

**COMMISSIONERS**

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OFFICERS

MATTHEW R. KNUDSON, *General Manager*
PETER THOMPSON II, *Asst. General Manager*
TOM BARNES, *Resources Manager*
DENNIS HOFFMEYER, *Controller*
DANIELLE HENRY, *Management Analyst*

July 2, 2019

***Agenda for the Regular Meeting of the
Commissioners of the Antelope Valley State Water Contractors
Association to be held at the Palmdale Water District office
at 2029 East Avenue Q, Palmdale
Thursday, July 11, 2019
6:00 p.m.***

NOTE: To comply with the Americans with Disabilities Act, to participate in any Association meeting please contact Dawn Deans at 661-947-4111 x1003 at least 48 hours prior to an Association meeting to inform us of your needs and to determine if accommodation is feasible.

Agenda item materials, as well as materials related to agenda items submitted after distribution of the agenda packets, are available for public review at the Palmdale Water District's office located at 2029 E. Ave. Q, Palmdale. Please call Danielle Henry at 661-947-4111 x1059 for public review of materials.

PUBLIC COMMENT GUIDELINES: The prescribed time limit per speaker is three-minutes. Please refrain from public displays or outbursts such as unsolicited applause, comments, or cheering. Any disruptive activities that substantially interfere with the ability of the Association to carry out its meeting will not be permitted and offenders will be requested to leave the meeting.

Each item on the agenda shall be deemed to include any appropriate motion, resolution, or ordinance to take action on any item.

- 1) Pledge of Allegiance.
- 2) Roll call.
- 3) Adoption of agenda.
- 4) Public comments for items not on the agenda.
- 5) Consideration and possible action on minutes of regular meeting held April 11, 2019.
- 6) Payment of bills.

- 7) Presentation on USGS Joint Groundwater Monitoring Program. (Mr. Mike Lee and Mr. Jon Newby, United States Geological Survey)
- 8) Discussion and possible action on developing an agreement between AVSWCA and AV Watermaster for delivery of replacement water within the Antelope Valley Adjudicated Groundwater Basin. (Assistant General Manager Thompson II)
- 9) Consideration and possible action on sponsorship of 2020 Home Show and SMART Water Expo. (Assistant General Manager Thompson II)
- 10) Consideration and possible action on Budget for Fiscal Year 2019/2020. (Assistant General Manager Thompson II/Controller Hoffmeyer)
- 11) Consideration and possible action on acceptance and filing of audit for year ended June 30, 2018. (Controller Hoffmeyer)
- 12) Report of General Manager and Assistant General Manager.
 - a) Update on proposed east side recycled water line project.
 - b) Update on Big Rock Creek Joint Groundwater Recharge Project.
 - c) Update on Antelope Valley Watermaster meetings.
 - d) Update on Antelope Valley and Fremont Basin IRWMP Stakeholder meetings.
- 13) Report of Controller.
 - a) Update on Revenue, Expenses and Change in Net Position.
- 14) Reports of Commissioners.
- 15) Report of Attorney.
- 16) Commission members' requests for future agenda items.
- 17) Consideration and possible action on scheduling the next Association meeting August 8, 2019.
- 18) Adjournment.

**ANTELOPE VALLEY
STATE WATER CONTRACTORS ASSOCIATION
COMMISSION MEMORANDUM**

DATE: June 27, 2019 July 11, 2019
TO: AVSWCA Commissioners **Commission Meeting**
FROM: Peter Thompson II, Assistant General Manager
RE: *AGENDA ITEM NO. 9 - CONSIDERATION AND POSSIBLE ACTION ON SPONSORSHIP OF 2020 HOME SHOW AND SMART WATER EXPO*

Recommendation:

Staff recommends the Commissioners approve sponsorship of the 2020 Home Show and SMART Water Expo in the not-to-exceed amount of \$15,000.00. The total amount includes the sponsorship fee of \$10,000.00 as well as additional funds to cover equipment rental costs and minimal marketing. Associated staff time to be covered by the individual member agencies following the same standard of past SMART Water Expos.

Background:

The Association has participated with hosting/sponsoring the annual SMART Water Expo since 2015. As with prior Expos, the 2020 SMART Water Expo is intended to highlight water conservation rebate programs from the participating agencies, provide a forum to publicly share information on the agencies and their projects, included water-related vendors, and presentations from speakers on water-related topics.

Budget:

Sponsorship amount and associated funding is included with the proposed 2019/2020 Budget to be considered this evening.

Supporting Documents:

There are no supporting documents.

