Comprehensive Annual Financial Report

For the Fiscal Years Ended June 30, 2017 and 2016

Mojave Water Agency

Apple Valley, CA

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

Mojave Water Agency

The Mojave Water Agency Board of Directors

Seated in front row from left are: Beverly Lowry, Division 6 Director; Kimberly Cox, Division 1 Director, President; and Jim Ventura, Division 2 Director, Treasurer. Standing in back row from left are: Carl Coleman, Division 5 Director, Secretary; Richard Hall, Division 3 Director; Mike Page, Division 4 Director, Vice-President; and Thurston "Smitty" Smith, Division 7 Director.

Mojave Water Agency
Tom McCarthy, General Manager
13846 Conference Center Drive
Apple Valley, California 92307
760.946.7000
www.mojavewater.org

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Comprehensive Annual Financial Report

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

Prepared by:
Kathy Cortner, Chief Financial Officer
Karry LaClair, Accountant
Gary Bird, Accountant
Debra Walls, Senior Accounting Technician

Mojave Water Agency
Comprehensive Annual Financial Report
For the Fiscal Years Ended June 30, 2017 and 2016

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Introductory Section

13846 Conference Center Drive ♦ Apple Valley, California 92307-4304
Phone (760) 946-7000 ♦ Fax (760) 240-2642 ♦ www.mojavewater.org

October 26, 2017

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, 2017. 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 Fedak & Brown LLP, 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, 2017, are free of material misstatements. 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 and that the Agency's financial statements for the fiscal year ended June 30, 2017, 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. 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.

AGENCY OVERVIEW, continued

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 2016; 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.

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.
- Final EIR/EIS on the California WaterFix Project for conveyance of water under the Delta is wrapping up.

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 Subarea.

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

The region's economic climate continues to improve providing necessary funding for the initiatives outlined in this year's budget. Property tax remains the Agency's primary source of income, and assessed value growth continues to rebound steadily from the 2007-2008 Great Recession and financial crisis lows. Beacon Economics 2017-18 fiscal year forecast of 4.53% assessed value growth continues to support evidence of the region's recovery, with moderate growth averaging in the range of 4-5% throughout the remainder of their 10-year forecast. Economic indicators supporting this outlook include continued growth in the labor market and improved employment statistics, increased consumer spending, and new residential and commercial construction activity. HdL Coren & Cone also anticipates improved development in the local real estate economy for the coming year, including the restoration of additional properties currently subject to the Prop. 8 temporary decline-in-market valuation process brought on by the financial crisis.

The Agency continues to diligently assess a multitude of important issues and opportunities in order to optimize its long-term strategic position in the face of these evolving challenges. Concerning projections of substantial DWR cost increases in upcoming years require careful analysis, including weighing potential mitigation measures and options available to the Agency that will be required to cover these additional costs. Past, as well as new and emerging water markets, will help to offset reduced water sales, as well as increased DWR costs.

LONG-TERM FINANCIAL PLANNING

The $45.2 million budget for the 2017-2018 fiscal year includes funds for the continuation of existing programs and initiatives, as well as the initiation of new objectives that will position the Agency for the future. Activities and projects include:

- Update of the Ground Water Management Plan.
- Further development and refinement of the financial model to assess various scenarios and associated risk.
- Increased investment in the Agency's science data platform including construction of scientifically advanced monitoring wells.
- Award of bid and the start of construction of the Deep Creek Hydroelectric Turbine.
- Full upgrade of the Mojave River and Morongo Basin pipeline SCADA system.
- Continued involvement with the Small Water Systems/Disadvantaged Communities Program.

The Agency continues to strengthen its knowledge base by focusing on refining its strategic planning practices to meet future challenges, including increased investment in the Agency's science data platform and technology. Additionally, efforts are under way to reach out to local and county agencies to facilitate input and collaboration to address a multitude of competing issues including the new groundwater mandates, water quality regulations, mandatory drought regulations, the uncertainty of the California WaterFix, and continued negotiations with the Department of Water Resources related to the State Water Project contract. Furthermore, the budget initiates the onset of employee retention, recruitment and growth efforts to maintain the Agency's knowledge and skill base to strategically place MWA in a more competitive position to fill upcoming vacancies while maintaining salary and benefit costs commensurate with current water industry compensation.

LONG-TERM FINANCIAL PLANNING, continued

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 Financial 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. Examples of risk mitigation measures that have been implemented in this budget include a water exchange program that allows the Agency to procure as much water as possible at a much lower price, in addition to reducing departmental initiatives and expenditures, to name just a few.

Agency management is responsible for the establishment and maintenance of the internal control structure that ensures that the assets of the Agency are protected from loss, theft, or misuse. The internal control structure also ensures that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP). The Agency's internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

INTERNAL CONTROLS

Agency management is responsible for the establishment and maintenance of the internal control structure that ensures that the assets of the Agency are protected from loss, theft, or misuse. The internal control structure also ensures that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP). The Agency's internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

MAJOR INITIATIVES

On April 7, 2017, Governor Edmund G. Brown officially declared the drought emergency over for most of California following one of the wettest winters on record. Unfortunately, the abundance of rainfall in the northern part of the state and the above average snowpack blanketing the Sierra Nevada mountain range this season has exposed the fragile condition of the State Water Project system tasked with managing water delivery throughout the state including the growing Southern California region. The Oroville crisis has become the poster child of California's aging infrastructure, compounding concern over the future of a reliable water supply and rising costs that continue to absorb pressure from global and regional issues including population and economic growth, climate change, and environmental laws. Continued conservation efforts have successfully assisted in reducing current demand, and policymakers are assessing important water infrastructure projects such as the California WaterFix and alternative water sources to address future water reliability. Unfortunately, existing infrastructure upgrades coupled with new projects designed to protecting future water reliability will certainly ensure additional future costs to all stakeholders who must collaborate effectively to meet the challenges of securing California's long-term water resources.

MAJOR INITIATIVES, continued

The Agency is proactively monitoring and assessing a multitude of important issues and opportunities in order to optimize its long-term strategic position in the face of these evolving challenges. Concerning projections of substantial DWR cost increases in upcoming years require thoughtful analysis, including weighing potential mitigation measures and options available to the Agency that will be required to cover these additional costs. Furthermore, the Agency continues to prioritize limited capital project investment along with careful scrutiny of strategic feasibility studies initiated to avoid lost opportunities for the Agency, all while actively pursuing and securing sources of available future funding.

Fortunately, over the years the Agency has successfully implemented sound financial policies, effective cost control measures, increased staff development opportunities, and continued refinement of a robust strategic financial modeling tool that will assist staff in proactively identifying viable solutions utilizing a science-based decision platform. Additionally, the Board's adoption several years ago of a financially sound reserve policy coupled with prudent financial decisions that have contributed to the accumulation of a healthy reserve balance, thus allowing the Agency ample time to thoroughly investigate and implement an optimal course of action to counter many of these obstacles. Moreover, the Agency's willingness to engage in important issues with DWR and the Delta Stewardship Council has begun to bear fruit, while continuing to pursue potential opportunities to leverage SWP assets for future benefit to the residents of the Mojave basin.

Last year, the Agency's 2016-2017 budget totaled $51.0 million with a projected reserve balance of $51.9 million that included programs and initiatives outlined in the Mojave Integrated Regional Water Management Plan adopted in 2014. The IRWMP directives included capital projects, planning efforts, feasibility studies, and enhanced community partnerships aimed at identifying, evaluating and prioritizing resources that will best meet the challenges facing the Agency and its stakeholders in the coming years. Activities and projects funded last year include:

- Completion of the 2015 Urban Water Management Plan.
- Completion of final plans and specifications leading up to the bid process for the Deep Creek Hydroelectric Turbine.
- Continued efforts with the Small Water System / Disadvantaged Communities (SWS/DAC) assistance program that utilizes grant funding from the state.
- A new education outreach program aimed at STEAM high school students to engage the next generation in water resource management.

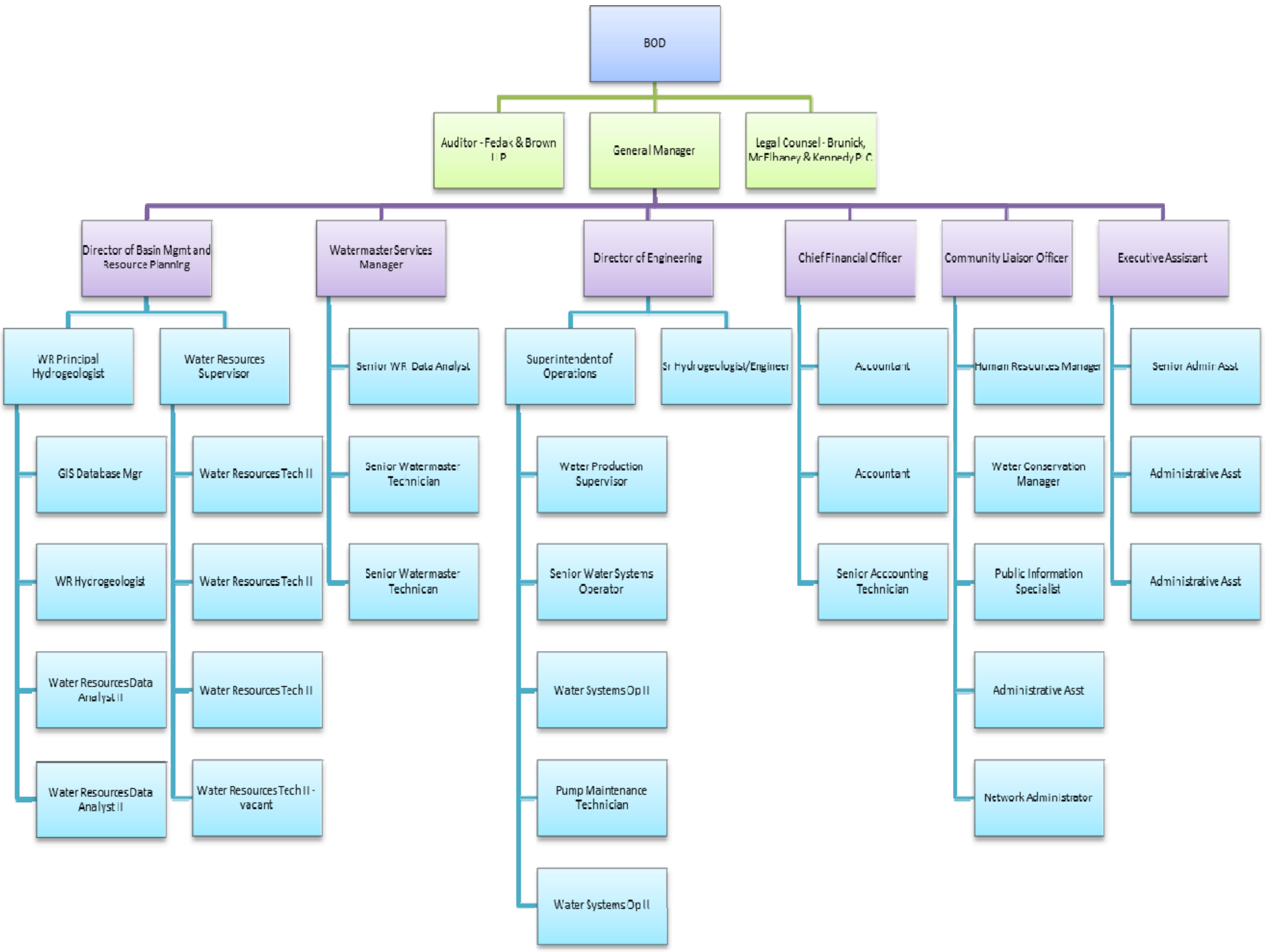
ACKNOWLEDGEMENTS

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,

Tom McCarthy	Kathy Cortner
General Manager	Chief Financial Officer

MOJAVE WATER AGENCY
ORGANIZATIONAL CHART



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For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

Financial Section

Fedak & Brown LLP
Certified Public Accountants

Charles Z. Fedak, CPA, MBA
Christopher J. Brown, CPA, CGMA
Jonathan P. Abadesco, CPA
Andy Beck, CPA

Cypress Office:
6081 Orange Avenue
Cypress, California 90630
(657) 214-2307
FAX (714) 527-9154

Riverside Office:
4204 Riverwalk Pkwy. Ste. 390
Riverside, California 92505
(951) 977-9888

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, 2017 and 2016, 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 audits. We conducted our audits 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, 2017 and 2016, 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

Other Matters

Introductory section

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 59 through 82 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 audits of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 11 through 16 and the required supplementary information on pages 56 through 58 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued a report dated October 26, 2017, 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 83 and 84.

Fedak & Brown LLP

Fedak & Brown LLP
Cypress, California
October 26, 2017

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 years ended June 30, 2017 and 2016. 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 fiscal year 2017, the Agency's net position increased 1.4% or $5,528,791 to $398,965,754 as a result of an increase from ongoing operations. In fiscal year 2016, the Agency's net position decreased 0.5% or $1,906,108 to $393,436,963 as a result of a decrease from ongoing operations.
- In fiscal year 2017, the Agency's total revenues increased 22.2% or $8,694,296 due primarily to an increase of $4,678,385 in water sales due to the lifting of State drought emergency restrictions following a wet winter year, and $2,428,000 in State Water Project Table A water sales. In fiscal year 2016, the Agency's total revenues decreased 9.5% or $4,123,042 due primarily to water conservation efforts related to the ongoing drought.
- In fiscal year 2017, the Agency's total expenses increased 5.8% or $2,531,379 due primarily to increases of $1,182,836 in State Water Project importation charges, $120,476 in operating costs, $393,637 in depreciation expense, $1,271,982 in State capital grant expense – pass-through and $211,256 in bond debt issuance expenses. Offsetting these increases were decreases of $571,059 in interest expense and $49,143 in other non-operating expenses. In fiscal year 2016, the Agency's total expenses decreased 0.8% or $369,951 due primarily to decreases of $1,515,974 in State Water Project importation charges, $579,361 in depreciation expense, which were offset by increases of $1,059,705 in operating costs and $1,114,977 in State capital grant expense – pass-through.

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), deferred outflows of resources, the obligations to creditors (liabilities), and deferred inflows of resources. It also provides the basis for computing a rate of return, evaluating the capital structure of the 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, deferred outflows, liabilities, and deferred inflows using the *accrual basis of accounting*, which is similar to the accounting method used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the Agency's *net position* and changes in them. One can think of the Agency's net position – the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources – 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.

Statements of Net Position

Condensed Statements of Net Position

	2017	2016	Change	2015	Change
Assets:					
Current assets	$ 68,822,592	61,979,733	6,842,859	71,280,485	(9,300,752)
Non-current assets	46,975,089	44,115,690	2,859,399	35,730,539	8,385,151
Capital assets, net	352,524,848	359,496,923	(6,972,075)	366,873,474	(7,376,551)
Total assets	468,322,529	465,592,346	2,730,183	473,884,498	(8,292,152)
Deferred outflows of resources	4,996,119	4,389,021	607,098	4,487,501	(98,480)
Liabilities:					
Current liabilities	13,236,542	10,959,352	2,277,190	12,805,617	(1,846,265)
Non-current liabilities	60,872,219	65,085,472	(4,213,253)	69,064,596	(3,979,124)
Total liabilities	74,108,761	76,044,824	(1,936,063)	81,870,213	(5,825,389)
Deferred inflows of resources	244,133	499,580	(255,447)	1,158,715	(659,135)
Net position:					
Net investment in capital assets	309,368,089	314,156,584	(4,788,495)	319,424,553	(5,267,969)
Restricted	45,943,442	42,782,601	3,160,841	39,961,281	2,821,320
Unrestricted	43,654,223	36,497,778	7,156,445	35,957,237	540,541
Total net position	$ 398,965,754	393,436,963	5,528,791	395,343,071	(1,906,108)

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 $398,965,754 and $393,436,963 as of June 30, 2017 and 2016, respectively.

Statements of Net Position, continued

By far, the largest portion of the Agency's net position (78% as of June 30, 2017, and 80% as of June 30, 2016) 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 2017 and 2016, the Agency showed a positive balance in its unrestricted net position of $43,654,223 and $36,497,778, respectively, which may be utilized in future years. See note 14 for further discussion.

