2,042,027	60,463,094	29,609	31.8	417,061	14.2
2011	2,065,377	61,957,654	29,998	31.7	417,023	14.1
2012	2,081,313	66,751,565	32,072	31.7	414,260	11.8
2013	N/A	N/A	N/A	N/A	412,155	11.8
2014	N/A	N/A	N/A	N/A	412,243	* 8.2

(1) Source: <http://www.bea.gov/itable/iTable.cfm?ReqID=70&step=1#reqid=70&step=1&isuri=1>

Bureau of Economic Analysis: Regional Economic Accounts for San Bernardino County. Bureau of Economic Analysis is an agency of the U.S. Department of Commerce. Statistics are available through 2012

(2) Source: http://factfinder.census.gov/servlet/STTable?_bm=y&-context=st&-qr_name=ACS_2006_EST_G00_S0101&-ds_name=ACS_2006_EST_G00_&-tree_id=306&-redoLog=true&-caller=geoselect&-geo_id=05000US06071&-format=&-lang=en

U.S. Census Bureau information is updated through 2010.

(3) Source: www.dof.ca.gov/html/DEMOGRAP/ReportsPapers/Projections/Enrollment/K12-05/K12EnlrmntPrjctns2007.php

California Department of Finance Demographic Research Unit October 2007 Excludes CYA and special school

(4) Source: <http://www.labormarketinfo.edd.ca.gov/cgi/databrowsing/localAreaProfileQSResults.asp?selectedarea=San+Bernardino+County&selectedindex=36&menuChoice=localAreaPro&state=true&geogArea=0604000071&countyName=>

Employment Development Department, Labor Market Information Division.
Rates are annual average through 2011
2012 is the rate at 08/31/12.

(5) Source: <http://www.dof.ca.gov/research/demographic/reports/estimates/e-1/view.php>

California Department of Finance Demographic Research Unit

(6) Source: Population for unincorporated areas are estimated to remain flat for total population comparative purposes only.

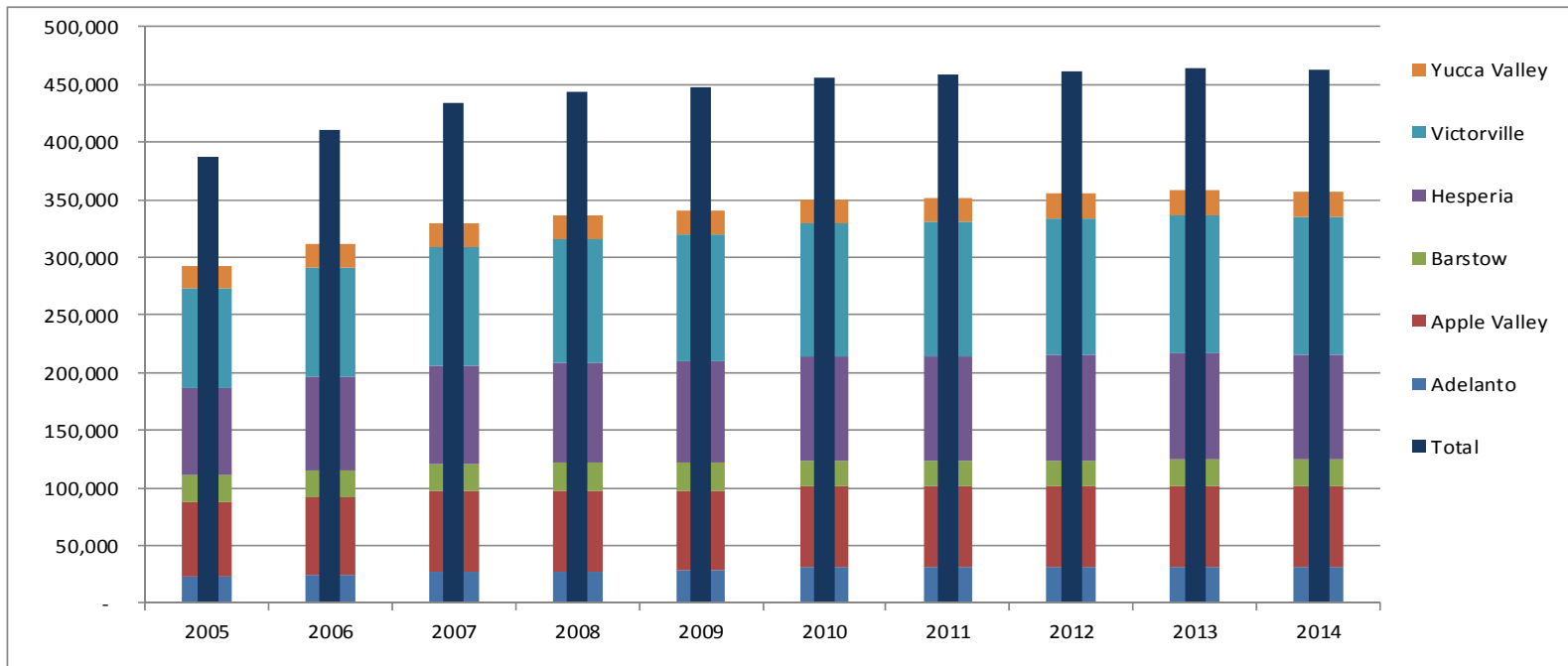
N/A Information not available for specific date range.

