

COMMISSIONERS

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OFFICERS

MATTHEW R. KNUDSON, *General Manager*
TOMBARNES, *Controller*
DANIELLE HENRY, *Administrative Assistant*

April 13, 2015

*Agenda for the Regular Meeting of the
Commissioners of the Antelope Valley State Water Contractors
Association to be held at the Palmdale Water District's office
at 2029 East Avenue Q, Palmdale*

Thursday, April 16, 2015

6:30 p.m.

NOTE: To comply with the Americans with Disabilities Act, to participate in any Association meeting please contact Danielle Henry at 661-947-4111 x1059 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) Public comments for items not on the agenda.
- 4) Consideration and possible action on minutes of regular meeting held February 19, 2015.
- 5) Payment of bills.

- 6) Presentation on CalWARN Program. (Scott Hopkins, City of Glendora Public Works Water Division/CalWARN)
- 7) Presentation on Palmdale Regional Groundwater Recharge and Recovery Project (formerly Littlerock Creek Groundwater Recharge and Recovery). (General Manager Knudson)
- 8) Discussion and possible action on 2015 Sustainable Landscaping Expo with AVEK as the Lead Agency. (Commissioner Weisenberger/Controller Barnes)
- 9) Presentation, consideration, and possible action on acceptance and filing of audit for years ended June 30, 2013 and 2014. (General Manager Knudson/Senior Accountant Hoffmeyer)
- 10) Discussion and possible action on rotation for position of General Manager. (General Manager Knudson)
- 11) Report of General Manager.
 - a) Update on Revenue, Expenditures and Change in Net Position.
 - b) Update on Antelope Valley Integrated Regional Water Management Plan Stakeholder Group and Meetings.
- 12) Report of Controller.
 - a) Update on the Antelope Valley Home Show.
 - b) Update on Regional Water Conservation Efforts.
 - c) Update on Drought.
- 13) Reports of Commissioners.
- 14) Report of Attorney.
- 15) Commission members' requests for future agenda items.
- 16) Consideration and possible action on scheduling the next Association meeting.
- 17) Adjournment.

Antelope Valley State Water Contractors Association

Palmdale, California

Independent Auditors' Report and Financial Statements

For the years ended June 30, 2014 and 2013

Draft 4-6-2015

Antelope Valley State Water Contractors Association
For the years ended June 30, 2014 and 2013

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Draft 4-6-2015

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INDEPENDENT AUDITORS' REPORT

To the Governing Board
of the Antelope Valley State Water Contractors Association
Palmdale, California

Report on Financial Statements

We have audited the accompanying financial statements of the Antelope Valley State Water Contractors Association (the "Association"), which comprise of the balance sheets of June 30, 2014 and 2013, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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. 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 opinion.

To the Governing Board
of the Antelope Valley State Water Contractors Association
Palmdale, California
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Opinion

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

Santa Ana, California
March 31, 2015

Draft 4-6-2015

BASIC FINANCIAL STATEMENTS

Draft 4-6-2015

Antelope Valley State Water Contractors Association

Balance Sheets

June 30, 2014 and 2013

| | <u>2014</u> | <u>2013</u> |
|---|-------------------|-------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 128,952 | \$ 117,518 |
| Accounts receivable | - | 63,295 |
| Total assets | <u>\$ 128,952</u> | <u>\$ 180,813</u> |
| LIABILITIES | | |
| Accounts payable | \$ 52,349 | \$ 95,949 |
| Total liabilities | <u>52,349</u> | <u>95,949</u> |
| NET POSITION | | |
| Unrestricted | <u>76,603</u> | <u>84,864</u> |
| Total net position | <u>76,603</u> | <u>84,864</u> |
| Total liabilities and net position | <u>\$ 128,952</u> | <u>\$ 180,813</u> |

Antelope Valley State Water Contractors Association
Statements of Revenues, Expenses, and Changes in Net Position
For the years ended June 30, 2014 and 2013

| | 2014 | 2013 |
|-------------------------------------|------------------|------------------|
| OPERATING REVENUES | | |
| Member agency contributions | \$ 18,000 | \$ - |
| Contributions - other | 89,400 | - |
| Grant income | - | 54,715 |
| Other income | 3,550 | - |
| Total operating revenues | 110,950 | 54,715 |
| OPERATING EXPENSES | | |
| Contract services | 102,181 | 124,554 |
| General and administrative expenses | 17,080 | 11,749 |
| Total operating expenses | 119,261 | 136,303 |
| Net operating loss | (8,311) | (81,588) |
| NONOPERATING REVENUES | | |
| Investment income | 50 | 82 |
| Total nonoperating revenues | 50 | 82 |
| Changes in net position | (8,261) | (81,506) |
| Net position | | |
| Beginning of year | 84,864 | 166,370 |
| End of year | <u>\$ 76,603</u> | <u>\$ 84,864</u> |