Statements of Revenues, Expenses and Changes in Net Position

Condensed Statements of Revenues, Expenses and Changes in Net Position

	2017	2016	Change	2015	Change
Revenue:					
Operating revenue	$ 11,033,880	3,922,955	7,110,925	9,302,007	(5,379,052)
Non-operating revenue	36,823,129	35,239,758	1,583,371	33,983,748	1,256,010
Total revenue	47,857,009	39,162,713	8,694,296	43,285,755	(4,123,042)
Expense:					
Operating expense	24,280,361	22,977,049	1,303,312	23,783,949	(806,900)
Depreciation and amortization	14,765,622	14,371,985	393,637	14,951,346	(579,361)
Non-operating expense	6,816,077	5,981,647	834,430	4,965,337	1,016,310
Total expense	45,862,060	43,330,681	2,531,379	43,700,632	(369,951)
Net income before capital contributions	1,994,949	(4,167,968)	6,162,917	(414,877)	(3,753,091)
Capital contributions	3,533,842	2,261,860	1,271,982	636,829	1,625,031
Change in net position	5,528,791	(1,906,108)	7,434,899	221,952	(2,128,060)
Net position, beg. of year	393,436,963	395,343,071	(1,906,108)	399,062,229	(3,719,158)
Prior period adjustment	-	-	-	(3,941,110)	3,941,110
Net position, beginning of year – as restated	393,436,963	395,343,071	(1,906,108)	395,121,119	221,952
Net position, end of year	$ 398,965,754	393,436,963	5,528,791	395,343,071	(1,906,108)

The statements of revenues, expenses and changes of net position show how the Agency's net position changed during the fiscal years. In fiscal year 2017, the Agency's net position increased 1.4% or $5,528,791 to $398,965,754 as a result of an increase from ongoing operations. In fiscal year 2016, the Agency's net position decreased 0.5% or $1,906,108 to $393,436,963 as a result of a decrease from ongoing operations.

In fiscal year 2017, the Agency's total revenues increased 22.2% or $8,694,296 due primarily to an increase of $4,678,385 in water sales due to the lifting of State drought emergency restrictions following a wet winter year and $2,428,000 in State Water Project Table A water sales. In fiscal year 2016, the Agency's total revenues decreased 9.5% or $4,123,042 due primarily to water conservation efforts related to the ongoing drought.

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

In fiscal year 2017, the Agency's total expenses increased 5.8% or $2,531,379 due primarily to increases of $1,182,836 in State Water Project importation charges, $120,476 in operating costs, $393,637 in depreciation expense, $1,271,982 in State capital grant expense – pass-through, and $211,256 in bond debt issuance expenses. Offsetting these increases were decreases of $571,059 in interest expense and $49,143 in other non-operating expenses. In fiscal year 2016, the Agency's total expenses decreased 0.8% or $369,951 due primarily to decreases of $1,515,974 in State Water Project importation charges, $579,361 in depreciation expense, which was offset by increases of $1,059,705 in operating costs and $1,114,977 in State capital grant expense – pass-through.

Operating and Non-Operating Revenues

		2017	2016	Change	2015	Change
Operating revenues:						
Water sales and services	$	8,049,485	3,371,100	4,678,385	6,414,830	(3,043,730)
State Water Project Table A water sales		2,428,000	-	2,428,000	-	-
Watermaster assessments		556,395	551,855	4,540	2,887,177	(2,335,322)
Total operating revenues		11,033,880	3,922,955	7,110,925	9,302,007	(5,379,052)
Non-operating revenues:						
Property taxes – ad valorum		4,352,111	3,890,249	461,862	3,263,723	626,526
Property assessment for State Water Project		29,882,877	28,402,686	1,480,191	27,247,852	1,154,834
Property assessment for IDM		477,269	502,881	(25,612)	438,773	64,108
Redevelopment agency component of property taxes		388,837	369,941	18,896	335,910	34,031
Debt service support		814,438	812,688	1,750	813,250	(562)
Project sponsorships		-	-	-	-	-
Investment earnings		266,529	354,186	(87,657)	236,731	117,455
Gain on sale of capital asset		6,150	36,300	(30,150)	8,450	27,850
State grant revenue		574,329	766,899	(192,570)	1,473,197	(706,298)
Other non-operating revenues		60,589	103,928	(43,339)	165,862	(61,934)
Total non-operating revenue		36,823,129	35,239,758	1,583,371	33,983,748	1,256,010
Total revenues	$	47,857,009	39,162,713	8,694,296	43,285,755	(4,123,042)

Total revenues increased by $8,694,296 and decreased by $4,123,042 in fiscal years 2017 and 2016, respectively.

Operating and Non-Operating Expenses

		2017	2016	Change	2015	Change
Operating expenses:						
State water project importation	$	12,749,527	11,566,691	1,182,836	13,082,665	(1,515,974)
Operating costs		11,530,834	11,410,358	120,476	10,350,653	1,059,705
Depreciation and amortization		14,765,622	14,371,985	393,637	14,951,346	(579,361)
Total operating expenses		39,045,983	37,349,034	1,696,949	38,384,664	(1,035,630)
Non-operating expenses:						
Interest expense		3,214,537	3,785,596	(571,059)	3,837,894	(52,298)
Bond debt issuance expense		211,256	-	211,256	1,943	(1,943)
Amortization of bonds premium		(326,540)	(292,996)	(33,544)	(292,996)	-
Property tax and assessment collection charges		91,499	86,561	4,938	81,752	4,809
Joshua Basin recharge project		-	-	-	-	-
State grant expense – pass-through		3,533,842	2,261,860	1,271,982	1,146,883	1,114,977
Other non-operating expenses		91,483	140,626	(49,143)	540,492	(399,866)
Total non-ops. expenses		6,816,077	5,981,647	834,430	5,315,968	665,679
Total expenses	$	45,862,060	43,330,681	2,531,379	43,700,632	(369,951)

Capital Asset Administration

Changes in capital asset amounts for 2017 were as follows:

	Balance 2016	Additions	Transfers/ Deletions	Balance 2017
Capital assets:				
Non-depreciable assets	$ 8,639,051	1,356,862	(567,333)	9,428,580
Depreciable assets	496,743,810	7,004,018	(79,175)	503,668,653
Accumulated depreciation and amortization	(145,885,938)	(14,765,622)	79,175	(160,572,385)
Total capital assets, net	$ 359,496,923	(6,404,742)	(567,333)	352,524,848

Changes in capital asset amounts for 2016 were as follows:

	Balance 2015	Additions	Transfers/ Deletions	Balance 2016
Capital assets:				
Non-depreciable assets	$ 8,130,667	1,319,309	(810,925)	8,639,051
Depreciable assets	490,351,423	6,487,050	(94,663)	496,743,810
Accumulated depreciation and amortization	(131,608,616)	(14,371,985)	94,663	(145,885,938)
Total capital assets, net	$ 366,873,474	(6,565,626)	(810,925)	359,496,923

At the end of fiscal years 2017 and 2016, the Agency's investment in capital assets amounted to $352,524,848 and $359,496,923 (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 additions to the State Water Project entitlement. (See note 6 for further details)

Debt Administration

Changes in long-term debt amounts for 2017 were as follows:

	Balance 2016	Additions	Refunding/ Payments	Balance 2017
Long-term debt:				
Bonds payable	$ 65,276,474	16,041,086	(21,255,242)	60,062,318
Total long-term debt	$ 65,276,474	16,041,086	(21,255,242)	60,062,318

Changes in long-term debt amounts for 2016 were as follows:

	Balance 2015	Additions	Principal Payments	Balance 2016
Long-term debt:				
Bonds payable	$ 69,899,470	-	(4,622,996)	65,276,474
Total long-term debt	$ 69,899,470	-	(4,622,996)	65,276,474

See note 10 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.

Basic Financial Statements

Mojave Water Agency
Statements of Net Position
June 30, 2017 and 2016

	2017			2016
	Mojave Water Agency	Watermaster	Total	Total
Current assets:				
Cash and cash equivalents (note 2)	$ 28,892,349	-	28,892,349	23,337,150
Restricted – cash and cash equivalents (note 2)	23,146,225	1,377,329	24,523,554	22,264,218
Investments (note 2)	6,649,785	-	6,649,785	11,109,993
Accrued interest receivable	93,345	2,136	95,481	36,952
Accounts receivable – water sales and assessments	4,435,630	27,760	4,463,390	3,065,300
Accounts receivable – governmental agencies	3,080,280	-	3,080,280	1,150,800
Accounts receivable – other	128,113	-	128,113	132,890
Property taxes and assessments receivable	916,554	-	916,554	808,116
Internal balances (note 3)	-	-	-	-
Prepaid expenses and deposits	73,086	-	73,086	74,314
Total current assets	67,415,367	1,407,225	68,822,592	61,979,733
Non-current assets:				
Investments (note 2)	13,715,045	-	13,715,045	9,226,331
Property assessments receivable	10,010,000	-	10,010,000	13,355,000
Water-in-storage – inventory (note 4)	22,895,927	-	22,895,927	21,279,878
Other post-employment benefits asset (note 5)	354,117	-	354,117	254,481
Capital assets, not being depreciated (note 6)	9,428,580	-	9,428,580	8,639,051
Depreciable capital assets, net (note 6)	343,096,268	-	343,096,268	350,857,872
Total non-current assets	399,499,937	-	399,499,937	403,612,613
Total assets	466,915,304	1,407,225	468,322,529	465,592,346
Deferred outflows of resources:				
Deferred loss on debt defeasance, net (note 7)	3,100,807	-	3,100,807	3,422,699
Deferred pension outflows (note 7, 11)	1,895,312	-	1,895,312	966,322
Total deferred outflows of resources	$ 4,996,119	-	4,996,119	4,389,021

Continued on next page

See accompanying notes to the basic financial statements

Mojave Water Agency
Statements of Net Position, continued
June 30, 2017 and 2016

	2017			2016
	Mojave Water Agency	Watermaster	Total	Total
Current liabilities:				
Accounts payable and accrued expenses	$ 3,641,733	129,366	3,771,099	1,497,590
Accrued wages and related payables	90,045	-	90,045	61,058
Retentions payable	-	-	-	1,449
Accrued interest payable – long-term debt	423,488	-	423,488	603,100
Long-term liabilities – due within one year:				
Compensated absences (note 8)	252,078	-	252,078	227,779
Unearned revenue (note 9)	3,984,832	-	3,984,832	4,053,376
Bonds payable (note 10)	4,715,000	-	4,715,000	4,515,000
Total current liabilities	13,107,176	129,366	13,236,542	10,959,352
Non-current liabilities:				
Long-term liabilities – due in more than one year:				
Compensated absences (note 8)	270,905	-	270,905	263,125
Bonds payable (note 10)	55,347,318	-	55,347,318	60,761,474
Net pension liability (note 11)	5,253,996	-	5,253,996	4,060,873
Total non-current liabilities	60,872,219	-	60,872,219	65,085,472
Total liabilities	73,979,395	129,366	74,108,761	76,044,824
Deferred inflows of resources:				
Deferred pension inflows (note 11, 12)	244,133	-	244,133	499,580
Total deferred inflows of resources	244,133	-	244,133	499,580
Net position:				
Investment in capital assets (note 13)	309,368,089	-	309,368,089	314,156,584
Restricted for debt service	2,894,982	-	2,894,982	2,562,271
Restricted for state water project	41,770,601	-	41,770,601	39,085,304
Restricted for watermaster	-	1,277,859	1,277,859	1,135,026
Unrestricted (note 14)	43,654,223	-	43,654,223	36,497,778
Total net position	$ 397,687,895	1,277,859	398,965,754	393,436,963

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, 2017 and 2016

	2017			2016
	Mojave Water Agency	Watermaster	Total	Total
Operating revenues:				
Water sales and services	$ 8,049,485	-	8,049,485	3,371,100
State Water Project Table A water sales (note 15)	2,428,000	-	2,428,000	-
Watermaster assessments	-	556,395	556,395	551,855
Total operating revenues	10,477,485	556,395	11,033,880	3,922,955
Operating expenses:				
State Water Project importation charges	12,737,676	11,851	12,749,527	11,566,691
Operating costs	11,079,594	451,240	11,530,834	11,410,358
Total operating expenses	23,817,270	463,091	24,280,361	22,977,049
Operating (loss)income before depreciation	(13,339,785)	93,304	(13,246,481)	(19,054,094)
Depreciation	(14,765,622)	-	(14,765,622)	(14,371,985)
Operating (loss)income	(28,105,407)	93,304	(28,012,103)	(33,426,079)
Non-operating revenues:				
Property taxes – ad valorum	4,352,111	-	4,352,111	3,890,249
Property assessment for State Water Project	29,882,877	-	29,882,877	28,402,686
Property assessment for IDM	477,269	-	477,269	502,881
Redevelopment agency component of property taxes	388,837	-	388,837	369,941
Debt service support	814,438	-	814,438	812,688
Investment earnings	261,474	5,055	266,529	354,186
Gain on sale of capital asset	6,150	-	6,150	36,300
State grant revenue	574,329	-	574,329	766,899
Other non-operating revenues	2,895	57,694	60,589	103,928
Total non-operating revenues	36,760,380	62,749	36,823,129	35,239,758
Non-operating expenses:				
Interest expense	3,214,537	-	3,214,537	3,785,596
Bond debt issuance expense	211,256	-	211,256	-
Amortization of bonds premium (note 10)	(326,540)	-	(326,540)	(292,996)
Property tax and assessment collection charges	91,499	-	91,499	86,561
State grant expense – pass-through	3,533,842	-	3,533,842	2,261,860
Other non-operating expenses	78,263	13,220	91,483	140,626
Total non-operating expenses	6,802,857	13,220	6,816,077	5,981,647
Total non-operating revenue, net	29,957,523	49,529	30,007,052	29,258,111
Net income(loss) before capital contributions	1,852,116	142,833	1,994,949	(4,167,968)
Capital contributions:				
State capital grants – pass-through	3,533,842	-	3,533,842	2,261,860
Total capital contributions	3,533,842	-	3,533,842	2,261,860
Change in net position	5,385,958	142,833	5,528,791	(1,906,108)
Net position, beginning of year	392,301,937	1,135,026	393,436,963	395,343,071
Net position, end of year	$ 397,687,895	1,277,859	398,965,754	393,436,963

See accompanying notes to the basic financial statements

Mojave Water Agency
Statements of Cash Flows
For the Fiscal Years Ended June 30, 2017 and 2016

	2017			2016
	Mojave Water Agency	**Watermaster**	**Total**	**Total**
Cash flows from operating activities:				
Cash receipts from customers and others	$ 7,032,441	612,997	7,645,438	5,662,324
Cash paid to vendors and suppliers	(19,741,455)	(224,181)	(19,965,636)	(22,694,639)
Cash paid to employees for salaries and wages	(3,530,222)	(276,286)	(3,806,508)	(3,825,647)
Net cash (used in)provided by operating activities	(16,239,236)	112,530	(16,126,706)	(20,857,962)
Cash flows from non-capital financing activities:				
Property tax revenue	35,101,094	-	35,101,094	33,165,757
Transfer between funds	(1,670)	1,670	-	-
Net cash provided by non-capital financing activities	35,099,424	1,670	35,101,094	33,165,757
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(7,471,655)	-	(7,471,655)	(6,930,011)
Proceeds from capital contributions	574,329	-	574,329	766,899
Debt service support	814,438	-	814,438	812,688
Property assessments received	3,345,000	-	3,345,000	2,460,000
Cost of refunding escrowed security	(108,438)	-	(108,438)	(128,206)
Cost of issuance of debt refunding	(211,256)	-	(211,256)	-
Revenue refunding bond premium issued	326,540	-	326,540	292,996
Principal paid on long-term debt	(5,214,156)	-	(5,214,156)	(4,622,996)
Interest paid on long-term debt	(3,394,149)	-	(3,394,149)	(3,752,442)
Net cash used in capital and related financing activities	(11,339,347)	-	(11,339,347)	(11,101,072)
Cash flows from investing activities:				
Purchase of investments, net	(28,506)	-	(28,506)	(194,659)
Investment earnings	203,827	4,173	208,000	331,735
Net cash provided by by investing activities	175,321	4,173	179,494	137,076
Net increase in cash and cash equivalents	7,696,162	118,373	7,814,535	1,343,799
Cash and cash equivalents, beginning of year	44,342,412	1,258,956	45,601,368	44,257,569
Cash and cash equivalents, end of year	$ 52,038,574	1,377,329	53,415,903	45,601,368
Reconciliation of cash and cash equivalents to statement of financial position:				
Cash and cash equivalents	$ 28,892,349	-	28,892,349	23,337,150
Restricted assets – cash and cash equivalents	23,146,225	1,377,329	24,523,554	22,264,218
Total cash and cash equivalents	$ 52,038,574	1,377,329	53,415,903	45,601,368

Continued on next page

See accompanying notes to the basic financial statements

Mojave Water Agency
Statements of Cash Flows, continued
For the Fiscal Years Ended June 30, 2017 and 2016

	2017			2016
	Mojave Water Agency	**Watermaster**	**Total**	**Total**
Reconciliation of operating loss to net cash (used in)provided by operating activities:				
Operating (loss)income	$ (28,105,407)	93,304	(28,012,103)	(33,426,079)
Adjustments to reconcile operating loss to net cash (used in) provided by operating activities:				
Depreciation	14,765,622	-	14,765,622	14,371,985
Gain on sale of asset	6,150	-	6,150	36,300
Non-operating revenue	2,895	57,694	60,589	103,928
Non-operating expenses	(169,762)	(13,220)	(182,982)	(227,187)
Changes in assets and liabilities:				
(Increase)Decrease in assets and deferred outflows:				
Accounts receivable – water sales and assessments	(1,454,692)	56,602	(1,398,090)	2,340,130
Accounts receivable – governmental agencies	(1,929,480)	-	(1,929,480)	(578,348)
Accounts receivable – other	4,777	-	4,777	13,681
Prepaid expenses and other deposits	1,228	-	1,228	(11,927)
Water-in-storage – inventory	(1,616,049)	-	(1,616,049)	(1,607,933)
Other post-employment benefits asset	(99,636)	-	(99,636)	(10,887)
Deferred pension outflows	(928,990)	-	(928,990)	(501,201)
Increase(Decrease) in liabilities and deferred inflows:				
Accounts payable and accrued expenses	2,355,359	(81,850)	2,273,509	(2,011,291)
Accrued wages and related payables	28,987	-	28,987	31,844
Retentions payable	(1,449)	-	(1,449)	849
Compensated absences	32,079	-	32,079	45,656
Net pension liability	1,193,123	-	1,193,123	1,162,655
Unearned revenue	(68,544)	-	(68,544)	(70,049)
Deferred pension inflows	(255,447)	-	(255,447)	(520,088)
Total adjustments	11,866,171	19,226	11,885,397	12,568,117
Net cash (used in)provided by operating activities	$ (16,239,236)	112,530	(16,126,706)	(20,857,962)

See accompanying notes to the basic financial statements

(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 so that sufficient water may be available for any present or future beneficial use of 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 serves overlapping four-year terms.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Statement 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.