**ANTELOPE VALLEY
STATE WATER CONTRACTORS ASSOCIATION
COMMISSION MEMORANDUM**

DATE: June 27, 2019 July 11, 2019
TO: AVSWCA Commissioners Commission Meeting
FROM: Dennis Hoffmeyer, Controller
VIA: Matthew Knudson, General Manager
Peter Thompson II, Assistant General Manager
RE: *AGENDA ITEM NO. 10 - CONSIDERATION AND POSSIBLE ACTION ON
BUDGET FOR FISCAL YEAR 2019/2020*

Recommendation:

Staff recommends that the Commissioners of the AVSWCA (Association) approve the attached proposed budget for fiscal year 2019/2020.

Background:

The proposed budget has been broken into four categories: General Operating Funds, Restricted Funds (USGS Groundwater Monitoring Program), Restricted Funds (Antelope Valley Integrated Regional Water Management Plan), and Restricted Funds (Big Rock Creek Joint Groundwater Recharge Program).

The Expenditure side for General Operating Funds categories include:

- Insurance: Liability insurance for the Association obtained through ACWA/JPIA
- Memberships: Membership in ACWA
- Miscellaneous: Includes all miscellaneous expenses not covered in other Association accounts (business cards, meals, etc.)
- Outreach: Includes the website, possible purchase of a tabletop display, promotional items, and event fees
- Contract Services: (Administration): Services provided by AVEK (Matthew Knudson – General Manager and Tom Barnes – Resources Manager) and PWD (Peter Thompson Jr. – Assistant General Manager, Dennis Hoffmeyer – Controller, Dawn Deans – Executive Secretary, Danielle Henry – Management Analyst)

General Operating Funds categories (continued):

- Contract Services: (General): Covers A.V. Fair Conservation Garden annual maintenance fee and Home & Garden Show/SMART Water Expo and related expenses.
- Contract Services: (Audit): Covers the outside review of financials for prior year close.

Per the Bylaws of the Association, the first \$30,000.00 of member agency contributions is split evenly to cover General Operating Costs. Therefore, it is recommended that each of the three member agencies contribute \$10,000.00 in Fiscal Year 2019/2020 to the Association's General Operating Fund to cover the proposed 2019/2020 General Operating Costs of \$28,850.00.

There will be secondary contributions on general expenditures estimated at \$18,000.00. The Association's current policy for funding excess amounts is by State Water Project Table "A" percentages to determine the split among the member agencies. Based on this policy, the \$18,000.00 would be split among the member agencies as follows:

AVEK:	\$ 15,426.00 (85.7%)
PWD:	\$ 2,322.00 (12.9%)
LCID:	\$ <u>252.00 (1.4%)</u>
Total =	\$ 18,000.00

The Expenditure side for Restricted Funds categories include:

- USGS Groundwater Monitoring and CASGEM Program Contract Services:

Consulting engineering services for the Joint Funding Agreement with the USGS for groundwater monitoring within the Antelope Valley. This also includes the collection of data to comply with the California Statewide Groundwater Elevation Monitoring Program (CASGEM). Shared expense is 50% AVSWCA, 25% AV Watermaster and 25% AV Regional Water Management Group.

- Antelope Valley Integrated Regional Water Management Plan (AV-IRWMP) Contract Services:

Consulting engineering services for work related to the AV-IRWMP Update (on behalf of the Regional Water Management Group).

- Big Rock Creek Joint Groundwater Recharge Program Contract Services:

Consulting engineering services for work related to the Big Rock Creek Joint Groundwater Recharge Program.

The Association's share of the USGS groundwater monitoring program is estimated at \$64,900.00 and will be split between the Association (50%), the AV Watermaster (25%) and the AV Regional Water Management Group (25%). The Association's portion will be \$32,450.00 (50% share) in order to make the Association whole on the commitments with the USGS for the 2018/19 Agreement executed in April 2019. The AV Watermaster and AV Regional Water Management Group will be invoiced when the Association's member agencies are invoiced.

The Association's current policy for funding this program is to use State Water Project Table "A" percentages to determine the split among the member agencies. Based on this policy, the \$32,450.00 would be split among the member agencies as follows:

AVEK:	\$ 27,810.00 (85.7%)
PWD:	\$ 4,186.00 (12.9%)
LCID:	<u>\$ 454.00 (1.4%)</u>
Total =	\$ 32,450.00

Based on the General Operating Fund contributions, and the contributions for the USGS program, the following is the total amount each of the member agencies must commit if the attached 2019/2020 Budget is approved:

AVEK total contributions for 2019/2020:	\$53,236.00
PWD total contributions for 2019/2020:	\$16,508.00
LCID total contributions got 2019/2020:	\$10,706.00