* 2013-2014 School enrollment data is projected.

**Mojave Water Agency
Demographic and Economic Statistics, continued
Last Ten Fiscal Years**

Population by City (5)

YEAR	Adelanto	Apple Valley	Barstow	Hesperia	Victorville	Yucca Valley	Unincorporated	TOTAL
2005	23,342	63,754	23,652	75,983	86,345	19,695	94,735	387,506
2006	24,801	67,291	23,648	80,000	94,853	20,740	99,585	410,918
2007	27,019	69,975	23,833	85,472	102,093	20,949	104,055	433,396
2008	28,012	69,654	23,806	87,260	106,765	21,136	106,367	443,000
2009	28,265	69,681	24,213	88,184	109,441	21,239	106,367 (6)	447,390
2010	31,875	69,100	22,422	90,139	115,695	20,686	106,367 (6)	456,284
2011	31,615	69,431	22,764	90,420	116,857	20,764	106,367 (6)	458,218
2012	31,066	70,033	23,019	91,033	119,059	20,916	106,367 (6)	461,493
2013	31,289	70,436	23,168	91,400	120,368	21,030	106,367 (6)	464,058
2014	31,172	70,173	23,082	91,057	119,937	20,952	106,367 (6)	462,740



**Mojave Water Agency
Principal Employers
Fiscal Year 2014**

Town of Apple Valley 2014 (1)

Employer	Employees	Rank	Percentage of Total Employed
Apple Valley School District	1,800	1	7.63%
St. Mary Regional Medical Center	1,700	2	7.20%
Wal-Mart Distribution Center	750	3	3.18%
Target Stores, Inc.	461	4	1.95%
Stater Bros.	251	5	1.06%
Total Employed in Apple Valley*	23,600		

City of Victorville 2014 (3)

Employer	Employees	Rank	Percentage of Total Employed
Southern California Logistics Airport	2,000	1	7.49%
The Mall of Victor Valley	1,100	2	4.12%
Victor Valley Union High School District	1,000	3	3.75%
Desert Valley Hospital/Medical Group	950	4	3.56%
Victor Valley Elementary School District	948	5	3.55%
Total Employed in the City of Victorville*	26,700		

City of Hesperia 2014 (2)

Employer	Employees	Rank	Percentage of Total Employed
Hesperia Unified School District	1,956	1	7.27%
County of San Bernardino	365	2	1.36%
Stater Bros.	361	3	1.34%
Super Target	250	4	0.93%
City of Hesperia	200	5	0.74%
Total Employed in the City of Hesperia*	26,900		

* Source

<http://www.labormarketinfo.edd.ca.gov/cgi/databrowsing/localAreaProfileQSResults.asp?menuChoice=localAreaPro&state=true&geogArea=0604000071&selectedArea=San%20Bernardino%20County>