(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.

The Agency has adopted the following GASB pronouncements in the current year:

In June 2015, the GASB issued Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness or information about postemployment benefits other than pensions (other postemployment benefits of OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No.50, *Pension Disclosures*.

The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2016. There currently is no impact of the implementation of this Statement to the Agency's financial statements at this time.

In August 2015, the GASB issued Statement No. 77 – *Tax Abatement Disclosures*. The objective of this Statement is to improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Financial statement users need information about certain limitations on a government's ability to raise resources. This includes limitations on revenue-raising capacity resulting from governmental programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens. Tax abatements are widely used by state and local governments, particularly to encourage economic development.

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

C. Financial Reporting, continued

In December 2015, the GASB issued Statement No. 78 – *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans.* The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions.* This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that meet certain criteria.

In January 2016, the GASB issued Statement No. 80 – *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

In March 2016, the GASB issued Statement No. 82 – *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No.73*. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

Prior Year Financial Data Presentation

The Agency has determined to present the annual financial statements with prior year data for comparative purposes, but not restate the prior year data as all information available to restate prior year amounts was not readily available.

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

1. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets 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.

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

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

4. Fair Value Measurements

The Agency categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset, as follows:

- **Level 1** – Valuation is based on quoted prices in active markets for identical assets.
- **Level 2** – Valuation is based on directly observable and indirectly observable inputs. These inputs are derived principally from or corroborated by observable market data through correlation or market-corroborated inputs. The concept of market-corroborated inputs incorporates observable market data such as interest rates and yield curves that are observable at commonly quoted intervals.
- **Level 3** – Valuation is based on unobservable inputs where assumptions are made based on factors such as prepayment rates, probability of defaults, loss severity and other assumptions that are internally generated and cannot be observed in the market.

5. 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.

6. 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.

7. 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	January 1
Levy date	July 1
Due dates	November 1 and March 1
Collection dates	December 10 and April 10

8. Prepaid Expenses

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

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

D. Assets, Deferred Outflow of Resources, Liabilities, Deferred inflows of Resources and Net Position, continued

9. 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 acquisition 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 25 years

10. Deferred Outflows of Resources

The statement of net position reports a separate section for deferred outflows of resources. This financial statement element, *deferred outflows of resources*, represents a consumption of resources applicable to future periods and therefore will *not* be recognized as an outflow of resources (expenditure) until that time. The Agency has five items which qualify for reporting in this category. The first item is a deferred outflow related to net debt defeasance. This amount is related to debt refinancing of the Agency bond issuances for the difference in the carrying value of the refunded debt and its requisition price. The net amount is deferred and amortized over the shorter of the life of the refunded debt. The second item is a deferred outflow related to pensions. This amount is equal to the employer contributions made after the measurement date of the net pension liability. This amount will be amortized-in-full against the net pension liability in the next fiscal year. The next two items are deferred outflows related to pensions for the net changes in proportion and net differences between expected and actual experience. These amounts will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plans determined as of the measurement dates June 30, 2016 and 2015, which is a 3.7 and 3.8 year period, respectively. The last item is a deferred inflow related to pensions for the net difference in projected and actual earnings on investments of the pension plans fiduciary net position. This amount is amortized over a 5 year period.

11. 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.

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

D. Assets, Deferred Outflow of Resources, Liabilities, Deferred inflows of Resources and Net Position, continued

12. Pensions

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

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

- Valuation Date: June 30, 2015 and 2014
- Measurement Date: June 30, 2016 and 2015
- Measurement Period: July 1, 2015 to June 30, 2016 and July 1, 2014 to June 30, 2015

13. Deferred Inflows of Resources

The statement of net position and the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This financial statement element, *deferred inflows of resources*, represents an acquisition of resources applicable to future periods and therefore will *not* be recognized as an inflow of resources (revenue) until that time. The Agency has two items which qualify for reporting in this category. The items are deferred inflows related to pensions for the net changes in assumptions, net differences between the actual employer contributions and the proportionate share of contributions. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plans determined as of the measurement date June 30, 2016 and 2015, which is 3.7 and 3.8 year period, respectively.

14. Net Position

The financial statements utilize a net position presentation. Net position is 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.

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

D. Assets, Deferred Outflow of Resources, Liabilities, Deferred inflows of Resources and Net Position, continued

15. 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.

16. 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.

(2) Cash and Investments

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

	2017	2016
Cash and cash equivalents	$ 28,892,349	23,337,150
Restricted – cash and cash equivalents	24,523,554	22,264,218
Investments	20,364,830	20,336,324
Total cash and investments	$ 73,780,733	65,937,692

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

	2017	2016
Cash on hand	$ 1,000	1,000
Deposits with financial institutions	2,254,120	8,268,937
Investments	71,525,613	57,667,755
Total cash and investments	$ 73,780,733	65,937,692

(2) Cash and Investments, continued

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.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
State and local agency bonds, notes and warrants	5 years	None	None
U.S. treasury obligations	5 years	None	None
Federal agency securities	5 years	None	None
Banker's acceptances	180 days	40%	40%
Prime commercial paper	270 days	40%	40%
Negotiable certificates of deposit	5 years	30%	None
Repurchase agreements	None	None	None
Reverse repurchase agreements	None	None	None
Medium-term notes	5 years	30%	None
Money market mutual funds	N/A	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

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.

The Agency's deposit and withdrawal restrictions and limitations are as follows:

- Same day transaction processing occurs for orders received before 10:00 a.m.
- Next day transactions processing occurs for orders received after 10:00 a.m.
- Maximum limit of 15 transactions (combination of deposits and withdrawals) per month.
- Minimum transaction amount requirement of $5,000, in increments of a $1,000 dollars.
- Withdrawals of $10,000,000 or more require 24 hours advance.
- Prior to funds transfer, an authorized person must call LAIF to do a verbal transaction.

(2) Cash and Investments, continued

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.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
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).

(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, 2017:

Investment Type		Total	Remaining Maturity 12 Months Or Less	Remaining Maturity 13 to 24 Months	Remaining Maturity 25 to 60 Months
Government sponsored entities securities	$	14,115,042	6,070,684	5,079,188	2,965,170
U.S. Treasury notes		3,537,331	499,855	1,547,476	1,490,000
Medium-term notes		2,712,457	79,246	1,606,381	1,026,830
Certificates of deposit		45,630	45,630	-	-
Local Agency Investment Fund (LAIF)		46,752,132	46,752,132	-	-
Held by bond or escrow trustee:					
Money market funds		4,363,021	4,363,021	-	-
Total	$	71,525,613	57,810,568	8,233,045	5,482,000

Investments at June 30, 2016:

Investment Type		Total	Remaining Maturity 12 Months Or Less	Remaining Maturity 13 to 24 Months	Remaining Maturity 25 to 60 Months
Government sponsored entities securities	$	11,232,248	3,513,892	5,608,451	2,109,905
U.S. Treasury notes		6,516,905	5,008,930	499,845	1,008,130
Medium-term notes		2,587,171	2,587,171	-	-
Local Agency Investment Fund (LAIF)		33,609,226	33,609,226	-	-
Held by bond or escrow trustee:					
Money market funds		3,722,205	3,722,205	-	-
Total	$	57,667,755	48,441,424	6,108,296	3,118,035

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 the fiscal year end for each investment type.

(2) Cash and Investments, continued

Credit Risk, continued

Investments at June 30, 2017:

Investment Type		Total	Minimum Legal Rating		Exempt From Disclosure	Rating at Year End AAA to AA-
Government sponsored entities securities	$	14,115,042	AA-	$	-	14,115,042
U.S. Treasury notes		3,537,331	AA-		-	3,537,331
Medium-term notes		2,712,457	AA-		-	2,712,457
Certificates of deposit		45,630	AA-		-	45,630
Local Agency Investment Fund (LAIF)		46,752,132	N/A		46,752,132	-
Held by bond trustee:						
Money market funds		4,363,021	AAA		-	4,363,021
Total	$	71,525,613			46,752,132	24,773,481

Investments at June 30, 2016:

Investment Type		Total	Minimum Legal Rating		Exempt From Disclosure	Rating at Year End AAA to AA-
Government sponsored entities securities	$	11,232,248	AA-	$	-	11,232,248
U.S. Treasury notes		6,516,905	AA-		-	6,516,905
Medium-term notes		2,587,171	AA-		-	2,587,171
Local Agency Investment Fund (LAIF)		33,609,226	N/A		33,609,226	-
Held by bond trustee:						
Money market funds		3,722,205	AAA		-	3,722,205
Total	$	57,667,755			33,609,226	24,058,529

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, 2017 and 2016, respectively.

(2) Cash and Investments, continued

Fair Value Measurements

Investments measured at fair value on a recurring and non-recurring basis, are as follows:

Investments at June 30, 2017:

Investment Type	Total	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Government sponsored entities securities	$ 14,115,042	14,115,042	-	-
U.S. Treasury notes	3,537,331	3,537,331	-	-
Medium-term notes	2,712,457	2,712,457	-	-
Certificates of deposit	45,630	-	45,630	-
Held by bond trustee:				
Money market funds	4,363,021	4,363,021	-	-
Total investments measured at fair value	24,773,481	24,727,851	45,630	-
Investments measured at amortized cost:				
Local Agency Investment Fund (LAIF)	46,752,132			
Total	$ 71,525,613			

Investments at June 30, 2016:

Investment Type	Total	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Government sponsored entities securities	$ 11,232,248	11,232,248	-	-
U.S. Treasury notes	6,516,905	6,516,905	-	-
Medium-term notes	2,587,171	2,587,171	-	-
Held by bond trustee:				
Money market funds	3,722,205	3,722,205	-	-
Total investments measured at fair value	24,058,529	24,058,529	-	-
Investments measured at amortized cost:				
Local Agency Investment Fund (LAIF)	33,609,226			
Total	$ 57,667,755			

(3) Internal Balances

As of June 30, 2017, outstanding internal balances were $ 0.

Internal balances consist of the following as of June 30, 2016, as follows:

Purpose	Receivable Fund	Payable Fund	Amount
Repayment	Mojave Water	Watermaster	$ 1,670

(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.

	2017		2016	
State Water Project	**Acre-Feet**	**Cost**	**Acre-Feet**	**Cost**
Inventory – beginning of year	141,646	$ 21,279,878	138,018	$ 19,671,945
Water purchases	24,955	3,887,226	9,477	2,441,591
Inventory – available for sale	166,601	25,167,104	147,495	22,113,536
Water sales – variable cost of sales	(15,118)	(2,271,177)	(5,849)	(833,658)
Total inventory – end of year	151,483	$ 22,895,927	141,646	$ 21,279,878

(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 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:

	2017	2016	2015
Active plan members	30	30	31
Retirees and beneficiaries receiving benefits	14	13	13
Separated plan members entitled to but not yet receiving benefits	-	-	-
Total plan membership	44	43	44

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

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.

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 years ended June 30, 2017 and 2016, the Agency's ARC cost is $195,029 and $194,965, respectively. The Agency's net OPEB asset amounted to $354,117 and $254,481 for the years ended June 30, 2017 and 2016, respectively. The Agency contributed $195,029 and $194,965 in age adjusted contributions and premiums for current retiree OPEB premiums for the years ended June 30, 2017 and 2016, respectively.

The balance at June 30, consists of the following:		2017	2016	2015
Annual OPEB expense:				
Annual required contribution (ARC)	$	195,029	194,965	189,197
Interest on net OPEB obligation		-	-	-
Interest earnings on irrevocable trust balance		(100,483)	(11,588)	1,234
Adjustment to annual required contribution		847	701	789
Total annual OPEB expense		95,393	184,078	191,220
Contributions made:				
Contributions made to irrevocable trust		(77,070)	(82,947)	(77,159)
Retiree benefit payments paid outside of a trust		(117,959)	(112,018)	(112,198)
Total contributions made		(195,029)	(194,965)	(189,357)
Total change in net OPEB payable obligation		(99,636)	(10,887)	1,863
OPEB payable – beginning of year		(254,481)	(243,594)	(245,457)
OPEB asset – end of year	$	(354,117)	(254,481)	(243,594)

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

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 2017 and the two preceding years were as follows:

Three-Year History of Net OPEB Obligation

Fiscal Year Ended		Annual OPEB Cost	Contributions Made	Percentage of Annual OPEB Cost Contributed		Net OPEB Obligation (Asset)
2017	$	95,393	195,029	204.45%	$	(354,117)
2016		184,078	194,965	105.91%		(254,481)
2015		191,220	189,357	99.03%		(243,594)

The most recent valuation (dated July 1, 2015) includes an Actuarial Accrued Liability of $2,079,238 and an Unfunded Actuarial Accrued Liability of $1,220,905. The covered payroll (annual payroll of active employees covered by the plan) for the year ended June 30, 2017, was estimated at $3,825,647. The ratio of the unfunded actuarial accrued liability to annual covered payroll is 31.91%.

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, 2015
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	7.28%
Projected salary increase	3.00%, per year
Inflation - discount rate	2.80%, per year
Health care trend rate:	
Fiscal year 2015	6.00%
Fiscal year 2016	5.50%
Fiscal year 2017	6.50%
Fiscal year 2018	6.00%
Fiscal year 2019	5.50%
Fiscal year 2020+	5.00%

See page 58 for the Schedule of Funding Status.