ANTELOPE VALLEY STATE WATER CONTRACTORS ASSOCIATION

Proposed Budget - FY 2019/20

General Program Funds

	FY 2015/16 ACTUAL	FY 2016/17 ACTUAL	FY 2017/18 ACTUAL	FY 2018/19 ADOPTED BUDGET	FY 2018/19 PROJECTED YTD	FY 2019/20 PROPOSED BUDGET
Revenues:						
Member Contributions - General	\$ 24,000.00	\$ 64,000.00	\$ 30,000.00	\$ 30,000.00	\$ 30,000.00	\$ 30,000.00
Member Contributions - AV Fair/Home & Garden Show					47,412.50	18,000.00
Interest Earnings	50.00	11.66	27.04	30.00	197.50	75.00
Revenue - Refund/Misc		5.00	-		-	
Total Revenue	<u>\$ 24,050.00</u>	<u>\$ 64,016.66</u>	<u>\$ 30,027.04</u>	<u>\$ 30,030.00</u>	<u>\$ 77,610.00</u>	<u>\$ 48,075.00</u>
Expenditures:						
Insurance (ACWA/JPIA)	\$ 2,182.92	\$ 2,183.10	\$ 2,182.98	\$ 2,350.00	\$ 2,183.00	\$ 2,350.00
Memberships (ACWA)	2,385.22	2,510.00	2,635.00	2,825.00	3,165.00	3,500.00
Outreach (Web Site, Community Activities)	4,231.63	30,257.79	5,187.40	5,000.00	2,837.80	5,000.00
Miscellaneous (Bank Fees, Refreshments, Etc.)	75.00	-	-	500.00	-	500.00
Contract Services - Administration	13,712.77	17,046.49	13,413.28	15,000.00	17,572.37	15,000.00
Contract Services - General Projects	-	-	-	-		
(A.V. Fair - Conservation Garden)					25,000.00	5,000.00
(Home & Garden Show/WaterSmart Expo)					12,412.50	13,000.00
Contract Services - Financial Audit	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,500.00
Total Expenditures	<u>\$ 24,587.54</u>	<u>\$ 53,997.38</u>	<u>\$ 25,418.66</u>	<u>\$ 27,675.00</u>	<u>\$ 65,170.67</u>	<u>\$ 46,850.00</u>
Net Income (Loss)	<u>\$ (537.54)</u>	<u>\$ 10,019.28</u>	<u>\$ 4,608.38</u>	<u>\$ 2,355.00</u>	<u>\$ 12,439.33</u>	<u>\$ 1,225.00</u>
Member Contribution (General):						<u>10,000.00</u>
Additional Expenditures					AVEK Contribution =	\$ 15,426.00
					PWD Contribution =	2,322.00
					LCID Contribution =	252.00
					Secondary Member Contribution (Table A basis):	<u>\$ 18,000.00</u>

ANTELOPE VALLEY STATE WATER CONTRACTORS ASSOCIATION

Proposed Budget - FY 2019/20

Restricted Funds - AVIRWMP Program

	FY 2015/16 ACTUAL	FY 2016/17 ACTUAL	FY 2017/18 ACTUAL	FY 2018/19 ADOPTED BUDGET	FY 2018/19 ACTUAL	FY 2019/20 PROPOSED BUDGET
Revenues:						
AV Regional Water Management Group	\$ -	\$ -	\$ -	\$ -	\$ 291,999.00	\$ -
AV IRWMP 2013 Update (Prop. 84 Grant)	-	-	-	-	-	-
Total Revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 291,999.00</u>	<u>\$ -</u>
Expenditures:						
Contract Services - AVRWMG	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contract Services - AVRWMG (Contract Commitments)	-	-	-	-	-	-
Contract Services - IRWMP 2013 Update	105,157.11	-	-	-	-	-
Portion Due Back to AVSWCA (Pass-thru)				22,000.00	22,000.00	-
Contract Services - IRWMP 2019/20 Update					38,747.86	208,270.14
Contract Services - USGS (25% Share)					15,900.00	16,225.00
Total Expenditures	<u>\$ 105,157.11</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,000.00</u>	<u>\$ 76,647.86</u>	<u>\$ 224,495.14</u>
Net Income (Loss)	<u><u>\$ (105,157.11)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (22,000.00)</u></u>	<u><u>\$ 215,351.14</u></u>	<u><u>\$ (224,495.14)</u></u>