(1) Source

http://www.applevalley.org/pgs/market_profile.asp

(2) Source

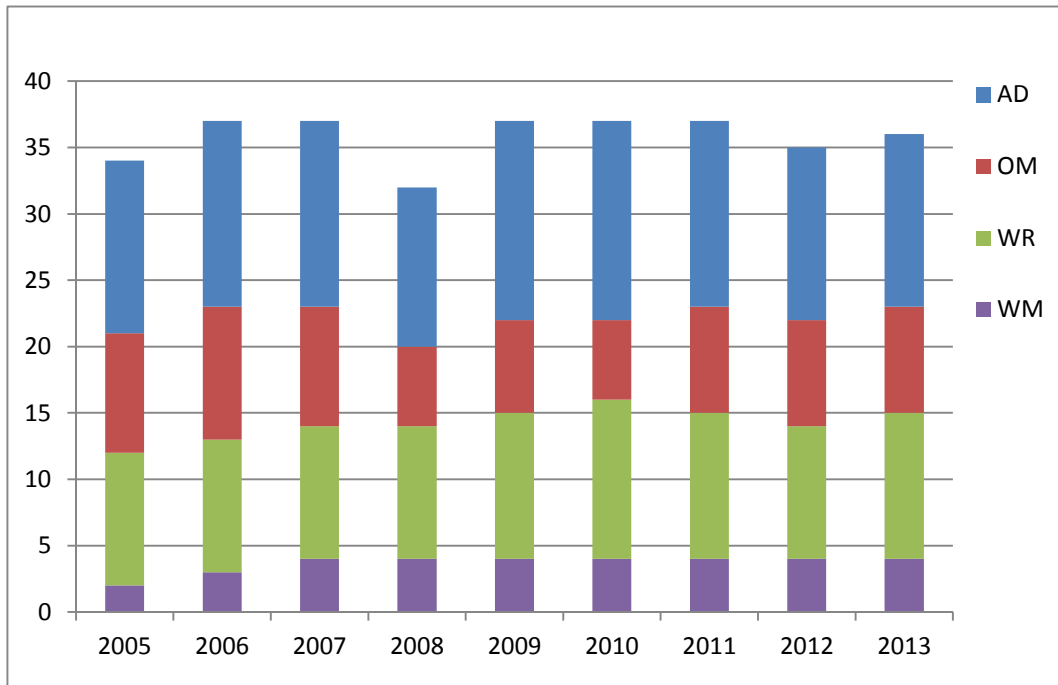
<http://www.cityofhesperia.us>

(3) Source

<http://www.victorvillecity.com/>

**Mojave Water Agency
Full-Time Employees
Last Ten Fiscal Years**

<u>Fiscal Year Ending</u>	<u>Administration</u>	<u>Operations and Maintenance</u>	<u>Water Resources</u>	<u>Watermaster</u>	<u>Total⁽¹⁾</u>
2005	13	9	10	2	34
2006	14	10	10	3	37
2007	14	9	10	4	37
2008	12	6	10	4	32
2009	15	7	11	4	37
2010	15	6	12	4	37
2011	14	8	11	4	37
2012	13	8	10	4	35
2013	13	8	11	4	36
2014	16	8	11	4	39