(6) Capital Assets

Changes in capital assets for the year were as follows:

		Balance 2016	Additions/ Transfers	Deletions/ Transfers	Balance 2017
Non-depreciable assets:					
Land and right of ways	$	7,606,246	280,350	-	7,886,596
Morongo pipeline entitlement		208,000	-	-	208,000
Construction-in-progress		824,805	1,076,512	(567,333)	1,333,984
Total non-depreciable assets		8,639,051	1,356,862	(567,333)	9,428,580
Depreciable assets:					
State Water Project entitlement		259,257,368	6,534,005	-	265,791,373
Water management plan		4,272,065	-	-	4,272,065
Transmission system		193,128,281	-	-	193,128,281
Monitoring wells		20,190,868	-	-	20,190,868
Structures and improvements		16,409,074	273,271	-	16,682,345
Other plant and equipment		3,486,154	196,742	(79,175)	3,603,721
Total depreciable assets		496,743,810	7,004,018	(79,175)	503,668,653
Accumulated depreciation:					
State Water Project entitlement		(96,545,439)	(8,907,681)	-	(105,453,120)
Water management plan		(2,574,559)	(339,501)	-	(2,914,060)
Transmission system		(38,620,763)	(3,881,397)	-	(42,502,160)
Monitoring wells		(3,652,407)	(975,674)	-	(4,628,081)
Structures and improvements		(1,807,330)	(455,600)	-	(2,262,930)
Other plant and equipment		(2,685,440)	(205,769)	79,175	(2,812,034)
Total accumulated depreciation		(145,885,938)	(14,765,622)	79,175	(160,572,385)
Total depreciable assets, net		350,857,872	(7,761,604)	-	343,096,268
Total capital assets, net	$	359,496,923	(6,404,742)	(567,333)	352,524,848

Construction-In-Process 2017

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

		Balance 2016	Additions/ Transfers	Deletions/ Transfers	Balance 2017
Antelope Wash recharge ponds	$	97,019	5,465	-	102,484
Network hardware replacement		-	163,641	-	163,641
Integrated Regional Water Management Plan		42,009	151,010	(193,019)	-
Re-operation of Forks Dam		43,390	-	(43,390)	-
Alto Regional Aquifer Off River Recharge		167,559	107,023	-	274,582
Bandicoot Basin Recharge		10,339	69,574	-	79,913
Deep Creek hydro		213,817	456,869	-	670,686
River Land Acquisition		250,672	-	(250,672)	-
Helendale Outlet/Recharge Zone		-	16,120	-	16,120
SCADA Upgrade - Morongo Basin		-	3,800	-	3,800
Casia Cla valve replacement		-	17,200	-	17,200
Security cameras		-	80,252	(80,252)	-
Upper Mojave off river channel recharge		-	5,558	-	5,558
Total	$	824,805	1,076,512	(567,333)	1,333,984

(6) Capital Assets, continued

Changes in capital assets for the year were as follows:

	Balance 2015	Additions/ Transfers	Deletions/ Transfers	Balance 2016
Non-depreciable assets:				
Land and right of ways	$ 7,397,057	209,189	-	7,606,246
Morongo pipeline entitlement	208,000	-	-	208,000
Construction-in-progress	525,610	1,110,120	(810,925)	824,805
Total non-depreciable assets	8,130,667	1,319,309	(810,925)	8,639,051
Depreciable assets:				
State Water Project entitlement	253,566,534	5,690,834	-	259,257,368
Water management plan	4,272,065	-	-	4,272,065
Transmission system	192,540,769	587,512	-	193,128,281
Monitoring wells	20,190,868	-	-	20,190,868
Structures and improvements	16,409,074	-	-	16,409,074
Other plant and equipment	3,372,113	208,704	(94,663)	3,486,154
Total depreciable assets	490,351,423	6,487,050	(94,663)	496,743,810
Accumulated depreciation:				
State Water Project entitlement	(87,981,653)	(8,563,786)	-	(96,545,439)
Water management plan	(2,235,055)	(339,504)	-	(2,574,559)
Transmission system	(34,758,195)	(3,862,568)	-	(38,620,763)
Monitoring wells	(2,676,732)	(975,675)	-	(3,652,407)
Structures and improvements	(1,351,729)	(455,601)	-	(1,807,330)
Other plant and equipment	(2,605,252)	(174,851)	94,663	(2,685,440)
Total accumulated depreciation	(131,608,616)	(14,371,985)	94,663	(145,885,938)
Total depreciable assets, net	358,742,807	(7,884,935)	-	350,857,872
Total capital assets, net	$ 366,873,474	(6,565,626)	(810,925)	359,496,923

Construction-In-Process 2016

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

	Balance 2015	Additions/ Transfers	Deletions/ Transfers	Balance 2016
Ames/Means-Bighorn recharge	$ 14,487	7,379	(21,866)	-
Antelope Wash recharge ponds	22,542	74,477	-	97,019
Lenwood recharge refurbishment	110,561	305,803	(416,364)	-
Long-term data storage project	167,660	-	(167,660)	-
Integrated Regional Water Management Plan	-	42,009	-	42,009
Re-operation of Forks Dam	-	43,390	-	43,390
Alto Regional Aquifer Off River Recharge	-	167,559	-	167,559
Bandicoot Basin Recharge	-	10,339	-	10,339
Oro Grande North recharge	17,399	16,488	(33,887)	-
Zone 2 resevoir interior coating	137,198	3,000	(140,198)	-
Back-up chlorinator	30,950	-	(30,950)	-
River Land Acquisition	-	250,672	-	250,672
Deep Creek hydro	24,813	189,004	-	213,817
Total	$ 525,610	1,110,120	(810,925)	824,805

(7) Deferred Outflows of Resources

Changes in deferred outflows of resources for 2017, were as follows:

		Balance 2016	Transfers/ Additions	Amortization	Balance 2017
Deferred outflows of resources:					
Deferred loss on debt defeasance, net	$	3,422,699	145,228	(467,120)	3,100,807
Deferred pension outflows		966,322	1,777,269	(848,279)	1,895,312
Total deferred outflows of resources	$	4,389,021	1,922,497	(1,315,399)	4,996,119

Changes in deferred outflows of resources for 2016, were as follows:

		Balance 2015	Transfers/ Additions	Amortization	Balance 2016
Deferred outflows of resources:					
Deferred loss on debt defeasance, net	$	3,959,166	-	(536,467)	3,422,699
Deferred pension outflows		528,335	1,102,006	(664,019)	966,322
Total deferred outflows of resources	$	4,487,501	1,102,006	(1,200,486)	4,389,021

(8) Compensated Absences

Changes to compensated absences for 2017, were as follows:

	Balance 2016	Earned	Taken	Balance 2017	Current Portion	Long-term Portion
$	490,904	295,517	(263,438)	522,983	252,078	270,905

Changes to compensated absences for 2016, were as follows:

	Balance 2015	Earned	Taken	Balance 2016	Current Portion	Long-term Portion
$	445,248	294,448	(248,792)	490,904	227,779	263,125

(9) 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:

Description		2017	2016
Unearned revenue in dollars (FIFO method)	$	3,984,832	4,053,376
Agency		**Acre-Feet**	**Acre-Feet**
Liberty Utilities		8,737	8,737
Luz Solar Partners		1,942	1,942
San Bernardino County Special Districts		2,600	2,600
Hesperia Water District		91	353
Helendale Community Services District		500	500
Silver Lakes Association		354	354
City of Hesperia		-	33
Mariana Ranchos County Water District		90	90
Apple Valley Heights County Water District		70	70
Rancheritos Mutual Water Company		53	53
Total acre-feet		14,437	14,732

(10) Long-term Debt

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

		Balance 2016	Additions	Payments/ Amortization	Balance 2017	Current Portion	Long-term Portion
Long-term debt:							
Bonds payable:							
2006 General obligation bond	$	18,160,000	-	(18,160,000)	-	-	-
2006 General obligation bond premium		598,703	-	(598,703)	-	-	-
2016 General obligation bond		-	15,025,000	-	15,025,000	2,470,000	12,555,000
2016 General obligation bond premium		-	1,016,086	(127,011)	889,075	-	889,075
2009 Certificates of participation		34,800,000	-	(850,000)	33,950,000	880,000	33,070,000
2009 Certificates of participation premium		112,654	-	(4,915)	107,739	-	107,739
2014 Certificates of participation		10,405,000	-	(1,320,000)	9,085,000	1,365,000	7,720,000
2014 Certificates of participation premium		1,200,117	-	(194,613)	1,005,504	-	1,005,504
Total bonds payable	$	65,276,474	16,041,086	(21,255,242)	60,062,318	4,715,000	55,347,318

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

		Balance 2015	Additions	Payments/ Amortization	Balance 2016	Current Portion	Long-term Portion
Long-term debt:							
Bonds payable:							
2006 General obligation bond	$	20,395,000	-	(2,235,000)	18,160,000	2,345,000	15,815,000
2006 General obligation bond premium		692,169	-	(93,466)	598,703	-	598,703
2009 Certificates of participation		35,615,000	-	(815,000)	34,800,000	850,000	33,950,000
2009 Certificates of participation premium		117,570	-	(4,916)	112,654	-	112,654
2014 Certificates of participation		11,685,000	-	(1,280,000)	10,405,000	1,320,000	9,085,000
2014 Certificates of participation premium		1,394,731	-	(194,614)	1,200,117	-	1,200,117
Total bonds payable	$	69,899,470	-	(4,622,996)	65,276,474	4,515,000	60,761,474

(10) Long-term Debt

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.

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

On June 7, 2006, the Agency 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, to 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 the County.

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%	10%
San Bernardino County Service Area:		
No 70 Improvement Zone W-1	4%	0%
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).

In fiscal year 2017, these general obligation bonds were refunded with the 2016 General Obligation Bond issuance.

2016 General Obligation Bonds

On September 20th, 2016, the Agency issued $15,025,000 of General Obligation Bonds, Series 2016 A, to provide funds to prepay the outstanding 2006 Revenue Bonds, an existing long-term debt issuance. The interest rates on the bonds range from 1.50% to 4.00% per annum. Interest on the bonds is payable semi-annually on March 1 and September 1. Principal matures September 1 of each year through 2022.

(10) Long-term Debt, continued

2016 General Obligation Bonds, continued

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 mature through 2023 as follows:

Fiscal Year	Principal	Interest	Total
2018	$ 2,470,000	405,800	2,875,800
2019	2,545,000	342,925	2,887,925
2020	2,615,000	265,525	2,880,525
2021	2,710,000	172,100	2,882,100
2022	2,780,000	97,050	2,877,050
2023	1,905,000	38,100	1,943,100
Total	15,025,000	1,321,500	16,346,500
Less current portion	(2,470,000)		
Premium on debt	889,075		
Total non-current	$ 13,444,075		

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

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.

(10) Long-term Debt, continued

2009 Certificates of Participation, continued

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:

Fiscal Year		Principal	Interest	Total
2018	$	880,000	857,825	1,737,825
2019		920,000	838,025	1,758,025
2020		955,000	820,775	1,775,775
2021		1,005,000	796,900	1,801,900
2022		1,055,000	771,775	1,826,775
2023-2027		6,130,000	2,781,064	8,911,064
2028-2032		7,975,000	2,508,388	10,483,388
2033-2037		10,200,000	1,393,625	11,593,625
2038-2039		4,830,000	182,625	5,012,625
Total		33,950,000	10,951,002	44,901,002
Less current portion		(880,000)		
Premium on debt		107,739		
Total non-current	$	33,177,739		

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:

Fiscal Year		Principal	Interest	Total
2018	$	1,365,000	411,050	1,776,050
2019		1,410,000	356,450	1,766,450
2020		1,475,000	300,050	1,775,050
2021		1,545,000	226,300	1,771,300
2022		1,605,000	164,500	1,769,500
2023		1,685,000	84,250	1,769,250
Total		9,085,000	1,542,600	10,627,600
Less current portion		(1,365,000)		
Premium on debt		1,005,504		
Total non-current	$	8,725,504		

(11) Defined Benefit Pension Plan

Plan Descriptions

All qualified permanent and probationary employees are eligible to participate in the Agency's Miscellaneous Employee Pension Plan, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and the Agency's resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

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

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013. The new legislation closed the Agency's CalPERS 2.0% at 55 Risk Pool Retirement Plan to new employee entrants effective December 31, 2012. Employees hired after January 1, 2013, and have not previously participated in a CalPERS plan are eligible for the Agency's CalPERS 2.0% at 62 Retirement Plan under PEPRA. New employees that have previously participated in the Classic Plan are eligible for the Agency's CalPERS 2.0% at 55 Retirement Plan.

The Plan's provisions and benefits in effect at June 30, 2017, are summarized as follows:

	Miscellaneous Plan		
	Classic	**New Classic**	**PEPRA**
Hire date	Prior to August 25, 2012	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.7% @ 55	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.1% to 2.4%	1.0% to 2.5%
Required employee contribution rates	7.949%	6.886%	6.500%
Required employer contribution rates	12.429%	9.558%	6.930%

(11) Defined Benefit Pension Plan, continued

Contributions

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

For the fiscal years ended June 30, 2017 and 2016, the contributions for the Plan were as follows:

	Miscellaneous Plan	
	2017	**2016**
Contributions – employer	$ 616,051	$ 551,929

Net Pension Liability

As of June 30, 2017 and 2016, the Agency reported net pension liabilities for its proportionate share of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability	
	2017	**2016**
Miscellaneous Plan	$ 5,253,996	$ 4,060,873

The Agency's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2016 and 2015 (the measurement dates), and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 and 2014 (the valuation dates), rolled forward to June 30, 2016 and 2015, using standard update procedures. The Agency's proportion of the net pension liability was based on a projection of the Agency's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The Agency's proportionate share of the net pension liability for the Plan as of the measurement date June 30, 2016, was as follows:

	Miscellaneous
Proportion – June 30, 2015	0.05916%
Proportion – June 30, 2016	0.06072%
Change – Increase (Decrease)	0.00156%

The Agency's proportionate share of the net pension liability for the Plan as of the measurement date June 30, 2015, was as follows:

	Miscellaneous
Proportion – June 30, 2014	0.05293%
Proportion – June 30, 2015	0.05916%
Change – Increase (Decrease)	0.00623%

(11) Defined Benefit Pension Plan, continued

Deferred Pension Outflows (Inflows) of Resources

For the fiscal years ended June 30, 2017 and 2016, the Agency recognized pension expense of $624,738 and $222,251, respectively.

At June 30, 2017, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	$ 616,051	-
Net differences between actual and expected experience	15,204	-
Net changes in assumptions	-	(186,602)
Net differences between projected and actual earnings on plan investments	971,203	-
Net differences between actual contribution and proportionate share of contribution	-	(57,531)
Net adjustment due to differences in proportions of net pension liability	292,854	-
Total	$ 1,895,312	(244,133)

At June 30, 2016, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	$ 551,929	-
Net differences between actual and expected experience	33,809	-
Net changes in assumptions	-	(319,866)
Net differences between projected and actual earnings on plan investments	-	(160,354)
Net differences between actual contribution and proportionate share of contribution	-	(19,360)
Net adjustment due to differences in proportions of net pension liability	380,584	-
Total	$ 966,322	(499,580)

(11) Defined Benefit Pension Plan, continued

As of June 30, 2017 and 2016, $616,051 and $551,929, respectively, were reported as deferred outflows of resources related to contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2018 and 2017, respectively.

Deferred Pension Outflows (Inflows) of Resources, continued

At June 30, 2017, other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30,	Deferred Net Outflows/(Inflows) of Resources
2018	$ 172,444
2019	190,220
2020	416,195
2021	256,269
2022	-
Thereafter	-

Actuarial Assumptions

The total pension liabilities in the June 30, 2016 and 2015 actuarial valuation reports were determined using the following actuarial assumptions:

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

Valuation Date	June 30, 2015 and 2014
Measurement Date	June 30, 2016 and 2015
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumptions:	
Discount rate	7.65%
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Investment Rate of Return	7.50 % Net of Pension Plan Investment and Administrative Expenses; includes inflation
Mortality Rate Table*	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

* The mortality table used above was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 Experience Study report. Further details of the Experience Study can be found on the CalPERS website.

(11) Defined Benefit Pension Plan, continued

Discount Rate

The discount rate used to measure the total pension liability was 7.65% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, the amortization and smoothing periods recently adopted by CalPERS were utilized. The crossover test was performed for a miscellaneous agent plan and a safety agent plan selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investments.

Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset Class	New Strategic Allocation	Real Return Years 1-10*	Real Return Year 11+**
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	20.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	10.0	6.83	6.95
Real Estate	10.0	4.50	5.13
Infrastructure and Forestland	2.0	4.50	5.09
Liquidity	1.0	(0.55)	(1.05)
Total	100.0%		

* An expected inflation of 2.5% used for this period

** An expected inflation of 3.0% used for this period

(11) Defined Benefit Pension Plan, continued

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

The following tables presents the Agency's proportionate share of the net position liability for the Plan, calculated using the discount rate, as well as what the Agency's proportional share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

At June 30, 2017, the discount rate comparison was the following:

		Discount Rate - 1% 6.65%	Current Discount Rate 7.65%	Discount Rate + 1% 8.65%
Agency's Net Pension Liability	$	7,993,722	5,253,996	2,998,427

At June 30, 2016, the discount rate comparison was the following:

		Discount Rate - 1% 6.65%	Prior Discount Rate 7.65%	Discount Rate + 1% 8.65%
Agency's Net Pension Liability	$	6,630,640	4,060,873	1,947,519

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in separately issued CalPERS financial reports. See pages 56-57 for the Required Supplementary Schedules.

Payable to the Pension Plan

At June 30, 2017 and 2016, the Agency reported no payables for the outstanding amount of contribution to the pension plan.