ANTELOPE VALLEY STATE WATER CONTRACTORS ASSOCIATION

Proposed Budget - FY 2019/20

Restricted Funds - USGS/CASGEM Program

	FY 2015/16 ACTUAL	FY 2016/17 ACTUAL	FY 2017/18 ACTUAL	FY 2018/19 ADOPTED BUDGET	FY 2018/19 YTD	FY 2019/20 PROPOSED BUDGET
Revenues:						
Member Contributions - USGS	\$ 90,050.00	\$ 31,000.00	\$ 61,100.00	\$ 31,800.00	\$ 31,800.00	\$ 32,450.00
Contributions - Others (AVIRWMG/AV Watermaster)	-	-	15,900.00	31,800.00	15,900.00	32,450.00
Member Contributions - CASGEM	-	-	-	-	-	-
Total Revenue	<u>\$ 90,050.00</u>	<u>\$ 31,000.00</u>	<u>\$ 77,000.00</u>	<u>\$ 63,600.00</u>	<u>\$ 47,700.00</u>	<u>\$ 64,900.00</u>
Expenditures:						
Contract Services - USGS	\$ 69,483.33	\$ 50,283.33	\$ 52,166.66	\$ 31,800.00	\$ -	\$ 64,900.00
Contract Services - USGS (Prior Year)	-	-	-	-	-	-
Contract Services - USGS (New Year)	-	-	-	-	31,800.00	-
Contract Services - CASGEM	-	-	-	-	-	-
Total Expenditures	<u>\$ 69,483.33</u>	<u>\$ 50,283.33</u>	<u>\$ 52,166.66</u>	<u>\$ 31,800.00</u>	<u>\$ 31,800.00</u>	<u>\$ 64,900.00</u>
Net Income (Loss)	<u>\$ 20,566.67</u>	<u>\$ (19,283.33)</u>	<u>\$ 24,833.34</u>	<u>\$ 31,800.00</u>	<u>\$ 15,900.00</u>	<u>\$ -</u>
				AVEK Contribution =		\$ 27,810.00
				PWD Contribution =		4,186.00
				LCID Contribution =		454.00
						<u>\$ 32,450.00</u>

ANTELOPE VALLEY STATE WATER CONTRACTORS ASSOCIATION

Proposed Budget - FY 2019/20

	AVSWCA			Verified	Check No.	Check Date	Check Amt	Coverage Period	Billing Information
	Portion	USGS Portion	Program Total						
2008/09 Agreement	55,200.00	34,400.00	89,600.00	X	1156	06/11/2009	27,600.00	11/01/08-04/30/09	Inv# 9-9677-09216
2009/10 Agreement	56,750.00	35,350.00	92,100.00	X	1168	09/10/2009	13,800.00	05/01-07/31/09	Inv# 9-9677-09344
2010/11 Agreement	57,050.00	35,500.00	92,550.00	X	1180	01/21/2010	13,800.00	08/01-10/31/09	Inv.#0-9677-0091
2011/12 Agreement	54,500.00	37,300.00	91,800.00	X	1184	03/11/2010	14,190.00	11/01/09-01/31/10	Req# 0-9677-DPR168
2012/13 Agreement	56,050.00	28,150.00	84,200.00	X	1194	06/17/2010	14,185.00	02/01-04/30/10	Req# 0-9677-DPR261
2013/14 Agreement	89,300.00	36,950.00	126,250.00	X	1205	09/09/2010	14,190.00	05/01-07/31/10	Req# 0-9677-DPR364
2014/15 Agreement	90,050.00	37,350.00	127,400.00	X	1218	03/10/2011	14,185.00	08/01-10/31/10	Inv# 90020569
2015/16 Agreement	59,200.00	29,750.00	88,950.00	X	1221	04/20/2011	14,262.50	11/1/10-01/31/11	Inv# 90025904
2016/17 Agreement	61,100.00	30,700.00	91,800.00	X	1227	05/19/2011	14,262.50	02/01-04/30/11	Inv# 90030552
2017/18 Agreement	63,600.00	31,950.00	95,550.00	X	1238	08/18/2011	14,262.50	05/01-07/31/11	Inv# 90036980
2018/19 Agreement	64,900.00	32,600.00	97,500.00	X	1265	03/15/2012	14,262.50	08/01-10/31/11	Inv# 90046446
	707,700.00	370,000.00	1,077,700.00		1269	06/28/2012	27,250.00	11/01/11-04/30/12	Inv# 90086727
Tie-Out for Remaining:	64,900.00				1276	09/20/2012	13,625.00	05/01-07/31/12	Inv# 90104941
					1286	05/17/2013	13,625.00	08/01-10/31/12	Inv# 90135018
CASGEM Agreement (RMC)	7,750.00			X	1289	08/15/2013	28,025.00	11/01/12-04/30/13	Inv# 90170826
Tie-Out for Remaining:	5,645.50				1300	01/23/2014	14,012.50	08/01-10/31/13	Inv# 90209030
					1307	04/29/2014	14,012.50	05/01-07/31/13	Inv# 90183705
					1310	05/29/2014	34,025.00	11/01/13-04/30/14	Inv# 90254745
Lifetime Program Costs:	715,450.00				1327	01/08/2015	55,275.00	JFA Q3 & Q4 2014	Inv# 90316741
					1352	01/21/2016	90,050.00	JFA 11/01/14-10/31/15	Inv# 90414177
					1376	12/21/2016	29,600.00	JFA 11/01/15-04/30/16	Inv# 90446414
					1376	12/21/2016	14,800.00	JFA 05/01/16-07/31/16	Inv# 90458282
					1014	08/03/2017	15,275.00	JFA 05/01/17-07/31/17	Inv# 90552056
					1036	11/14/2017	30,550.00	JFA 11/01/16-04/30/17	Inv# 90534888
					1040	12/14/2017	14,800.00	JFA 08/01/16-10/31/16	Inv# 90497660
					1052	04/12/2018	15,275.00	JFA 08/01/17-10/31/17	Inv# 90589898
					1065	09/13/2018	31,800.00	JFA 11/01/17-04/30/18	Inv# 90634201
					1065	09/13/2018	15,900.00	JFA 05/01/18-07/31/18	Inv# 90652690
					1083	01/24/2019	15,900.00	JFA 08/01/18-10/31/18	Inv# 90691957
							642,800.00		
					1291	08/22/2013	2,104.50	CASGEM (RMC)	Inv# 16105