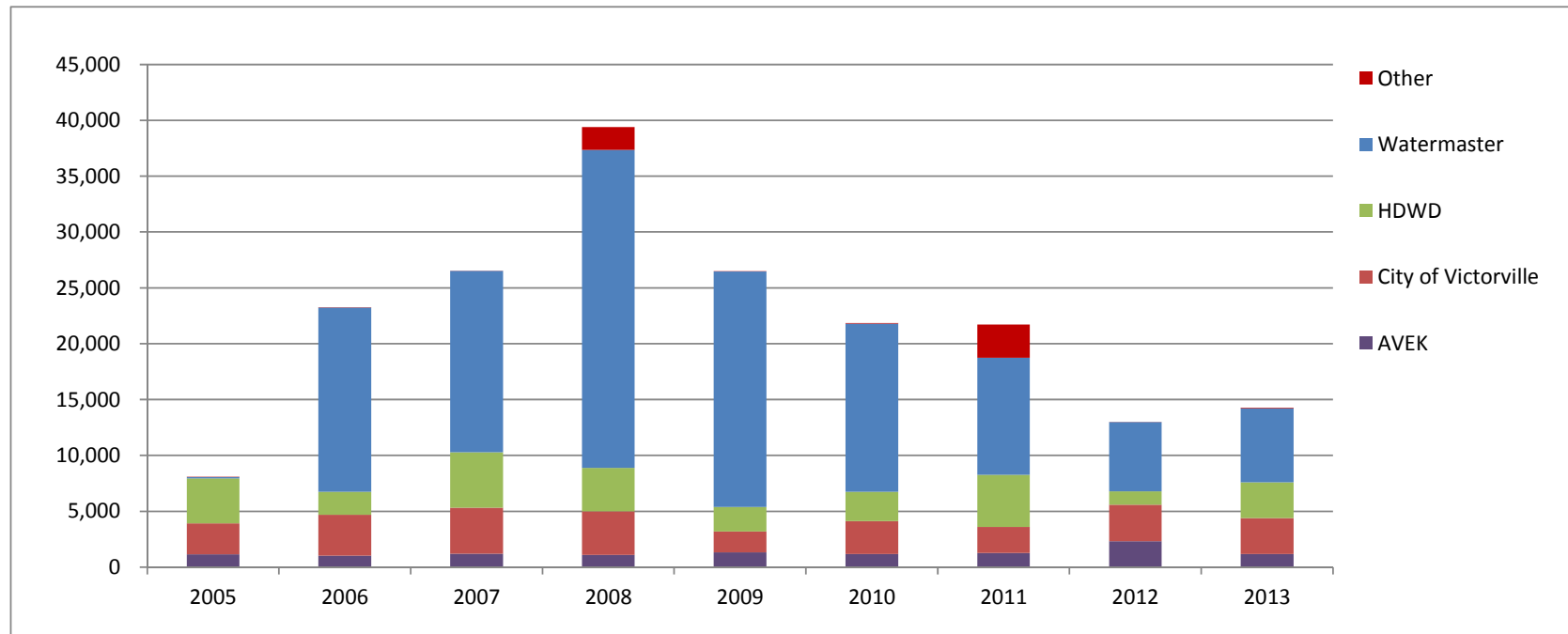
(1) Represents actual filled positions, not budgeted or approved.

**Mojave Water Agency
Acre Feet of Water Sold
Last Ten Fiscal Years**

Mojave Water Agency Acre-Feet of Water Sold

State Water Project Allocations

Fiscal Year Ending	AVEK	City of Victorville	HDWD	Watermaster	Other	Total⁽²⁾	Table A Amount	%	Acre Feet Allocated	SWP Deliveries
2005	1,140	2,775	4,028	110	13	8,066	75,800	90%	68,220	10,360
2006	1,022	3,679	2,033	16,503	11	23,248	75,800	100%	75,800	32,496
2007	1,203	4,120	4,957	16,227	10	26,517	75,800	60%	45,480	19,372
2008	1,107	3,889	3,899	28,453	2,051	39,399	75,800	35%	26,530	17,793
2009	1,314	1,886	2,181	21,075	14	26,470	75,800	40%	30,320	13,492
2010	1,171	2,954	2,606	15,056	57	21,844	82,800	50%	41,400	18,979
2011	1,268	2,332	4,668	10,491	2,964	21,723	82,800	80%	66,240	38,286
2012	2,320	3,277	1,183	6,192	9	12,981	82,800	65%	53,820	51,065
2013	1,175	3,206	3,214	6,642	32	14,269	82,800	35%	28,980	22,748
2014	1,062	1,337	1,011	7,472	31	10,913	82,800	5%	4,140	N/A ⁽¹⁾



(1) State Water Project Allocations are based on calendar year and the final deliveries for 2014 have yet to be determined.

(2) The amounts differ from the 2014 OS due to the Watermaster sales being recorded on a cash basis instead of an accrual basis.