(12) Deferred Inflows of Resources

Changes in deferred inflows of resources for 2017, were as follows:

		Balance 2016	Transfers/ Additions	Amortization	Balance 2017
Deferred inflows of resources:					
Deferred pension inflows		499,580	(124,644)	(130,803)	244,133
Total deferred inflows of resources	$	499,580	(124,644)	(130,803)	244,133

Changes in deferred inflows of resources for 2016, were as follows:

		Balance 2015	Transfers/ Additions	Amortization	Balance 2016
Deferred inflows of resources:					
Deferred pension inflows	$	1,158,715	(431,509)	(227,626)	499,580
Total deferred inflows of resources	$	1,158,715	(431,509)	(227,626)	499,580

(13) Net Investment in Capital Assets

Net investment in capital assets:		**2017**	**2016**
Capital assets, not being depreciated	$	9,428,580	8,639,051
Depreciable capital assets, net		343,096,268	350,857,872
Deferred loss on debt defeasance, net		3,100,807	3,422,699
Bonds payable – current portion		(4,715,000)	(4,515,000)
Bonds payable – long-term portion		(55,347,318)	(60,761,474)
Less: 2006 Deferred loss on debt defeasance		-	(2,245,267)
Add back: 2006 General obligation bonds		-	18,160,000
Add back: 2006 General obligation bonds premium		-	598,703
Less: 2016 Deferred loss on debt defeasance		(2,109,323)	-
Add back: 2016 General obligation bonds		15,025,000	-
Add back: 2016 General obligation bonds premium		889,075	-
Total net investment in capital assets	$	309,368,089	314,156,584

(14) Unrestricted Net Position

Unrestricted net position:		**2017**	**2016**
Non-spendable net position:			
Prepaid expenses and deposits	$	73,086	74,314
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		28,581,137	21,423,464
Total spendable net position		43,581,137	36,423,464
Total unrestricted net position	$	43,654,223	36,497,778

(15) State Water Project Table A Water Sale

Agreement with the State of California Department of Water Resources

During the fiscal year ended June 30, 2017, the Agency entered into two exchange agreements with other State Water Project contractors which sold 14,000 acre feet of its Table "A" water amounting to $2,428,000.

(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 Agency is a member of the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California water agencies. The purpose of the ACWA/JPIA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage. At June 30, 2017, the Agency participates in the ACWA/JPIA pooled programs for liability, and property programs as follows:

- General and auto liability, public officials and employees' errors and omissions: Total risk financing self-insurance limits of $5,000,000 per occurrence. The ACWA/JPIA purchased additional excess coverage layers: $55 million for general, auto and public officials liability, which increases the limits on the insurance coverage noted above.

In addition, the Agency also has the following insurance coverage:

- Crime coverage up to $100,000 per loss includes public employee dishonesty, depositor's forgery or alteration, theft, computer and funds transfer fraud coverage's, subject to $1,000 deductible per loss.
- Property loss is paid at the replacement cost for property on file, if replaced within two years after the loss, otherwise paid on an actual cash value basis, to a combined total of $150 million per loss, subject to a $1,000 deductible per loss. Mobile equipment and vehicles, on file, are paid on actual cost value basis at time of loss and subject to $1,000 deductible per loss.
- Boiler and machinery coverage for the replacement cost up to $150 million per occurrence, subject to various deductibles depending on the type of equipment, on file.

The Agency has purchased workers' compensation insurance coverage for injuries to employees through the Special District Risk Management Association (SDRMA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California special districts. The purpose of the SDRMA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage. At June 30, 2017, the Agency participated in the workers' compensation programs of the SDRMA as follows:

- Workers' compensation coverage up to California statutory limits for all work related injuries/illnesses covered by California law and employers liability limit of $5,000,000 per occurrence.

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, 2017, 2016 and 2015. 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, 2017, 2016, and 2015, respectively.

(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.

(17) Commitments and Contingencies, continued

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 through the year 2036, are as follows:

	State Water Contract Long-term Obligations
Fixed charges:	
Transportation capital cost	$ 30,378,868
Transportation minimum OMP&R	128,769,857
Delta water charge	113,735,881
Water system revenue bond surcharge	26,701,029
East Branch enlargement capital cost	17,433,114
East Branch minimum OMP&R	4,847,821
Total estimated fixed charges	321,866,570
Variable charges:	
Variable OMP&R	181,824,054
Off-aqueduct OMP&R	207,042
Total estimated variable charges	182,031,096
Total estimated future charges	$ 503,897,666

The amounts shown 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) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2017, that has effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 75

In June 2015, the GASB issued Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2017. The impact of the implementation of this Statement to the Agency's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 81

In March 2016, the GASB issued Statement No. 81 – *Irrevocable Split-Interest Agreements.* The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively.

Governmental Accounting Standards Board Statement No. 83

In November 2016, the GASB issued Statement No. 83 – *Certain Asset Retirement Obligations.* This Statement (1) addresses accounting and financial reporting for certain asset retirement obligations (AROs), (2) establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs, (3) requires that recognition occur when the liability is both incurred and reasonably estimable, (4) requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred, (5) requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually, and (6) and requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

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

Governmental Accounting Standards Board Statement No. 84

In January 2017, the GASB issued Statement No. 84 – *Fiduciary Activities.* The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 85

In March 2017, the GASB issued Statement No. 85 – *Omnibus 2017.* The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 86

In May 2017, the GASB issued Statement No. 86 – *Certain Debt Extinguishment Issues.* The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

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

Governmental Accounting Standards Board Statement No. 87

In June 2017, the GASB issued Statement No. 87 – *Leases.* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

(19) Subsequent Events

2017 Revenue Refunding Bonds, Series A

On January 1, 2017, the Agency issued $31,245,000 of Refunding Revenue Bonds, Series 2017A, to provide funds to prepay the outstanding 2009 Revenue Certificates of Participation, Series 2009A. The interest rate on the bonds is 5% per annum. Principal and interest on the bonds is payable annually on June 1. The bonds are expected to mature on June 1, 2039.

Management is not aware of any other events or transactions, including estimates that provide additional evidence about conditions that existed at June 30, 2017, or arose subsequent to that date and are considered inherent in the process of preparing these financial statements.

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Required Supplementary Information

Mojave Water Agency
Schedules of the Agency's Proportionate Share of the Net Pension Liability
As of June 30, 2017
Last Ten Years*

Description		Measurement Date 6/30/2016		Measurement Date 6/30/2015	Measurement Date 6/30/2014
Agency's Proportion of the Net Pension Liability		0.06072%		0.05916%	0.05293%
Agency's Proportionate Share of the Net Pension Liability	$	5,253,996	$	4,060,873	3,293,429
Agency's Covered-Employee Payroll	$	3,167,812	$	3,405,408	3,179,562
Agency's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll		165.86%		119.25%	103.58%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability		75.83%		80.45%	83.75%

Notes:

***Changes in Benefit Terms* –** For the measurement date June 30, 2016, there were no changes in the benefit terms.

***Changes of Assumptions* –** For the measurement date June 30, 2016, there were no changes in the assumptions.

***** Historical information presented above follows the measurement periods for which GASB 68 & 71were applicable. The fiscal year ended June 30, 2015 was the first year of implementation required by GASB 68 & 71, therefore only three years are shown.

Mojave Water Agency
Schedules of Pension Plan Contributions
As of June 30, 2017
Last Ten Years*

Schedule of Pension Plan Contributions:		Fiscal Year End 6/30/2017	Fiscal Year End 6/30/2016	Fiscal Year End 6/30/2015
Actuarially Determined Contribution	$	653,649	587,585	568,371
Contributions in Relation to the Actuarially Determined Contribution		(616,051)	(551,929)	(2,076,334)
Contribution Deficiency (Excess)	$	37,598	35,656	(1,507,963)
Covered Payroll	$	3,167,812	3,405,408	3,179,562
Contribution's as a percentage of Covered-employee Payroll		19.45%	16.21%	65.30%

Notes:

***** Historical information presented above follows the measurement periods for which GASB 68 & 71were applicable. The fiscal year ended June 30, 2015 was the first year of implementation required by GASB 68 & 71, therefore only three years are shown.

Mojave Water Agency
Schedule of Funding Status – Other Post-Employment Benefits
For the Years Ended June 30, 2017

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, 2015	$ 858,333	2,079,238	1,220,905	41.28%	$ 3,825,647	31.91%
July 1, 2013	574,503	1,720,996	1,146,493	33.38%	3,147,000	36.43%
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 2018, based on the year ending June 30, 2017.

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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.

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Business-type Activities:										
Investment in Capital Assets	$ 309,368,089	314,156,584	319,424,553	324,331,059	330,581,016	327,577,444	300,343,361	273,034,391	243,742,203	229,714,453
Restricted	45,943,442	42,782,601	39,961,281	37,903,477	35,027,862	31,738,559	28,949,280	34,231,596	56,711,734	48,178,637
Unrestricted	43,654,223	36,497,778	35,957,237	36,827,693	19,200,219	17,552,942	31,048,893	35,676,490	43,167,363	38,434,275
Total Net Position	**$ 398,965,754**	**393,436,963**	**395,343,071**	**399,062,229**	**384,809,097**	**376,868,945**	**360,341,534**	**342,942,477**	**343,621,300**	**316,327,365**

Mojave Water Agency
Changes in Net Position
Last Ten Fiscal Years

		06/30/17	06/30/16	06/30/15	06/30/14	06/30/13	06/30/12	06/30/11	06/30/10	06/30/09	06/30/08
OPERATING REVENUE:											
Water Sales	$	8,049,485	3,371,100	6,214,830	4,347,448	5,594,269	4,550,037	7,593,587	7,485,689	8,643,681	10,882,901
Watermaster Assessment		556,395	551,855	2,887,177	2,433,774	2,752,826	1,941,626	3,250,049	4,686,265	6,908,932	8,447,402
State Water Project Table A Water Sale		2,428,000	-	200,000	16,426,784	-	-	-	-	-	-
Water Sales: Set Up Charges		-	-	-	-	-	-	-	-	-	450
Total Operating Revenues		***11,033,880***	***3,922,955***	***9,302,007***	***23,208,005***	***8,347,095***	***6,491,663***	***10,843,636***	***12,171,954***	***15,552,613***	***19,330,754***
OPERATING EXPENSE:											
State Water Project Costs		12,749,527	11,566,691	13,082,665	11,417,785	12,491,587	11,113,359	14,242,963	13,332,303	14,103,568	16,084,892
Employment Costs		5,096,092	4,517,308	4,755,630	4,764,101	4,457,006	4,438,600	4,520,170	4,862,992	3,804,058	3,681,982
Administration Costs		4,448,787	4,688,210	3,553,351	2,526,374	1,477,057	2,578,265	2,328,611	5,122,475	3,274,308	1,472,437
Utilities		1,070,360	907,075	1,158,673	1,058,176	697,776	308,661	426,445	304,078	233,906	344,871
Supplies and Materials		364,638	344,300	394,324	285,913	255,077	222,719	326,951	318,285	301,304	345,894
Repairs and Maintenance		550,957	603,340	488,675	478,315	381,236	477,492	513,745	654,415	311,547	328,394
Mitigation Expense		-	-	-	-	-	-	366,000	-	-	-
Depreciation		14,765,622	14,371,985	14,951,346	15,619,566	11,639,513	10,716,705	10,041,933	21,370,216	6,560,275	4,494,605
Total Operating Expense		***39,045,983***	***36,998,909***	***38,384,664***	***36,150,229***	***31,399,252***	***29,855,801***	***32,766,818***	***45,964,764***	***28,588,966***	***26,753,076***
OPERATING INCOME / (LOSS)		***(28,012,103)***	***(33,075,954)***	***(29,082,657)***	***(12,942,224)***	***(23,052,157)***	***(23,364,138)***	***(21,923,182)***	***(33,792,810)***	***(13,036,353)***	***(7,422,322)***
NON-OPERATING REVENUES											
Property Taxes		35,101,094	33,165,757	31,286,258	30,092,574	30,318,770	28,010,289	29,026,251	32,395,925	40,856,896	40,164,181
D/S Support Fr.IDM: 849		814,438	812,688	813,250	813,688	814,064	813,126	812,188	813,938	813,313	792,562
Interest Income		266,529	354,186	236,731	119,841	83,684	147,230	274,578	621,518	1,653,074	2,453,406
Mitigation Fees		-	-	-	-	19,468	60,176	286,356	-	-	-
Other Income		66,739	140,228	174,312	686,492	691,778	2,438,866	68,020	197,777	58,823	81,107
Total Non-Operating Revenue		***36,248,800***	***34,472,859***	***32,510,551***	***31,712,595***	***31,927,763***	***31,469,687***	***30,467,393***	***34,029,158***	***43,382,106***	***43,491,256***

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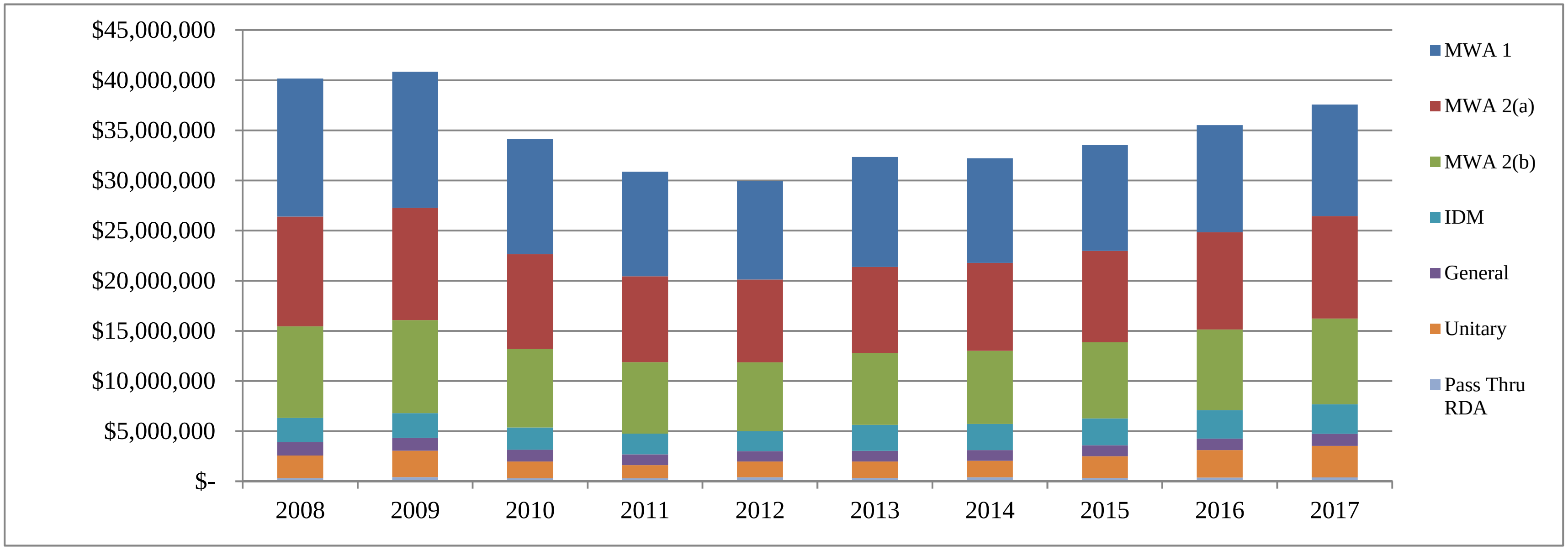
Mojave Water Agency
Changes in Net Position
Last Ten Fiscal Years

		06/30/17	06/30/16	06/30/15	06/30/14	06/30/13	06/30/12	06/30/11	06/30/10	06/30/09	06/30/08
NON-OPERATING EXPENSES:											
Collection Charges		91,499	86,561	81,752	77,857	76,024	71,297	109,673	128,844	244,564	454,313
Other Expenses		91,483	140,626	189,861	633,360	477,736	413,904	563,432	71,795	420,254	282,620
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	-	-	-	-	-	-
Bond debt issuance expense		211,256	-	-	-	-	-	-	-	-	-
Amortization of bonds premium		(326,540)	(292,996)	(292,996)	(114,600)	(101,347)	(101,347)	(101,347)	(101,347)	(101,347)	(101,347)
Interest Expense		3,214,537	3,785,596	3,839,837	4,181,846	5,479,745	4,620,498	4,783,708	4,361,272	3,351,276	3,137,022
Total Non-Operating Expenses:		***3,282,235***	***3,719,787***	***3,818,454***	***5,428,463***	***5,932,158***	***7,565,399***	***5,859,304***	***5,769,317***	***3,914,747***	***3,772,608***
NON-OPERATING INCOME /(LOSS)		***32,966,565***	***30,753,072***	***28,692,097***	***26,284,132***	***25,995,605***	***23,904,288***	***24,608,089***	***28,259,841***	***39,467,359***	***39,718,648***
INCOME BEFORE CONTRIBUTIONS		***4,954,462***	***(2,673,007)***	***(741,191)***	***13,341,908***	***2,943,448***	***540,150***	***2,684,907***	***(5,532,969)***	***26,431,006***	***32,296,325***
Capital Contributions / Capital Grants		***574,329***	***766,899***	***963,143***	***911,224***	***4,996,704***	***15,987,261***	***14,714,150***	***4,854,146***	***862,929***	***335,742***
Change in Net Position:		***5,528,791***	***(1,906,108)***	***221,952***	***14,253,132***	***7,940,152***	***16,527,411***	***17,399,057***	***(678,823)***	***27,293,935***	***32,632,068***
Beginning of Year		393,436,963	395,343,071	399,062,229	384,809,097	376,868,945	360,341,534	342,942,477	343,621,300	316,327,365	283,695,297
End of Year		398,965,754	393,436,963	399,284,181	399,062,229	384,809,097	376,868,945	360,341,534	342,942,477	343,621,300	316,327,365
Prior Yr Adjustment		-	-	(3,941,110)	-	-	-	-	-	-	-
Net Position by Component:											
Invested in Capital Assets		309,368,089	314,156,584	319,424,553	324,331,059	330,581,016	327,577,444	300,343,361	273,034,391	243,742,203	229,714,453
Restricted		45,943,442	42,782,601	39,961,281	37,903,477	35,027,862	31,738,559	28,949,280	34,231,596	56,711,734	48,178,637
Unrestricted		43,654,223	36,497,778	35,957,237	36,827,693	19,200,219	17,552,942	31,048,893	35,676,490	43,167,363	38,434,275
Total Net Position	**$**	**398,965,754**	**393,436,963**	**395,343,071**	**399,062,229**	**384,809,097**	**376,868,945**	**360,341,534**	**342,942,477**	**343,621,300**	**316,327,365**