ANTELOPE VALLEY STATE WATER CONTRACTORS ASSOCIATION

Proposed Budget - FY 2019/20

Restricted Funds - Big Rock Creek Groundwater Recharge Project

	FY 2018/19 PROPOSED BUDGET	FY 2018/19 PROJECTED	FY 2019/20 PROPOSED BUDGET
Revenues:			
Member Contributions - Big Rock Creek	\$ 236,951.00	\$ 236,951.00	\$ -
Contributions - Others	-	-	-
Total Revenue	\$ 236,951.00	\$ 236,951.00	\$ -
Expenditures:			
Contract Services - Big Rock Creek	\$ 236,951.00	\$ 53,459.63	\$ 183,491.37
W.M. Lyles Invoice (LCID Submitted)		6,945.55	
Total Expenditures	\$ 236,951.00	\$ 60,405.18	\$ 183,491.37
Net Income (Loss)	\$ -	\$ 176,545.82	\$ (183,491.37)
AVEK Contribution =	\$ 115,975.50		
PWD Contribution =	115,975.50		
LCID Contribution =	5,000.00		
	\$ 236,951.00		

**ANTELOPE VALLEY
STATE WATER CONTRACTORS ASSOCIATION
COMMISSION MEMORANDUM**

DATE: June 27, 2019 July 11, 2019
TO: AVSWCA Commissioners **Commission Meeting**
FROM: Matthew Knudson, General Manager
Dennis Hoffmeyer, Controller
RE: *AGENDA ITEM NO. 11 – CONSIDERATION AND POSSIBLE ACTION ON
ACCEPTANCE AND FILING OF AUDIT FOR YEAR ENDED JUNE 30, 2018.*

Recommendation:

Staff recommends acceptance and filing of the audit for year ended June 30, 2018. The Independent Auditors' Report and Financial Statements are attached. This information will be reviewed in detail at the meeting.

**ANTELOPE VALLEY STATE WATER
CONTRACTORS ASSOCIATION**

AUDIT REPORT

**For the Fiscal Years Ended
June 30, 2018 and 2017**



ANTELOPE VALLEY STATE WATER CONTRACTORS ASSOCIATION
For the Fiscal Years Ended June 30, 2018 and 2017
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Financial Section



INDEPENDENT AUDITORS' REPORT

Governing Board
Antelope Valley State Water Contractors Association
Palmdale, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Antelope Valley State Water Contractors Association (Association), which comprise of the balance sheets as of June 30, 2018 and 2017, and the related statements of revenues, expenses, and change in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Association'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 control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 opinions.

Opinions

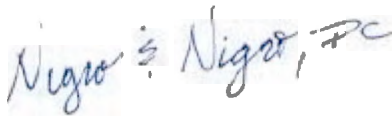
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Antelope Valley State Water Contractors Association, as of June 30, 2018 and 2017, and the respective changes in financial position and cash flows thereof for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters***Required Supplementary Information***

Management has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a separate report dated June 25, 2019, on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control over financial reporting and compliance.