**Mojave Water Agency
Capital Asset Statistics
Last Ten Fiscal Years**

Function	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Trans/ Distr Facility	\$ 192,540,769	\$ 191,434,934	139,386,544	138,927,935	138,866,044	138,534,539	138,534,539	138,340,815	133,368,879	118,693,614
Monitoring Wells	20,190,868	20,190,868	4,615,017	3,607,182	2,222,185	2,222,182	2,222,182	1,180,215	1,180,215	550,692
Trucks & Autos	777,047	874,720	848,025	809,705	739,015	587,321	587,321	561,052	549,306	536,306
Furniture & Fixtures	-	8,631	10,653	10,653	274,614	274,614	270,905	270,905	284,397	282,361
Equipment	343,090	173,879	578,727	578,727	805,511	805,511	678,090	642,130	613,659	574,659
Computer Hardware	2,306,573	2,659,592	2,752,292	2,301,939	3,073,882	3,011,475	2,665,216	2,438,122	1,793,657	1,627,667
Building	16,409,075	12,857,220	12,507,424	12,181,131	1,821,395	1,810,925	1,729,065	1,704,156	1,695,877	1,749,757
Leasehold Improvements	-	-	42,197	42,197	42,197	42,197	42,197	42,197	42,197	42,197
Total	\$ 232,567,422	\$ 228,199,844	160,740,879	158,459,469	147,844,843	147,288,764	146,729,516	145,179,593	139,528,188	124,057,252

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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
Mojave Water Agency
Apple Valley, 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 Mojave Water Agency (Agency) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprises the Agency's basic financial statements, and have issued our report thereon dated October 31, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency'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 Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 Agency'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 Control 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.

Charles Z. Fedak & Company, CPAs - An Accountancy Corporation

Cypress, California

October 31, 2014

7

MEMORANDUM OF UNDERSTANDING

**LAHONTAN WATER BOARD
SUPPLEMENTAL ENVIRONMENTAL PROJECT PROGRAM WITH
MOJAVE INTEGRATED REGIONAL WATER MANAGEMENT PLAN
IMPLEMENTATION SUPPORT TEAM**

This document shall serve as a Memorandum of Understanding (MOU) by and between the California Regional Water Quality Control Board, Lahontan Region (Lahontan Water Board), the Mojave Integrated Regional Water Management (IRWM) Plan Implementation Support Team, and individual stakeholder organizations of the Mojave IRWM region that are signatory to this MOU (PARTNER ORGANIZATION). The purpose of the MOU is to establish a list of potential projects that may be implemented pursuant to the Supplemental Environmental Project (SEP) program authorized by the Lahontan Water Board's SEP Program, approved by Resolution No. R6T-2014-0014 (Lahontan Water Board SEP Program).

In 2014 the Mojave Water Agency, the Morongo Basin Pipeline Commission, the Mojave Desert Resource Conservation District, Victor Valley Wastewater Reclamation Authority, and the Mojave Water Agency Technical Advisory Committee approved the Mojave IRWM Plan. This plan is monitored by the Mojave IRWM Plan Implementation Support Team.

The Mojave IRWM Plan establishes a list of over 129 potential projects (http://www.mywaterplan.com/files/mojave_irwm-plan_final_62614.pdf). The projects were developed through coordination of the 87 stakeholders to the Mojave IRWM Plan through numerous public workshops and local-level community outreach meetings. Potential projects were evaluated against basic submittal criteria to develop the final project list of the Mojave IRWM Plan.

The IRWM Plan Implementation Support Team submitted information on October 26, 2015 demonstrating that it meets the criteria established by the Lahontan Water Board's SEP Program to identify projects that may qualify as SEPs. Each PARTNER ORGANIZATION will submit information demonstrating their capacity to implement SEPs pursuant to the criteria established by the Lahontan Water Board's SEP Program. The submittal date for each PARTNER ORGANIZATION's application submittal is noted on their respective Partner Organization Agreement signature page to this MOU.

The following terms and conditions of this Memorandum of Understanding (MOU) govern the Mojave IRWM Plan Implementation Support Team's obligations to identify projects that may qualify as SEPs as well as each signatory PARTNER ORGANIZATION's obligations to use the funds transferred to it by a DISCHARGER in accordance with the Lahontan Water Board's authorizing Administrative Civil Liability Order to implement SEPs consistent with the Lahontan Water Board SEP Program. This MOU is effective upon its execution by the Mojave IRWM Plan Implementation

MOU - WATER BOARD SEP PROGRAM with
MOJAVE IRWM IMPLEMENTATION SUPPORT TEAM

Support Team, each participatory PARTNER ORGANIZATION, and the Executive Officer of the Lahontan Water Board.