Mojave Water Agency
Tax Revenues by Source
Last Ten Fiscal Years

Fiscal Year	MWA 1	MWA 2(a)	MWA 2(b)	General	Unitary	Pass Thru RDA	IDM	Total
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
2015	10,542,026	9,121,381	7,584,445	1,098,675	2,165,047	335,910	2,673,773	33,521,257
2016	10,683,723	9,674,554	8,044,409	1,145,703	2,744,546	369,941	2,847,881	35,510,757
2017	11,119,947	10,224,396	8,538,533	1,195,320	3,156,791	388,837	2,947,269	37,571,093



Mojave Water Agency
Property Tax Rates
Last Ten Fiscal Years

Fiscal Year Ended June 30	MWA 1 Secured Assessed Value	MWA 1 Unsecured Assessed Value	MWA 2 Secured Assessed Value	MWA 2 Unsecured Assessed Value	IDM Secured Assessed Value	IDM Unsecured Assessed Value
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	0.1050
2014	0.1125	0.1125	0 .0550	0 .0550	0.1050	0.1050
2015	0.1125	0.1125	0.0550	0.0550	0.1050	0.1050
2016	0.1125	0.1125	0.0550	0.0550	0.1050	0.1050
2017	0.1125	0.1125	0.0550	0.0550	0.1050	0.1050

Source:
Mojave Water Agency

Mojave Water Agency
Principal Property Tax Payers
Fiscal Year 2017

Rank	Taxpayer	Land Use	Secured Assessed Value	% of Total Secured Assessed Value
1	CEMEX INC	Industrial	$ 400,564,090	1.31%
2	HIGH DESERT POWER TRUST	Utility	224,800,000	0.73%
3	MITSUBISHI CEMENT CORPORATION	Industrial	183,578,570	0.60%
4	WALMART STORES INC	Commercial	183,068,822	0.60%
5	INTERMOUNTAIN POWER AGENCY	Utility	135,155,965	0.44%
6	MACERICH VICTOR VALLEY LLC	Commercial	131,041,437	0.43%
7	PRIME A INVESTMENTS LLC	Commercial	86,928,036	0.28%
8	STIRLING CAPITAL INVESTMENTS	Commercial	86,217,899	0.28%
9	GEO GROUP INC	Correctional Facility	79,285,321	0.26%
10	WRI ALLIANCE RILEY VENTURE	Commercial	67,575,087	0.22%
		Total	$ 1,578,215,227	5.16%
		Local Secured Assessed Valuation	$ 30,598,043,273	

Improvement District M
Ten Largest Tax Payers (Secured Roll)
Fiscal Year 2017

Rank	Taxpayer	Land Use	Secured Assessed Value	% of Total Secured Assessed Value
1	WALMART STORES INC.	Commercial	$ 22,206,931	0.84%
2	HOME DEPOT USA INC.	Commercial	11,406,517	0.43%
3	SHAH FAMILY TRUST	Commercial	7,977,894	0.30%
4	NETREIT YUCCA VALLEY 2 LLC	Commercial	6,551,925	0.25%
5	STEVEN JUN KOO	Commercial	5,342,960	0.20%
6	THRIFTY PAYLESS INC.	Commercial	5,313,904	0.20%
7	G AND L YUCCA VALLEY II LLC	Commercial	4,921,628	0.19%
8	LAUREL STREET PARTNERS LP	Commercial	4,831,454	0.18%
9	DEPIERRO DEVELOPMENT LLC	Commercial	4,528,307	0.17%
10	ROBERT J RUEHMAN II LIVING TRUST	Commercial	4,373,808	0.17%
		Total	$ 77,455,328	2.94%
		Local Secured Assessed Valuation	$ 2,633,202,433	

Source: San Bernardino County Assessor's Office

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: Amount [1]	Collected within the Fiscal Year of Levy: Percent of Levy [2]	Collections from Prior Years	Total Collections to Date: Amount	Total Collections to Date: Percent of Levy [3]
2008	$ 12,671,101	$ 12,956,489	102.25%	$ 799,497	$ 13,755,986	108.56%
2009	13,523,645	12,199,600	90.21%	1,382,750	13,582,350	100.43%
2010	12,610,003	10,063,740	79.81%	1,428,949	11,492,689	91.14%
2011	10,611,905	9,264,516	87.30%	1,158,763	10,423,279	98.22%
2012	10,196,119	8,837,752	86.68%	973,876	9,811,628	96.23%
2013	9,907,907	9,551,624	96.40%	1,412,857	10,964,481	110.66%
2014	9,656,319	8,939,072	92.57%	1,492,283	10,431,354	108.03%
2015	9,786,438	9,181,849	93.82%	1,360,176	10,542,025	107.72%
2016	10,038,865	9,393,735	93.57%	1,289,987	10,683,723	106.42%
2017	10,222,055	9,758,910	95.47%	1,361,037	11,119,947	108.78%

MWA #2

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy: Amount [1]	Collected within the Fiscal Year of Levy: Percent of Levy [2]	Collections from Prior Years	Total Collections to Date: Amount	Total Collections to Date: Percent of Levy [3]
2008	$ 19,120,607	$ 19,001,321	99.38%	$ 592,045	$ 19,593,366	102.47%
2009	19,919,338	18,497,287	92.86%	1,078,687	19,575,974	98.28%
2010	17,486,368	15,504,961	88.67%	1,988,220	17,493,181	100.04%
2011	15,454,895	14,493,855	93.78%	1,773,270	16,267,125	105.26%
2012	15,177,349	14,150,668	93.24%	1,192,192	15,342,860	101.09%
2013	15,070,063	14,569,069	96.68%	966,093	15,535,162	103.09%
2014	15,303,875	14,838,185	96.96%	1,176,230	16,014,414	104.64%
2015	16,024,200	15,627,767	97.53%	1,234,206	16,861,973	105.23%
2016	16,994,204	16,669,729	98.09%	1,078,059	17,747,788	104.43%
2017	17,675,273	17,728,741	100.30%	1,034,188	18,762,929	106.15%

(1) Amounts collected include current secured, current unsecured, and supplemental taxes. Assessed value amounts are based on the assessed value as of January 1 preceding the applicable fiscal year.

(2) "% of Levy" for "Collections within the Fiscal Year of Levy" is greater than 100% in some years due to supplemental assessments which occur based on valuations in connection with a change of ownership during the applicable fiscal year.

(3) Percentages may be greater than 100% due to inclusion of amounts collected from prior years.

Source: Mojave Water Agency

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

General Tax

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy: Amount (1)	Collected within the Fiscal Year of Levy: Percent of Levy (2)	Collections from Prior Years	Total Collections to Date: Amount	Total Collections to Date: Percent of Levy (3)
2008	$ 3,660,536.75	$ 3,848,294.32	105.13%	$ 61,164.60	$ 3,909,458.92	106.8%
2009	4,086,758	4,252,501	104.06%	105,283	4,357,784	106.6%
2010	2,954,170	3,067,933	103.85%	91,682	3,159,615	107.0%
2011	2,949,926	2,647,624	89.75%	56,947	2,704,571	91.7%
2012	2,366,193	2,953,101	124.80%	48,484	3,001,585	126.9%
2013	2,588,976	3,007,440	116.16%	33,760	3,041,201	117.5%
2014	1,564,741	3,065,212	195.89%	41,437	3,106,648	198.5%
2015	1,543,331	3,563,098	230.87%	36,534	3,599,632	233.2%
2016	3,306,588	4,222,419	127.70%	33,589	4,256,008	128.7%
2017	3,922,062	4,706,689	120.01%	34,259	4,740,948	120.9%

IDM

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy: Amount (1)	Collected within the Fiscal Year of Levy: Percent of Levy (2)	Collections from Prior Years	Total Collections to Date: Amount	Total Collections to Date: Percent of Levy (3)
2008	$ 2,192,539	$ 2,284,873	104.21%	$ 133,855	$ 2,418,729	110.3%
2009	2,359,395	2,258,283	95.71%	172,972	2,431,255	103.0%
2010	2,168,137	2,014,058	92.89%	201,332	2,215,390	102.2%
2011	2,018,760	1,877,124	92.98%	175,231	2,052,355	101.7%
2012	2,012,371	1,852,338	92.05%	152,976	2,005,314	99.6%
2013	2,467,690	2,378,743	96.40%	214,047	2,592,790	105.1%
2014	2,440,025	2,317,316	94.97%	294,867	2,612,182	107.1%
2015	2,571,903	2,458,390	95.59%	215,383	2,673,773	104.0%
2016	2,712,534	2,615,260	96.41%	232,621	2,847,881	105.0%
2017	2,784,803	2,715,916	97.53%	231,353	2,947,269	105.8%

(1) Amounts collected include current secured, current unsecured, and supplemental taxes. Assessed value amounts are based on the assessed value as of January 1 preceding the applicable fiscal year.

(2) "% of Levy" for "Collections within the Fiscal Year of Levy" is greater than 100% in some years due to supplemental assessments which occur based on valuations in connection with a change of ownership during the applicable fiscal year.

(3) Percentages may be greater than 100% due to inclusion of amounts collected from prior years.

Source: Mojave Water Agency

Mojave Water Agency
Property Tax Allocation of Supplemental Table A Amount Revenues
Last Ten Fiscal Years

Ad Valorem Taxes

Fiscal Year Ended June 30	Ad Valorem Taxes Received (1)	Amount Allocated to Payment Under Water Supply Contract	Amount Allocated to Supplement Table A Amount Revenues (2)
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
2015	19,663,407	14,614,918	5,048,489
2016	20,358,277	16,061,710	4,296,566
2017	21,344,343	16,759,691	4,584,652

(1) Includes revenues from levy of the MWA#1 Assessment and the allocation of the MWA#2 Assessment revenues of $0.03 per $100 of assessed valuation.

(2) Amounts include (i) the revenues received from the levy of the MWA#1 Assessment, *plus* (ii) the allocation of the revenues received from the levy of the MWA#2 Assessment of $0.03 per $100 of the assessed valuation, *less* (iii) amounts due under the Water Supply Contract. See the captions "SECURITY AND SOURCES OF PAYMENT FOR THE 2014 BONDS - Limited Obligations Payable from the Supplemental Table A Amount Revenues" found on page 6 of the Revenue Refunding Bonds, Series 2014A Official Statement, and "AD VALOREM PROPERTY TAXES - General" found on page 19 of the same Series 2014A Official Statement for further discussion.

Source: Mojave Water Agency

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)
2008	$ 34,313,920,899	$ 450,819,455	55.54
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
2015	28,305,755,509	829,154,150	4.71
2016	29,957,740,316	940,812,620	6.05
2017	31,227,014,802	909,845,129	4.01

Fiscal Year Ended June 30	Assessed Valuation Within Service Area (Land Only)	Assessed Valuation Within Service Area (Improvements)	Percentage Increase/(Decrease)
2008	$ 11,263,201,017	$ 23,501,539,337	55.54
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
2015	8,699,055,582	20,435,854,077	4.71
2016	8,923,435,342	21,975,117,594	6.05
2017	9,086,271,066	23,050,588,865	4.01

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

Fiscal Year Ending	General Obligation Bond 2006	General Obligation Bond 2016	Certificate of Participation 2004	Certificate of Participation 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
2008	$ 33,315,000	-	21,290,000	-	-	1,914,465	3,168,841	621,793	$ 60,310,098	$ 30,017	0.050%
2009	31,730,000	-	20,205,000	-	-	1,618,562	2,905,197	533,781	56,992,540	29,144	0.051%
2010	30,065,000	-	19,095,000	-	38,205,000	1,313,833	2,634,302	443,147	91,756,282	29,314	0.032%
2011	28,315,000	-	17,945,000	-	37,770,000	999,893	2,355,767	349,774	87,735,434	30,491	0.035%
2012	26,475,000	-	16,755,000	-	37,325,000	676,516	2,069,507	253,597	83,554,621	31,064	0.037%
2013	24,550,000	-	15,530,000	-	36,870,000	343,275	1,774,931	154,480	79,222,686	31,683	0.040%
2014	22,525,000	-	-	13,155,000	36,400,000	-	1,472,166	52,381	73,604,547	32,747	0.044%
2015	20,395,000	-	-	11,685,000	35,615,000	-	-	-	67,695,000	35,431	0.052%
2016	18,160,000	-	-	10,450,000	34,800,000	-	-	-	63,410,000	N/A	-
2017	-	15,025,000	-	9,085,000	33,950,000	-	-	-	58,060,000	N/A	-

(1) http://www.bea.gov/iTable/iTable.cfm?reqid=70&step=1&isuri=1&acrdn=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 2015.

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

Fiscal Year	General Obligation Bonds	Total Assessed Taxable Value of Property [1]	% of Est. Actual Taxable Value of Property	Per Capita [2]
2008	$ 33,315,000	$ 2,579,457,175	1.29%	$ 30,017
2009	31,730,000	2,775,758,480	1.14%	29,144
2010	30,065,000	2,550,749,524	1.18%	29,314
2011	28,315,000	2,375,011,808	1.19%	30,491
2012	26,475,000	2,367,494,975	1.12%	31,064
2013	24,550,000	2,363,922,670	1.04%	31,683
2014	22,525,000	2,323,833,066	0.97%	32,892
2015	20,395,000	2,449,431,676	0.83%	35,431
2016	18,160,000	2,583,365,954	0.70%	N/A
2017	15,025,000	2,652,193,078	0.57%	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 2015.