Murrieta, California
June 25, 2019

ANTELOPE VALLEY STATE WATER CONTRACTORS ASSOCIATION

Balance Sheets

June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents (Note 2)	\$ 12,328	\$ 17,562
Accounts receivable	15,900	-
Prepaid items	546	546
Total assets	<u>\$ 28,774</u>	<u>\$ 18,108</u>
LIABILITIES		
Accounts payable	\$ 48,978	\$ 57,153
Total liabilities	<u>48,978</u>	<u>57,153</u>
NET POSITION		
Unrestricted (Deficit) (Note 3)	<u>(20,204)</u>	<u>(39,045)</u>
Total net position	<u>(20,204)</u>	<u>(39,045)</u>
Total liabilities and net position	<u>\$ 28,774</u>	<u>\$ 18,108</u>

ANTELOPE VALLEY STATE WATER CONTRACTORS ASSOCIATION
Statements of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating Revenues		
Member agency contributions	\$ 61,100	\$ 64,000
Contributions – other	45,900	31,000
Total operating revenues	<u>107,000</u>	<u>95,000</u>
Operating Expenses		
Contracted services	77,762	79,511
General and administrative	10,424	34,951
Total operating expenses	<u>88,186</u>	<u>114,462</u>
Operating income(loss)	<u>18,814</u>	<u>(19,462)</u>
Non-Operating Revenues		
Investment earnings	27	12
Other	-	5
Total non-operating revenues	<u>27</u>	<u>17</u>
Change in net position	18,841	(19,445)
Net Position		
Beginning of year	<u>(39,045)</u>	<u>(19,600)</u>
End of year	<u>\$ (20,204)</u>	<u>\$ (39,045)</u>

ANTELOPE VALLEY STATE WATER CONTRACTORS ASSOCIATION
Statements of Cash Flows
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Cash received from member agencies	\$ 61,100	\$ 64,000
Cash received from contributions – other	30,000	31,000
Cash payments for operating expenses	<u>(96,361)</u>	<u>(100,864)</u>
Net cash (used in) operating activities	<u>(5,261)</u>	<u>(5,864)</u>
Cash flows from investing activities:		
Investment income	<u>27</u>	<u>17</u>
Net cash provided by investing activities	<u>27</u>	<u>17</u>
Net (decrease) in cash and cash equivalents	<u>(5,234)</u>	<u>(5,847)</u>
Cash and cash equivalents:		
Beginning of year	<u>17,562</u>	<u>23,409</u>
End of year	<u>\$ 12,328</u>	<u>\$ 17,562</u>
Reconciliation of operating income(loss) to net cash (used in) operating activities:		
Operating income(loss)	\$ 18,814	\$ (19,462)
Adjustments to reconcile operating income(loss) to net cash (used in) operating activities:		
(Increase) decrease in accounts receivable	(15,900)	-
Increase (decrease) in accounts payable	<u>(8,175)</u>	<u>13,598</u>
Net cash (used in) operating activities	<u>\$ (5,261)</u>	<u>\$ (5,864)</u>

ANTELOPE VALLEY STATE WATER CONTRACTORS ASSOCIATION

Notes to Financial Statements

June 30, 2018 and 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Operations of the Reporting Entity

The Antelope Valley State Water Contractors Association (Association) was consolidated on May 26, 1999 as a joint powers authority in an effort to optimize the use of state water resources and protect surface water and groundwater storage within the Antelope Valley. Three public agencies combined to form the Association in serving the Antelope Valley: Antelope Valley – East Kern Water Agency, Littlerock Creek Irrigation Association, and Palmdale Water Association, which constitutes the member agencies. Each member agency appoints two members to the Governing Board.

Any member of the Association shall have the right to withdraw its membership upon serving prior written notice of intention so to do on the other members at least one hundred twenty (120) days before the close of any fiscal year. Unless sooner revoked, such withdrawal shall become effective upon the expiration of the fiscal year during which such notice was given; provided, however, that no such withdrawal shall release the withdrawing member from any financial obligation theretofore incurred by it hereunder.

Each member of the Association shall be obligated to pay its pro-rata share of the funds required to be appropriated by any approved budget. Approval of any budget by a member shall constitute an agreement of such member to pay said allocation, conditioned only on the approval thereof by each of the other members.

Basis of Accounting and Measurement Focus

The Association 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 Association is that the costs of providing services be financed or recovered primarily through user (member) 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.

Financial Reporting

The Association's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States Board (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 Association solely operates as a special-purpose government which means it is only engaged in business-type activities; accordingly, activities are reported in the Association's proprietary fund.

Operating revenues and expenses result from exchange transactions associated with the principal activity of the Association. Exchange transactions are those in which each party receives and gives up essentially equal values. 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.

Cash and Cash Equivalents

The Association's cash and cash equivalents are considered to be cash on hand and short-term investments with original maturities of three months or less from the date of acquisition.

ANTELOPE VALLEY STATE WATER CONTRACTORS ASSOCIATION

Notes to Financial Statements

June 30, 2018 and 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Net Position

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

Unrestricted – 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.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Member Contributions

Contribution revenue consists of payments from members that are planned to match operating expenses. The activities of the Association consist solely of development and protection of the water supply for the Antelope Valley groundwater basin.