1. On February 4, 2016, the Mojave IRWM Plan Implementation Support Team reviewed the final project list of the Mojave IRWM Plan and created the "SEP Approved Project List" which incorporates the SEP Qualification Criteria identified in the Lahontan Water Board SEP Program to identify potential projects that may qualify as a SEP. Projects identified on this list shall be eligible to receive SEP funding upon the Lahontan Water Board Executive Officer's approval of the respective Partner Organization application.
2. The Mojave IRWM Implementation Support Team shall submit to the Lahontan Water Board Executive Officer on a biannual basis a list of potential projects that have been identified via its public process that incorporates local stakeholder outreach and input in selecting and prioritizing potential SEP projects. The first such list shall be submitted by **April 1, 2016** and every two years thereafter. The list will be updated periodically (and at a minimum every two years) to reflect potential projects that have been added, removed or completed. Each potential project shall be submitted using the Lahontan Water Board SEP Project Submittal Form (Attachment 1 to this MOU).
3. When a DISCHARGER is under Order of the Lahontan Water Board to pay an administrative civil liability (liability) for violations and elects to direct a portion of its liability to fund implementation of a SEP identified on the Mojave IRWM Implementation Support Team's list of potential projects noted in Paragraph 2, above, the PARTNER ORGANIZATION whose project is chosen to be implemented shall enter into a direct contract with the DISCHARGER. The contract between the PARTNER ORGANIZATION that signs the contract (signatory PARTNER ORGANIZATION) and the DISCHARGER shall include the specific language noted within Attachment 2 to the Lahontan Water Board SEP Program, in addition to whatever additional terms and conditions the DISCHARGER and the PARTNER ORGANIZATION agree upon, including identifying the liability for SEP funding and funding shortfalls, and customary and appropriate indemnity provisions allocating responsibility for specific SEP project liabilities as between PARTNER ORGANIZATION, DISCHARGER and any third party consultants and contractors.
4. The signatory PARTNER ORGANIZATION shall provide quarterly reports of progress on each SEP to the Designated Lahontan Water Board Representative commencing on the first day of the fiscal quarter after a contract with a DISCHARGER becomes effective and continuing through submittal of the final reports described below. If no activity occurred during a particular quarter, a quarterly report so stating shall be submitted.

MOU - WATER BOARD SEP PROGRAM with
MOJAVE IRWM IMPLEMENTATION SUPPORT TEAM

5. If the DISCHARGER does not provide complete liability amount to the PARTNER ORGANIZATION to finance the project, the PARTNER ORGANIZATION is not required to complete the project or provide additional funding to complete the project, which is consistent with the intent of Paragraph 6 of Attachment 2 to the Lahontan Water Board SEP Program. That paragraph only intends to describe that the DISCHARGER is not obligated to provide additional funding beyond the amount of the liability, unless otherwise agreed.

6. After the applicable SEP Completion Date, the signatory PARTNER ORGANIZATION shall submit a certified statement of completion of the SEP ("Certification of Completion"). The Certification of Completion shall be submitted under penalty of perjury, to the Designated Lahontan Water Board Representative by a responsible corporate official representing the signatory PARTNER ORGANIZATION. The Certification of Completion shall include following:
 - a. Certification that the SEP has been completed in accordance with the terms of this MOU, the Lahontan Water Board's Order authorizing the use of the liability to fund a SEP, and the Lahontan Water Board's SEP Program. Such documentation may include photographs, invoices, receipts, certifications, and other materials reasonably necessary for the Lahontan Water Board to evaluate the completion of the SEP and the costs incurred by the signatory PARTNER ORGANIZATION.

 - b. Certification documenting the expenditures by the signatory PARTNER ORGANIZATION during the completion period for the SEP. The signatory PARTNER ORGANIZATION's expenditures may include external payments to outside vendors or contractors performing the SEP. In making such certification, the official may rely upon normal company project tracking systems that capture employee time expenditures and external payments to outside vendors, such as environmental and information technology contractors or consultants. The certification cannot include any costs incurred by the Lahontan Water Board for oversight. The signatory PARTNER ORGANIZATION shall provide any additional information requested by the Lahontan Water Board Representative that is reasonably necessary to verify SEP expenditures.

 - c. Certification, under penalty of perjury, that the signatory PARTNER ORGANIZATION obtained all necessary permits and followed all applicable laws and regulations in the implementation of the SEP, including but not limited to the federal Clean Water Act, the Porter-Cologne Act, and the terms of any permits issued for the SEP.