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

Mojave Water Agency
Legal Debt Margin Information
Last Ten Fiscal Years

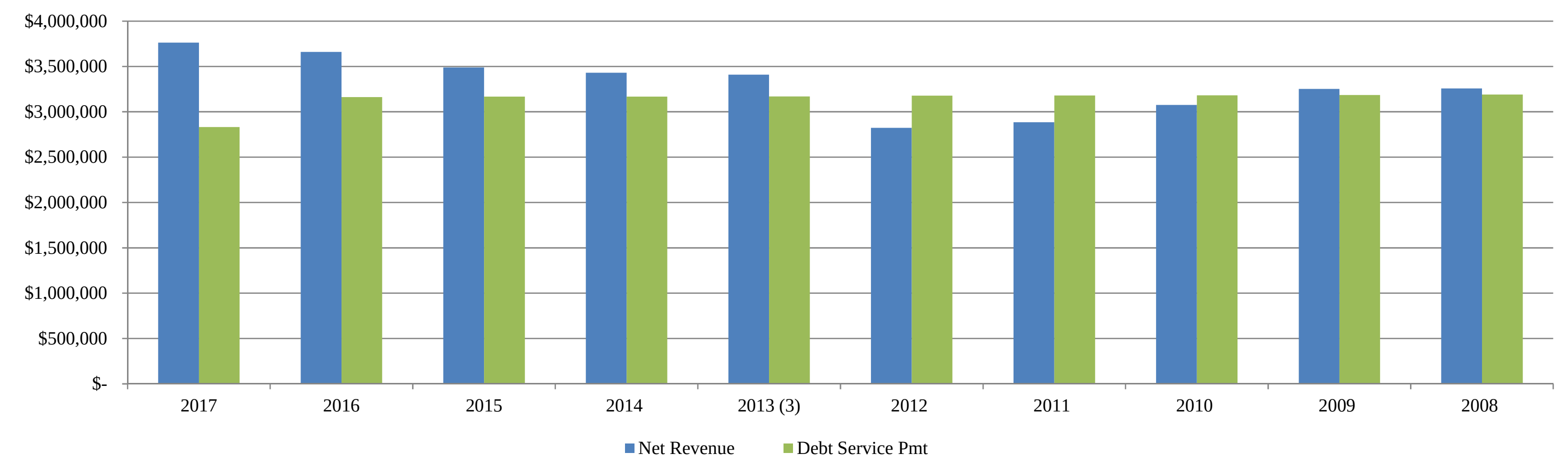
		2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Total Assessed Value of Taxable Property	$	2,652,193,078	2,583,365,954	2,449,431,676	2,323,833,066	2,363,922,670	2,367,494,975	2,375,011,808	2,550,749,524	2,775,758,480	2,579,457,175
Debt Limit (10% of total assessed value)		265,219,308	258,336,595	244,943,168	232,383,307	236,392,267	236,749,498	237,501,181	255,074,952	277,575,848	257,945,718
Debt Applicable to limit:											
General Obligation Bonds		15,025,000	18,160,000	20,395,000	22,525,000	24,550,000	26,475,000	28,315,000	30,065,000	31,730,000	33,315,000
Less: Amount set aside for repayment of general obligation debt		2,832,363	3,161,625	3,167,500	3,168,125	3,168,542	3,179,083	3,180,333	3,182,125	3,184,708	3,191,195
Total Net Debt applicable to the limit		17,857,363	21,321,625	23,562,500	25,693,125	27,718,542	29,654,083	31,495,333	33,247,125	34,914,708	36,506,195
Legal Debt Margin	$	283,076,671	279,658,220	268,505,668	258,076,432	264,110,809	266,403,581	268,996,514	288,322,077	312,490,556	294,451,913
Total Net Debt applicable to the limit as a percentage of debt limit		6.73%	8.25%	9.62%	11.06%	11.73%	12.53%	13.26%	13.03%	12.58%	14.15%

Mojave Water Agency
Pledged Revenue Coverage
Last Ten Fiscal Years

General Obligation Bonds - IDM

	Special Assessment Collections			Debt Service		
Fiscal Year Ending June 30	IDM Taxes	D/S Support (1)	Total Collections	Principal	Interest	Total Pmt
2008	$ 2,418,729	792,562	$ 3,211,291	$ 1,510,000	1,681,195	$ 3,191,195
2009	2,431,255	813,313	3,244,568	1,585,000	1,599,708	3,184,708
2010	2,215,390	813,938	3,029,328	1,665,000	1,517,125	3,182,125
2011	2,052,355	812,188	2,864,543	1,750,000	1,430,333	3,180,333
2012	2,005,314	813,126	2,818,440	1,840,000	1,339,083	3,179,083
2013	2,592,790	814,064	3,406,854	1,925,000	1,243,542	3,168,542
2014	2,612,182	813,688	3,425,870	2,025,000	1,143,125	3,168,125
2015	2,673,773	813,250	3,487,023	2,130,000	1,037,500	3,167,500
2016	2,847,881	812,688	3,660,569	2,235,000	926,625	3,161,625
2017	2,947,269	814,438	3,761,707	2,345,000	487,363	2,832,363

	2017	**2016**	**2015**	**2014**	**2013 (3)**	**2012**	**2011**	**2010**	**2009**	**2008**
Revenues:										
Tax Assessments	$ 2,947,269	2,847,881	2,673,773	2,612,182	2,592,790	2,005,314	2,052,355	2,215,390	2,431,255	2,418,729
Debt Service Support (1)	814,438	812,688	813,250	813,688	814,064	813,126	812,188	813,938	813,313	792,562
Interest	1,454	-	2,169	4,239	2,061	3,806	19,926	46,769	8,192	45,192
Total Revenue	$ 3,763,161	3,660,569	3,489,192	3,430,109	3,408,915	2,822,246	2,884,469	3,076,097	3,252,760	3,256,483
Debt Service	$ 2,832,363	3,161,625	3,167,500	3,168,125	3,168,542	3,179,083	3,180,333	3,182,125	3,184,708	3,191,195
Coverage Ratio	1.33	1.16	1.10	1.08	1.08	0.89	0.91	0.97	1.02	1.02
Revenues Remaining After Debt Service Payment (2)	$ 930,798	498,944	321,692	261,984	240,374	(356,837)	(295,865)	(106,028)	68,051	65,287

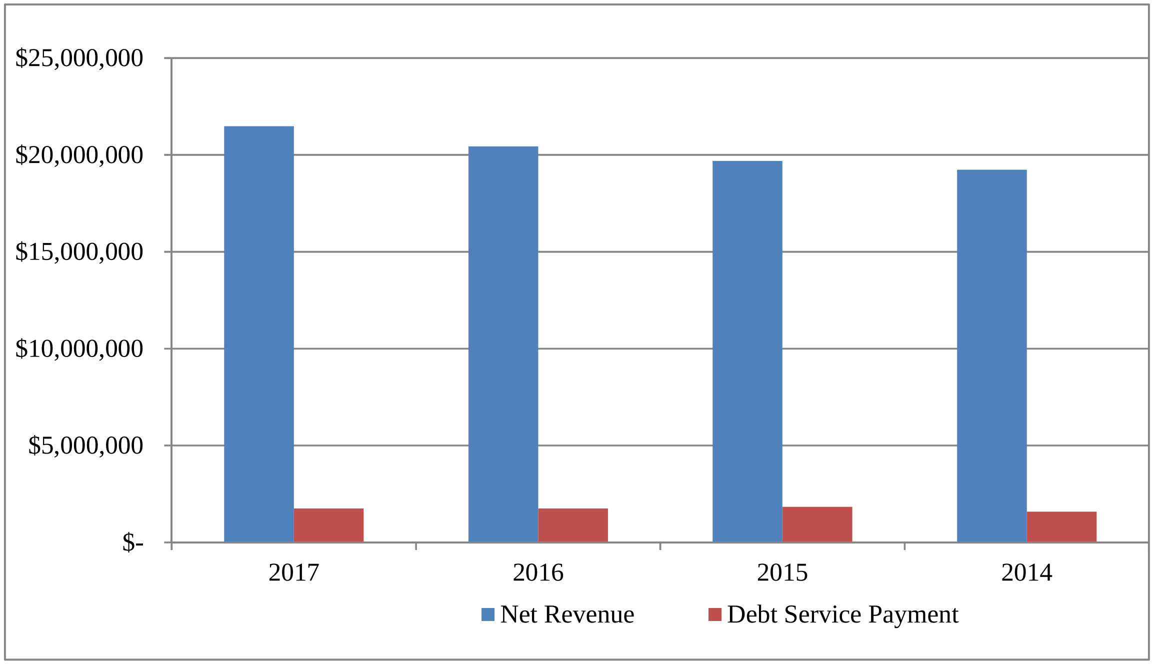


(1) Project Participants pay 25% of annual Debt Service. Project Participants include High Desert Water District, Joshua Basin Water District, Bighorn Desert View Water Agency, and Mojave Water Agency.
(2) Overcollcection in prior years created a buildup in reserves, which were used to supplement during years of undercollection.
(3) Tax rate increased in 2013.

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

Refunding Revenue Bonds Series 2014A

		2017	2016	2015	2014
Revenues:					
Tax Assessments (1)	$	21,344,343	20,358,277	19,663,407	19,206,879
Interest		135,915	78,389	23,991	26,343
Total Revenue	$	21,480,258	20,436,666	19,687,398	19,233,222
Debt Service	$	1,749,850	1,749,850	1,839,817	1,595,292
Coverage Ratio		12.28	11.68	10.70	12.06
Revenues Remaining After Debt Service Payment	$	19,730,408	18,686,816	17,847,581	17,637,930



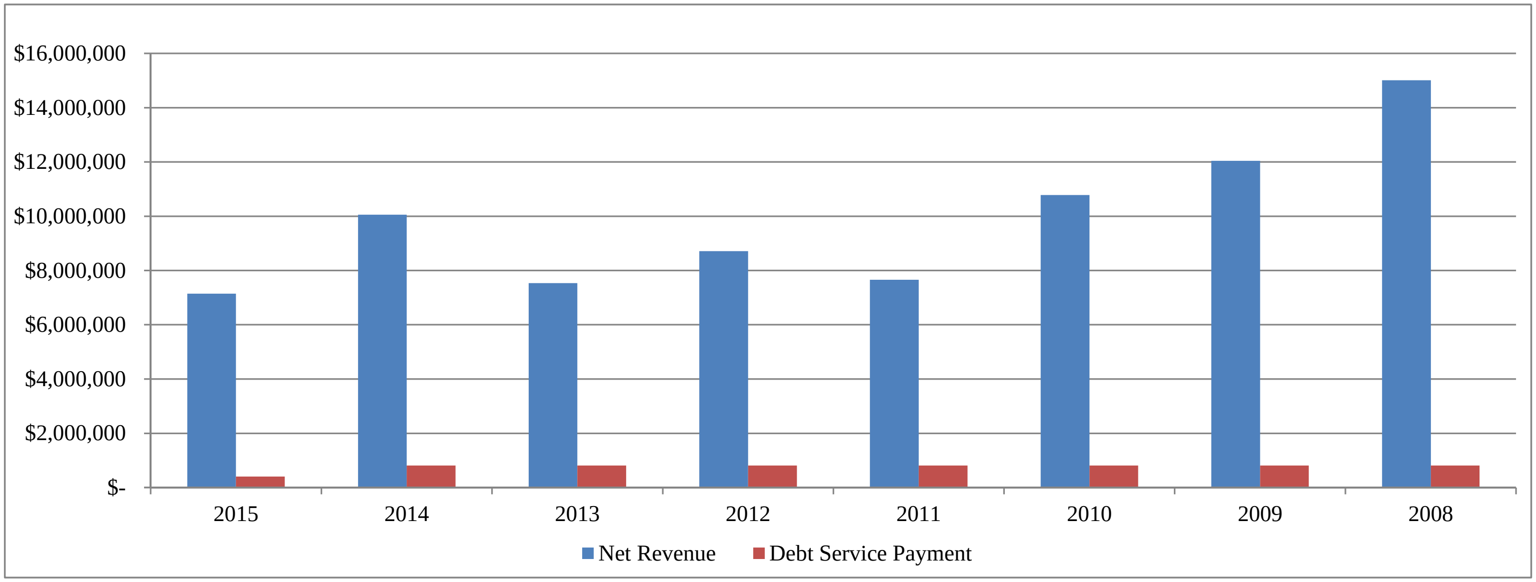
(1) Tax assessments are based off MWA 1 and 2(a).

* 2014 is the first year of issuance for the 2014 Certificate of Participation

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

DWR Debt Service - Loans (Paid off FY14/15)

	2015	2014	2013	2012	2011	2010	2009	2008
Revenues:								
Water Sales	$ 3,371,100	6,414,830	4,347,448	5,594,269	4,550,037	7,593,587	7,485,689	8,643,681
General Tax Assessments	1,434,585	1,434,585	1,462,281	1,396,438	1,446,160	1,390,223	1,481,566	1,723,935
Unitary Tax Assessments	2,165,047	2,165,047	1,644,367	1,644,762	1,555,426	1,314,348	1,678,049	2,633,850
Interest	176,010	46,530	81,638	78,276	104,156	486,956	1,395,642	2,013,411
Total Revenue	$ 7,146,742	10,060,992	7,535,734	8,713,746	7,655,778	10,785,114	12,040,946	15,014,876
Debt Service	$ 403,537	807,365	807,365	807,365	807,365	807,365	807,365	808,224
Coverage Ratio	17.71	12.46	9.33	10.79	9.48	13.36	14.91	18.58
Revenues Remaining After Debt Service Payment	$ 6,743,205	9,253,627	6,728,369	7,906,381	6,848,414	9,977,749	11,233,581	14,206,653

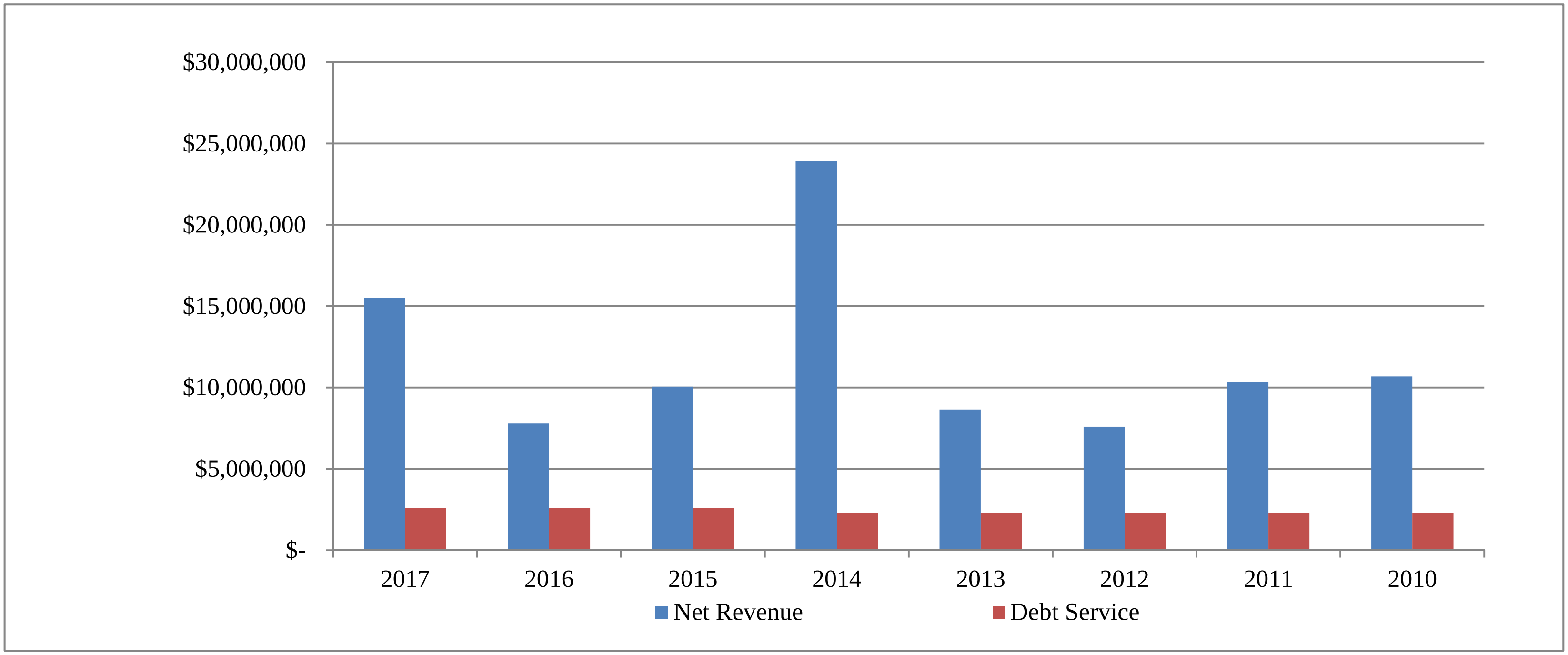


* This debt service is paid-in-full. The last eight years are shown for historical purposes only.