Grants

Grant revenues are recorded when earned on grants that have been approved and funded by the grantor. The grant source is the Safe Drinking Water Grant Fund from the State of California Department of Water Resources.

Member’s Equity

In the event of a member withdrawal, member termination, or dissolution of the Association, any property interest remaining in the Association, following a discharge of all obligations shall be disposed of pursuant to the Joint Powers Agreements as adopted by the Governing Board.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following:

<u>Description</u>	<u>2018</u>	<u>2017</u>
Demand deposits with financial institutions	<u>\$ 12,328</u>	<u>\$ 17,562</u>

Demand Deposits

At June 30, 2018 and 2017, the carrying amount of the Association’s demand deposits was \$12,328 and \$17,562, respectively, and the financial institution’s balance was \$12,727 and \$17,562, respectively. The net difference represents outstanding checks, deposits-in-transit and/or other reconciling items.

ANTELOPE VALLEY STATE WATER CONTRACTORS ASSOCIATION
Notes to Financial Statements
June 30, 2018

NOTE 2 – CASH AND CASH EQUIVALENTS (continued)

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Association's deposits may not be returned to it. The ROP does not have a policy for custodial credit risk for deposits. Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, 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 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

NOTE 3 – UNRESTRICTED NET POSITION (DEFICIT)

The Association's member agency contributions and reserves were not enough to cover the Association's expenses for the year ended June 30, 2018. The Association will reevaluate its member agency contributions for future periods so that a deficit net position does not occur in future years.

NOTE 4 – RISK MANAGEMENT

The Association has purchased commercial general liability insurance coverage to cover claim contingencies against the Association.

NOTE 5 – COMMITMENTS AND CONTINGENCIES

In the ordinary course of operations, the Association is subject to claims and litigation from outside parties. Nevertheless, after consultation with legal counsel, the Association believes that these actions, when finally, concluded and determined are not likely to have a material adverse effect on the Association's financial position, results of operations, or cash flows.

Other Independent Auditors' Report



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Governing Board
Antelope Valley State Water Contractors Association
Palmdale, 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 Antelope Valley State Water Contractors Association as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Antelope Valley State Water Contractors Association's basic financial statements, and have issued our report thereon dated June 25, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Antelope Valley State Water Contractors Association'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 Antelope Valley State Water Contractors Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Antelope Valley State Water Contractors Association'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 Association's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

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 Association'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 Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Nigro & Nigro, PC". The signature is written in a cursive style with a stylized "N" and "P".

Murrieta, California
June 25, 2019

ANTELOPE VALLEY STATE WATER CONTRACTORS ASSOCIATION

COMMISSION MEMORANDUM

DATE:	July 1, 2019	July 11, 2019
TO:	AVSWCA Commissioners	Commission Meeting
FROM:	Dennis J. Hoffmeyer, Controller	
VIA:	Matthew R. Knudson, General Manager Peter Thompson II, Assistant General Manager	
RE:	<i>AGENDA ITEM NO. 13a – UPDATE ON REVENUE, EXPENSES, AND CHANGE IN NET POSITION.</i>	

The following information are the highlights of the Association's financials.

Statement of Net Position:

Current outstanding liabilities (Accounts Payable) are \$32,744.00 and tie to the payment of bills for United States Geological Survey (USGS) and Interactive Educational Services, Inc.

Statement of Revenues, Expenditures and Change in Net Position:

The first invoice for the 2018/2019 USGS contract for the period of 11/1/2018 – 04/30/2019 has been received. This contract was executed in April 2019 and is part of the 2019/20 Budget. Moving forward, any future contracts with USGS will be invoiced to the member agencies upon approval by the Commissioners and member agency Boards. This will be a change for the Association as in the past the USGS was up to two years behind on billings.

All invoicing has been submitted for the General Fund FY2018/19 with the exception of Administrative Services for the month of June from the member agencies. Overall, the Association is in a better position financially due to our positive Net Position for the year with all executed contact funds being invoiced and received ahead of all billings.

Budget versus Actual:

The majority of General Budget remains on track for the year. The only account that is tracking higher than expected continues to be **Contract Services – Administration**, which is at 118% of the FY2018/19 Budget. This account will have charges made when June invoicing is received from the member agencies. Changes will also be made between **Outreach** and **Contract Services – Other** prior to finalizing the financials for FY2018/19 to combine all associated costs for the Home Show and SMART Water Expo in one account.

Our Program Budget continues to have very little activity this month with the only entry being the USGS invoice. There are no other significant items to report for the month.