MOU - WATER BOARD SEP PROGRAM with
MOJAVE IRWM IMPLEMENTATION SUPPORT TEAM

7. To ensure compliance with the California Environmental Quality Act (CEQA) where necessary, the signatory PARTNER ORGANIZATION shall provide the Lahontan Water Board with the following applicable document from the lead agency prior to commencing SEP construction:
 - a. Categorical or statutory exemptions relied upon by the CEQA lead agency;
 - b. Negative Declaration if there are no potentially “significant” impacts;
 - c. Mitigated Negative Declaration if there are potentially “significant” impacts but revisions to the project have been made or may be made to avoid or mitigate those potentially significant impacts; or
 - d. Environmental Impact Report (EIR).

8. In addition to the Certification of Completion, upon completion of the SEP and at the written request of the Lahontan Water Board Executive Officer, the signatory PARTNER ORGANIZATION and DISCHARGER, at THEIR sole cost, shall submit a report prepared by an independent third party(ies), acceptable to the Lahontan Water Board Executive Officer, providing such party’s(ies’) professional opinion that the signatory PARTNER ORGANIZATION has expended money in the amounts claimed. The audit report shall be provided to the Designated Lahontan Water Board Representative within six (6) months of notice from the Lahontan Water Board Executive Officer to the signatory PARTNER ORGANIZATION and DISCHARGER of the need for an independent third party financial audit. The audit should not include any costs incurred by the Lahontan Water Board for oversight.

9. Upon the signatory PARTNER ORGANIZATION’S satisfaction of its SEP obligations under this MOU and completion of each SEP(s) in accordance with the Lahontan Water Board Order authorizing the use of the liability to fund a SEP, and any audit requested by the Lahontan Water Board, the Designated Lahontan Water Board Representative shall send the signatory PARTNER ORGANIZATION and DISCHARGER a letter recognizing satisfactory completion of their obligations under the terms of each applicable Order authorizing the completion of a SEP. This letter shall terminate any further MOU and other applicable Order obligations of the signatory PARTNER ORGANIZATION and DISCHARGER.

MOU - WATER BOARD SEP PROGRAM with
MOJAVE IRWM IMPLEMENTATION SUPPORT TEAM

10. In the event that the signatory PARTNER ORGANIZATION and DISCHARGER are not able to demonstrate to the reasonable satisfaction of the Lahontan Water Board Executive Officer that the entire amount of funds allocated under an Order authorizing a SEP has been spent on completing the SEP, the DISCHARGER shall pay back to the State Water Board the difference between the funds allocated under the Order authorizing a SEP and the amount the signatory PARTNER ORGANIZATION and the DISCHARGER can demonstrate was actually spent on the SEP. Alternatively, the Lahontan Water Board may approve the use of the surplus funds for a different SEP consistent with its and the State Water Resources Control Board's SEP Policies.

11. This agreement may be executed in any number of counterparts, each of which when executed and delivered shall constitute a duplicate original, but all counterparts together shall constitute a single agreement

IT IS SO AGREED.

California Regional Water Quality Control Board – Lahontan Region

By: _____ Date: 2-11-16
Patty Z. Kouyoumdjian
Executive Officer

Mojave Integrated Regional Water Management Plan Coordinating Committee

By: _____ Date: _____
Jeanette Hayhurst
Chair, Mojave Integrated Regional Water Management Plan Implementation
Support Team

Attachment 1: Lahontan Water Board SEP Project Submittal Form

**MOJAVE WATER AGENCY AGREEMENT
TO
MEMORANDUM OF UNDERSTANDING
FOR
LAHONTAN WATER BOARD
SUPPLEMENTAL ENVIRONMENTAL PROJECT PROGRAM WITH
MOJAVE INTEGRATED REGIONAL WATER MANAGEMENT PLAN
IMPLEMENTATION SUPPORT TEAM**

The Mojave Water Agency submitted information on October 26, 2015 satisfactorily demonstrating their capacity to implement SEPs pursuant to the criteria established by the Lahontan Water Board's SEP Program.

IT IS SO AGREED.