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

2009A Certificate of Participation - Table A Water

	2017	2016	2015	2014	2013	2012	2011	2010
Revenues:								
Water Sales	$ 10,477,485	3,371,100	6,414,830	20,774,232	5,594,269	4,550,037	7,593,587	7,485,689
General Tax Assessments	1,584,157	1,515,644	1,434,585	1,462,281	1,396,438	1,446,160	1,390,223	1,481,566
Unitary Tax Assessments	3,156,791	2,744,546	2,165,047	1,644,367	1,644,762	1,555,426	1,314,348	1,678,049
Interest	303,547	159,794	35,693	43,817	5,410	34,807	65,527	38,643
Total Revenue	$ 15,521,980	7,791,084	10,050,155	23,924,696	8,640,880	7,586,430	10,363,685	10,683,947
Debt Service	$ 2,599,650	2,597,250	2,598,650	2,297,750	2,296,400	2,299,750	2,298,450	2,297,590
Coverage Ratio	5.97	3.00	3.87	10.41	3.76	3.30	4.51	4.65
Revenues Remaining After Debt	$ 12,922,330	$ 5,193,834	7,451,505	21,626,946	6,344,480	5,286,680	8,065,235	8,386,356



* 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]
2008	2,003,735	60,145,538	30,017	30.5	426,779	8.0
2009	2,013,960	58,693,991	29,144	30.9	419,074	12.7
2010	2,041,689	59,850,108	29,314	31.2	417,061	13.5
2011	2,064,663	62,952,683	30,491	31.4	417,023	12.9
2012	2,080,651	64,633,723	31,064	31.7	414,260	11.4
2013	2,093,306	66,321,591	31,683	31.9	412,155	9.8
2014	2,112,619	69,487,877	32,892	32.2	412,243	8.0
2015	2,128,133	75,402,896	35,431	33	410,796	6.5
2016	N/A	N/A	N/A	N/A	408,991	5.7
2017	N/A	N/A	N/A	N/A	408,392 *	4.4

	Population by City [5]							
YEAR	Adelanto	Apple Valley	Barstow	Hesperia	Victorville	Yucca Valley	Unincorporated [6]	TOTAL
2008	30,526	68,776	22,361	88,356	109,321	20,627	106,367	**446,334**
2009	31,087	68,828	22,565	89,364	112,252	20,651	106,367	**451,114**
2010	31,765	69,135	22,639	90,173	115,903	20,700	103,334	**453,649**
2011	31,726	69,804	22,885	90,757	117,347	20,827	102,847	**456,193**
2012	31,098	70,790	23,264	91,158	119,635	20,866	101,742	**458,553**
2013	31,316	71,835	23,622	91,538	121,372	20,908	101,581	**462,172**
2014	32,608	72,479	23,851	91,850	121,958	20,959	101,574	**465,279**
2015	33,210	73,347	24,044	92,590	122,720	21,261	101,967	**469,139**
2016	33,512	73,925	24,125	93,241	123,053	21,371	105,777	**475,004**
2017	34,273	74,701	24,248	94,133	123,565	21,519	108,502	**480,941**

(1) Source: http://www.bea.gov/regional/bearfacts/action.cfm?geoType=4&fips=06071&areatype=06071

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 2015

(2) Source: http://factfinder.census.gov

U.S. Census Bureau, ACS Demographic and Housing Estimates
2011-2015 American Community Survey 5-Year Estimates for San Bernardino County, CA

(3) Source: http://www.dof.ca.gov/Forecasting/Demographics/Projections/Public_K-12_Graded_Enrollment/

California Department of Finance Demographic Research Unit December 2016 Excludes CEA and special school

(4) Source:

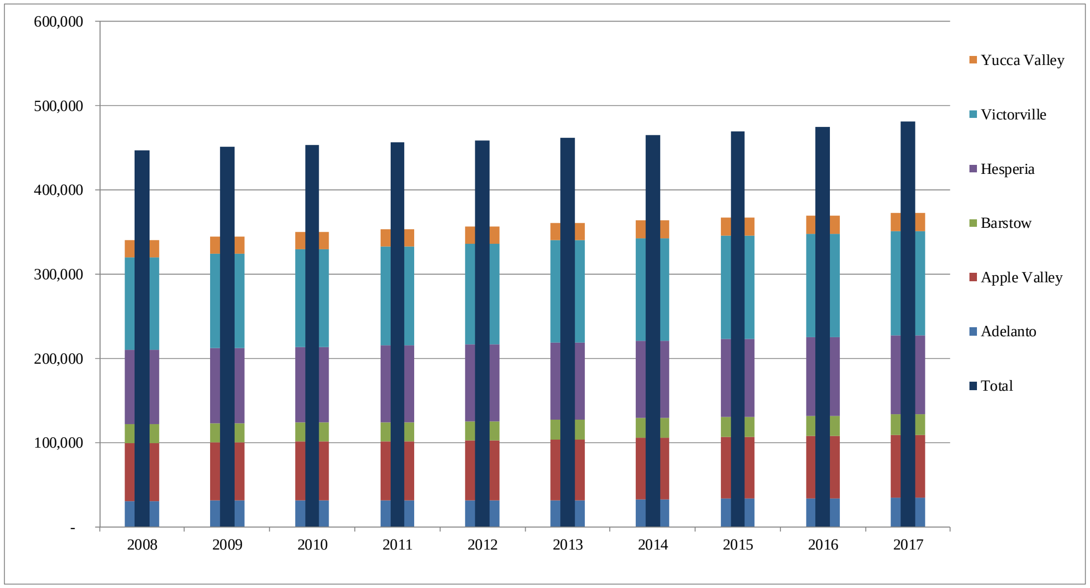
http://www.labormarketinfo.edd.ca.gov/cgi/databrowsing/localAreaProfileQSResults.asp?selectedarea=San+Bernardino+County&selectedindex=36&menuChoice=localAreaPro&state=true&geogArea=0604000071&countyName=
Employment Development Department, Labor Market Information Division.
Rates are annual average through 2016
2017 is the rate as of May 2017.

(5) Source: http://www.dof.ca.gov/Forecasting/Demographics/
California Department of Finance Demographic Research Unit, Released on May 1, 2017

(6) Source: 2010-2017 population estimates for the incorporated cities shown are from the CA Department of Finance, Report E-4, released on May 1, 2017. The Unincorporated estimates are derived by using the Beacon Economics population forecast published in December 2015 for the complete MWA service area, less the population estimates shown in the Report E-4 for the incorporated cities located within the MWA service area. The Report E-4 only provides an unincorporated population estimate on a countywide basis, not specific to the MWA service area. Prior to 2010, the estimates are per the 2010 census data.

N/A Information not available for specific date range.

* 2016-2017 School enrollment data is projected.



Mojave Water Agency
Principal Employers
Fiscal Year 2016

Town of Apple Valley - 2016 (1)

Employer	Employees	Rank	Percentage of Total Employed
Apple Valley School District	1,800	1	7.14%
St. Mary Regional Medical Center	1,660	2	6.58%
Wal-Mart Distribution Center	1,001	3	3.97%
Target Stores, Inc.	547	4	2.17%
Wal-Mart Stores	210	5	0.83%

City of Victorville - 2016 (3)

Employer	Employees	Rank	Percentage of Total Employed
SCLA	N/A	1	6.55%
Victor Elementary School District	N/A	2	4.21%
Victor Valley Community College District	N/A	3	2.86%
Victor Valley Global Medical Center	N/A	4	2.20%
Desert Valley Medical Group, Inc.	N/A	5	2.18%

City of Hesperia - 2016 (2)

Employer	Employees	Rank	Percentage of Total Employed
Hesperia Unified School District	2,524	1	7.77%
County of San Bernardino	508	2	1.56%
Super Wal-Mart	347	3	1.07%
Stater Brothers Markets	333	4	1.02%
City of Hesperia	320	5	0.98%

Note: The websites listed below have not been updated for the fiscal year 2017. The most recent data is displayed.

* Source

(1) Town of Apple Valley, 2015-2016 CAFR, pg. 132

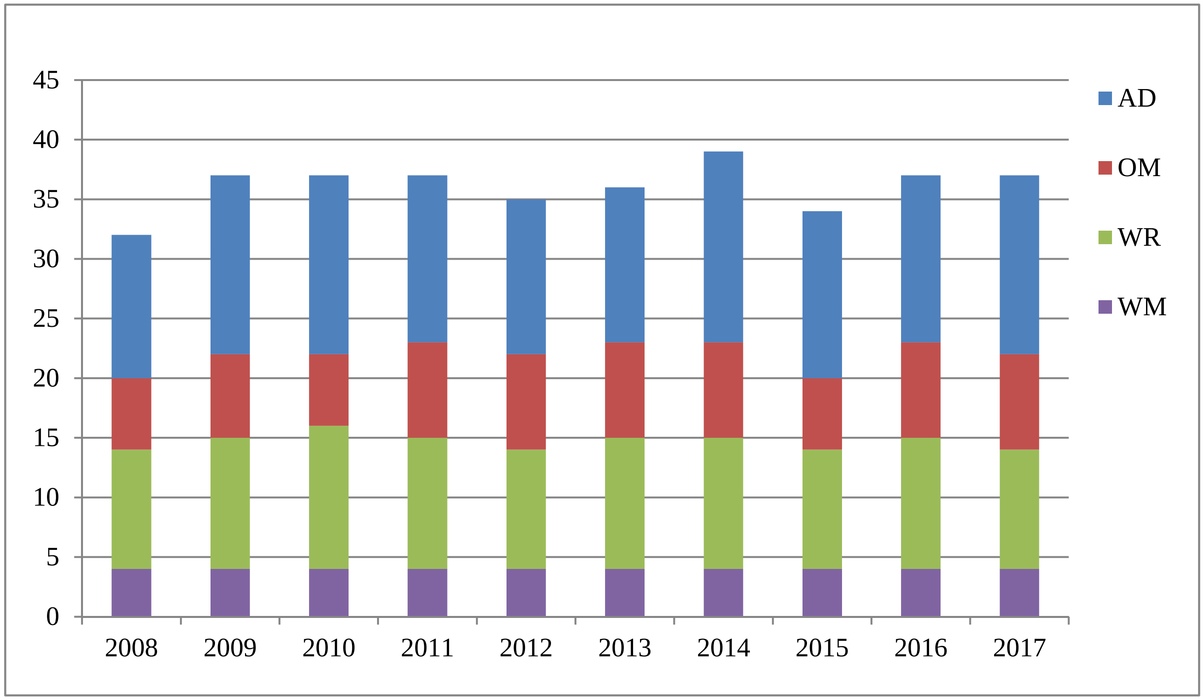
(2) City of Hesperia, 2015-2016 CAFR, pg. 181

(3) City of Victorville, 2015-2016 CAFR, pg. 166

N/A = Not Available. The City of Victorville did not provide the number of employees per employer, only a percentage of total employment

Mojave Water Agency
Full-Time Employees
Last Ten Fiscal Years

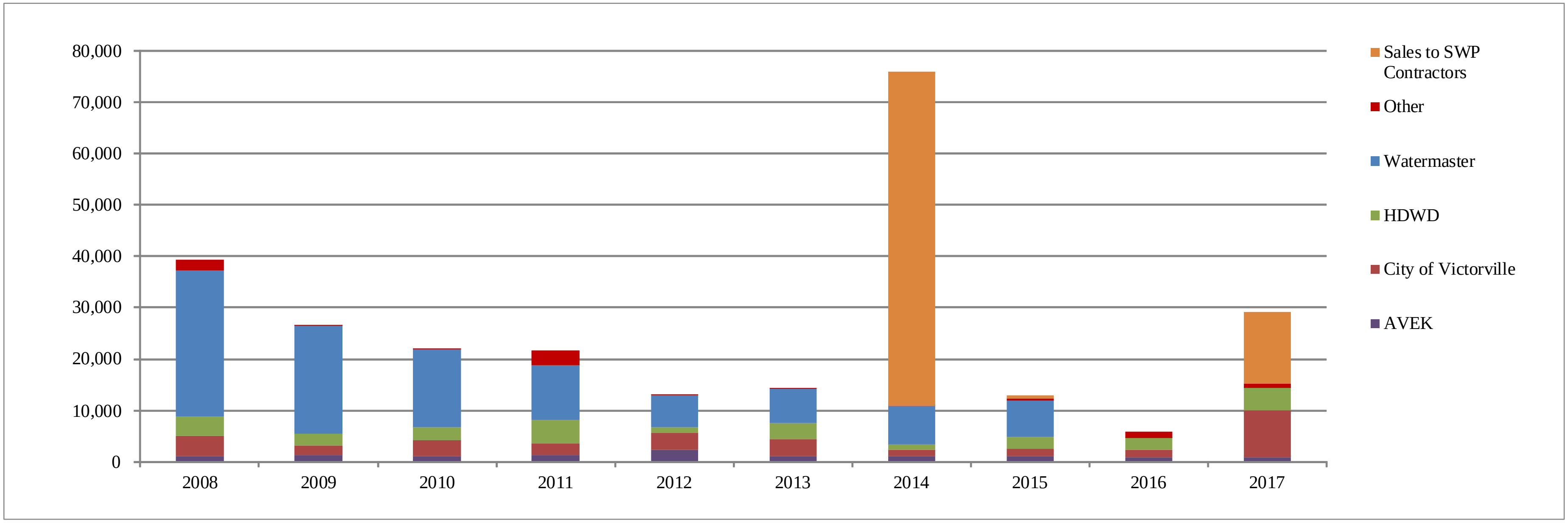
Fiscal Year Ending	Administration	Operations and Maintenance	Water Resources	Watermaster	Total(1)
2008	12	6	10	4	32
2009	15	7	11	4	37
2010	15	6	12	4	37
2011	14	8	11	4	37
2012	13	8	10	4	35
2013	13	8	11	4	36
2014	16	8	11	4	39
2015	14	6	10	4	34
2016	14	8	11	4	37
2017	15	8	10	4	37



(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	Sales to SWP Contractors (1)	Total (2)	Table A Amount (3)	%	Acre Feet Allocated (4)	SWP Deliveries (5)
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	64,928	75,841	82,800	5%	4,140	3.611
2015	1,042	1,448	2,277	7,244	372	500	12,883	85,800	20%	17,160	3,961
2016	984	1,319	2,243	41	1,303	-	5,890	85,800	60%	51,480	9,477
2017	973	9,127	4,365	24	653	14,000	29,142	85,800	85%	72,930	24,955



(1) Indicates water sales revenue due to sales to other State Water Project Contractors under the Multi-Year Water Pool Demonstration Program; 64,928 AF was sold during FY 2013-14, and 6,000 AF was sold during FY 2016-2017 under the MYP Sales program. A separate exchange agreement between the Santa Clara Water District and MWA for 8,000AF was approved by DWR in December 2016.
(2) The amounts differ from the 2014 Official Statement due to the Watermaster sales being recorded on a cash basis rather than accrual within the Official Statement.
(3) Includes Table A entitlement under the Berrenda Mesa Agreement and the Dudley Ridge Agreement.
(4) The difference between the Agency's Table A Amount and the SWP allocation reflects reduced deliveries from the SWP.
(5) The difference between deliveries and sales are a result of groundwater recharge and storage by the Agency and sales from the groundwater basin.

Mojave Water Agency
Historical Water Sales Revenue
Last Ten Fiscal Years

Fiscal Year Ending	Sales to Watermaster	Sales to Customers	Sales to SWP Contractors [1]	Total	% Increase (% Decrease)
2008	$ 7,820,116	3,062,785	-	$ 10,882,901	61.3%
2009	6,027,135	2,616,546	-	8,643,681	-20.6%
2010	4,004,750	2,480,939	-	6,485,689	-13.4%
2011	2,713,246	4,880,341	-	7,593,587	1.4%
2012	1,536,618	3,013,419	-	4,550,037	-40.1%
2013	2,163,105	3,431,163	-	5,594,268	22.9%
2014	1,836,425	2,511,022	16,426,784	20,774,231	271.3%
2015	2,306,756	3,908,074	200,000	6,414,830	-69.1%
2016	179,730	3,191,370	-	3,371,100	-47.4%
2017	12,360	8,037,125	2,428,000	10,477,485	210.8%

(1) Indicates water sales revenue due to sales to other State Water Project Contractors under the Multi-Year Water Pool Demonstration Program.

Source: Mojave Water Agency

Mojave Water Agency
Capital Asset Statistics
Last Ten Fiscal Years

Function	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Trans/ Distr Facility	$ 193,128,281	193,128,281	192,540,759	192,540,769	191,434,934	139,386,544	138,927,935	138,866,044	138,534,539	138,534,539
Monitoring Wells	20,190,868	20,190,868	20,190,868	20,190,868	20,190,868	4,615,017	3,607,182	2,222,185	2,222,182	2,222,182
Trucks & Autos	629,712	664,503	680,978	777,047	874,720	848,025	809,705	739,015	587,321	587,321
Furniture & Fixtures	-	-	-	-	8,631	10,653	10,653	274,614	274,614	270,905
Equipment	504,708	367,418	404,564	343,090	173,880	578,727	578,727	805,511	805,511	678,090
Computer Hardware	2,469,301	2,454,233	2,286,571	2,306,573	2,659,592	2,752,292	2,301,939	3,073,882	3,011,475	2,665,216
Building	16,682,345	16,409,074	16,409,074	16,409,074	12,857,220	12,507,424	12,181,131	1,821,395	1,810,925	1,729,065
Leasehold Improvements	-	-	-	-	-	42,197	42,197	42,197	42,197	42,197
Total	**$ 233,605,215**	**233,214,377**	**232,512,814**	**232,567,421**	**228,199,845**	**160,740,879**	**158,459,469**	**147,844,843**	**147,288,764**	**146,729,516**

Report on Internal Controls and Compliance

Charles Z. Fedak, CPA, MBA
Christopher J. Brown, CPA, CGMA
Jonathan P. Abadesco, CPA
Andy Beck, CPA

Fedak & Brown LLP
Certified Public Accountants

Cypress Office:
6081 Orange Avenue
Cypress, California 90630
(657) 214-2307
FAX (714) 527-9154

Riverside Office:
4204 Riverwalk Pkwy. Ste. 390
Riverside, California 92505
(951) 977-9888

Independent Auditor's Report on Internal Controls Over Financial Reporting and on Compliance and Other Matters Based on an Audits 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 years ended June 30, 2017 and 2016, 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 26, 2017.

Internal Control Over Financial Reporting

In planning and performing our audits 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 audits 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 audits, 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 Audits 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.

Fedak & Brown LLP

Fedak & Brown LLP
Cypress, California
October 26, 2017