ANTELOPE VALLEY STATE WATER CONTRACTORS
Statement of Net Position
For the Twelve Months Ending 6/30/2019

	<u>YTD</u>
ASSETS	
Cash - General Fund	\$211,906.88
Restricted - AVRWMG	220,593.72
Accounts Receivable	0.00
Prepaid Insurance (Premium Period 10/1 - 9/30)	545.73
Total Assets	<u><u>\$433,046.33</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES	
Accounts Payable	\$32,744.00
Total Liabilities	<u>32,744.00</u>
FUND BALANCE	
Unassigned	400,302.33
Total Fund Balance	<u>400,302.33</u>
Total Liabilities and Fund Balance	<u><u>\$433,046.33</u></u>

ANTELOPE VALLEY STATE WATER CONTRACTORS
Statement of Revenues, Expenditures and Change in Net Position
For the Twelve Months Ending 6/30/2019

	June	YTD
Revenues:		
Contributions - Member Agency		\$42,412.50
Contributions - Member Programs (USGS & CASGEM)		31,800.00
Contributions - Member Programs (Financial Analysis PSA)		27,377.00
Contributions - Member Programs (Big Rock Creek)		236,951.00
Contributions - Member Programs (AV Fair-Conservation Garden)		25,000.00
Contributions - Non-Member Programs (USGS)		
Contributions - Others (AVRWMG)		291,999.00
Water Sales - Pilot In-Lieu Banking		
Miscellaneous Refund		
Interest Earnings	34.31	271.02
Total Revenue		\$655,810.52
Expenditures:		
General Government		
Bank Fees		\$20.50
Insurance	181.91	2,183.00
Memberships		3,165.00
Outreach	294.00	15,544.30
Purchased Water		
Miscellaneous		
		20,912.80
Public Resource		
Contract Services - Administration		17,572.37
Contract Services - USGS & CASGEM	32,450.00	53,650.00
Contract Services - AVRWMG		
Contract Services - IRWMP 2013 Update		38,747.86
Contract Services - BIG ROCK CREEK		60,405.18
Contract Services - FINANCIAL ANALYSIS		17,015.14
Contract Services - General Projects		25,000.00
Contract Services - Other		2,000.00
		214,390.55
Total Expenditures		\$235,303.35
Change in Net Position		\$420,507.17
Net Position - Beginning of Year		(20,204.84)
Net Position - End of Year		\$400,302.33

ANTELOPE VALLEY STATE WATER CONTRACTORS
FY 2014/15 - Budget vs Actual
For the Twelve Months Ending 6/30/2019

	<u>June</u> <u>Actual</u>	<u>YTD</u> <u>Actual</u>	<u>Budget</u>	<u>Variance</u>
General Revenues:				
Contributions - Member Agency		\$42,413	(\$30,000)	\$12,413
Contributions - Member Agency (Other programs)				
Miscellaneous Refund				
Interest Earnings	34	271	(30)	241
Total General Revenue	<u>\$34</u>	<u>\$42,684</u>	<u>(\$30,030)</u>	<u>(\$12,654)</u>
General Expenditures:				
General Government				
Bank Fees		\$21	\$250	\$230
Insurance	182	2,183	2,350	167
Memberships		3,165	2,825	(340)
Outreach	294	15,544	5,000	(10,544)
Purchased Water				
Miscellaneous			250	250
Contract Services - Administration		17,572	15,000	(2,572)
Contract Services - Other		27,000	39,413	12,413
Total General Expenditures	<u>\$476</u>	<u>\$65,485</u>	<u>\$65,088</u>	<u>(\$398)</u>

ANTELOPE VALLEY STATE WATER CONTRACTORS
FY 2014/15 - Budget vs Actual
For the Twelve Months Ending 6/30/2019

	<u>June</u> <u>Actual</u>	<u>YTD</u> <u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Program Revenues:				
Contributions - Member Programs (USGS & CASGEM)		\$31,800	(\$31,800)	
Contributions - Member (BIG ROCK CREEK)		\$236,951	(\$236,951)	
Contributions - Member (FINANCIAL ANALYSIS)		\$27,377	(\$27,377)	
Contributions - Others (USGS & CASGEM)			(\$31,800)	(\$31,800)
Contributions - Others (AVRWMP)		291,999	(291,999)	
Water Sales - Pilot In-Lieu Banking				
Total Program Revenue		\$588,127	(\$619,927)	\$31,800
Program Expenditures:				
Contract Services - USGS & CASGEM	\$32,450	\$53,650	\$31,800	(\$21,850)
Contract Services - AVRWMP				
Contract Services - IRWMP Update		38,748	247,000	208,252
Contract Services - BIG ROCK CREEK		60,405	236,951	176,546
Contract Services - FINANCIAL ANALYSIS		17,015	27,377	10,362
Total Program Expenditures	\$32,450	\$92,398	\$278,800	\$186,402