California Regional Water Quality Control Board – Lahontan Region

By: _____
Patty Z. Kouyoumdjian
Executive Officer

Date: 2-11-16 _____

Mojave Water Agency

By: _____
Kirby Brill
General Manager

Date: _____

**[PARTNER ORGANIZATION NAME] AGREEMENT
TO
MEMORANDUM OF UNDERSTANDING
FOR
LAHONTAN WATER BOARD
SUPPLEMENTAL ENVIRONMENTAL PROJECT PROGRAM WITH
MOJAVE INTEGRATED REGIONAL WATER MANAGEMENT PLAN
IMPLEMENTATION SUPPORT TEAM**

The **[Partner Organization Name]** submitted information on **[Date]** satisfactorily demonstrating their capacity to implement SEPs pursuant to the criteria established by the Lahontan Water Board's SEP Program.

IT IS SO AGREED.

California Regional Water Quality Control Board – Lahontan Region

By: _____
Patty Z. Kouyoumdjian
Executive Officer

Date: _____

[Partner Organization Name]

By: _____
[Representative Person]
[Person's Title]

Date: _____

**LAHONTAN WATER BOARD SEP PROGRAM
PROJECT SUBMITTAL FORM****I. Project Proponent Information**

MOU Name	
Name of Primary Contact for MOU	
Mailing Address	
Phone Number	
E-Mail	
Name of Fiscal Agent for Project	
Mailing Address	
Phone Number	
E-Mail	
Other Cooperating Agencies/Organizations/Stakeholders	

(List additional contact information as appropriate)

II. Project Information

Project Title:				
Project Category:	<input checked="" type="checkbox"/> Restoration	<input checked="" type="checkbox"/> Stormwater/Flood Control	<input checked="" type="checkbox"/> Water Supply/Wastewater	<input checked="" type="checkbox"/> Technical Study
Project Description:	<i>(Describe project in 500 characters or less. If project can be implemented in phases, provide a description of each phase in addition to overall project description.)</i>			
Project Location – City and County:	<i>(Include address, latitude, and longitude data as appropriate.)</i>			
Affected Watershed and/or Groundwater Basin:	<i>(Identify surface and ground waters that will benefit from the project. Include Hydrologic Unit Code and/or Groundwater Basin Number.)</i>			
Estimated Project Budget:	<i>(If project can be implemented in phases, provide a estimated budget of each phase in addition to overall budget)</i>			
Expected Benefits/Improvements to Water Quality and/or Beneficial Uses:	<i>(In 500 characters or less.)</i>			
Estimated Project Duration: (In Months)				
Project Readiness:	<i>(Discuss CEQA status, permit status, landowner agreements, etc. in 500 characters or less)</i>			

III. Optional Project Information

(Discuss all topics that apply, 500 characters or less for each topic.)

Identify Public Health and Safety Concerns Addressed by Proposed Project	
Identify Environmental Health and Safety Concerns Addressed by Proposed Project	
Identify Potential Project Benefits to Other Regional Water Boards or to the State of California	
Identify Other Project Funding Sources, and if Additional Funds Are Needed to Close a Funding Gap	
Identify If Potential SEP Funding May be Used to Leverage Matching Funds	
Identify Environmental Justice Concerns that May Be Addressed by the Project	
Identify Disadvantaged Community Concerns that May Be Addressed by the Project	
Identify Efficiencies That May Be Improved By the Project (e.g., Databases, Automation, System Enhancements, etc.)	
Identify State Water Priorities That the Project Supports. This Can Include Priorities Established by the Lahontan Water Board (Including Triennial Review Priorities), Cal EPA, California Legislature, or the Governor's Office.	<i>(Links to the priorities are listed on following page)</i>

List of Websites for State Water Priorities

Lahontan Water Board priorities:

http://www.waterboards.ca.gov/lahontan/water_issues/programs/basin_plan/index.shtml

State Water Board's Strategic Plan:

http://www.swrcb.ca.gov/water_issues/hot_topics/strategic_plan/2007update.shtml

Cal EPA Strategic Vision Goals:

<http://www.calepa.ca.gov/Publications/Reports/2000/StrategicVis.pdf>

California Legislature:

<http://www.legislature.ca.gov/>

Governor's Office:

<https://www.gov.ca.gov/home.php>