Antelope Valley State Water Contractors Association
Statements of Cash Flows
For the years ended June 30, 2014 and 2013

| | 2014 | 2013 |
|---|-------------------|-------------------|
| Cash flows from operating activities: | | |
| Cash received from member agencies | \$ 18,000 | \$ - |
| Cash received from contributions | 152,695 | 89,484 |
| Cash received from grant revenue | - | 54,715 |
| Cash received from other revenue | 3,550 | - |
| Cash payments for operating expenses | (162,861) | (109,573) |
| Net cash provided by operating activities | <u>11,384</u> | <u>34,626</u> |
| Cash flows from investing activities: | | |
| Investment income | 50 | 82 |
| Net cash provided by investing activities | <u>\$ 50</u> | <u>\$ 82</u> |
| Net increase in cash and cash equivalents | <u>11,434</u> | <u>34,708</u> |
| Cash and cash equivalents: | | |
| Beginning of year | 117,518 | 82,810 |
| End of year | <u>\$ 128,952</u> | <u>\$ 117,518</u> |
| Reconciliation of net operating loss to net cash provided by operating activities: | | |
| Net operating loss | \$ (8,311) | \$ (81,588) |
| Adjustments to reconcile operating loss to net cash provided by operating activities: | | |
| (Increase) decrease in accounts receivable | 63,295 | 89,484 |
| Increase (decrease) in accounts payable | (43,600) | 26,730 |
| Net cash provided by operating activities: | <u>\$ 11,384</u> | <u>\$ 34,626</u> |

Antelope Valley State Water Contractors Association
Notes to the Financial Statements
For the years ended June 30, 2014 and 2013

Note 1 – Reporting Entity

The Antelope Valley State Water Contractors Association (the “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 District, and Palmdale Water District, which constitutes the member agencies. Each member agency appoints two members to the Governing Board.

The Association is a legally separate, tax-exempt organization whose resources are used principally to provide support to the Association. The Association has no component units or potential component units.

Note 2 – Summary of Significant Accounting Policies

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.

Accounts Receivable

Accounts receivable are deemed by management to be fully collectible at June 30, 2013 and there no allowance for doubtful accounts has been established. There is no accounts receivable at June 30, 2014.

Antelope Valley State Water Contractors Association
Notes to the Financial Statements (Continued)
For the years ended June 30, 2014 and 2013

Note 2 – Summary of Significant Accounting Policies (Continued)

Net Position

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

Net Investment in Capital Assets – 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 – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

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.

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 3 – Cash and Cash Equivalent

Cash and cash equivalent consisted of the following:

| | 2014 | 2013 |
|-----------------------------------|------------|------------|
| Deposits in financial institution | 128,952 | 117,518 |
| Total cash and cash equivalents | \$ 128,952 | \$ 117,518 |

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

The Association’s Investment Policy follows the California Government Code for specific types of investments.

Antelope Valley State Water Contractors Association
Notes to the Financial Statements (Continued)
For the years ended June 30, 2014 and 2013

Note 3 – Cash and Cash Equivalent (Continued)

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 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. 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 the State of California (LAIF).

The California Government Code and the Association's investment policy do not contain legal or policy requirements that would limit the exposure to custodial risk for deposits or investments, other than the following provision for deposits: the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Association deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Of the bank balances, up to \$250,000 is federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the Association's name.

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 the Association 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 requirements for cash flow and liquidity needed for operations. Information about the sensitivity of the fair values of the Association's investments to market rate fluctuations is provided by the following table that shows the distribution of the Association's investments by maturity date.

The Association did not have any investments at June 30, 2014 and 2013.

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.

The Association did not have any investments at June 30, 2014, and 2013.

Antelope Valley State Water Contractors Association
Notes to the Financial Statements (Continued)
For the years ended June 30, 2014 and 2013

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.

Draft 4-6-2015

ANTELOPE VALLEY STATE WATER CONTRACTORS
Statement of Revenues, Expenditures and Change in Net Position
For the Nine Months Ending 3/31/2015

| | <u>March</u> | <u>YTD</u> |
|---|--------------|--------------------------------|
| Revenues: | | |
| Contributions - Member Agency | | \$24,000.00 |
| Contributions - Member Programs (USGS & CASGEM) | | 76,725.00 |
| Contributions - Others (AVRWGMG) | | |
| Grant Re-imburement - IRWMP 2013 Update | 278,209.52 | 278,209.52 |
| Water Sales - Pilot In-Lieu Banking | | |
| Miscellaneous Refund | | |
| Interest Earnings | 9.42 | 86.12 |
| Total Revenue | | <u>\$379,020.64</u> |
| | | |
| Expenditures: | | |
| General Government | | |
| Bank Fees | | |
| Insurance | 181.91 | 1,091.54 |
| Memberships | | |
| Outreach | | 1,168.00 |
| Purchased Water | | |
| Miscellaneous | | |
| | | <u>2,259.54</u> |
| | | |
| Public Resource | | |
| Contract Services - Administration | 1,278.69 | 9,017.95 |
| Contract Services - USGS & CASGEM | | 55,275.00 |
| Contract Services - AVRWMG | | 23,666.50 |
| Contract Services - IRWMP 2013 Update | | 278,209.52 |
| Contract Services - Other | | |
| | | <u>366,168.97</u> |
| Total Expenditures | | <u>\$368,428.51</u> |
| | | |
| Change in Net Position | | <u>\$10,592.13</u> |
| Net Position - Beginning of Year | | 125,186.43 |
| Net Position - End of Year | | <u>\$135,778.56</u> |

ANTELOPE VALLEY STATE WATER CONTRACTORS
Statement of Net Position
For the Nine Months Ending 3/31/2015

| | YTD |
|--|-------------------------|
| ASSETS | |
| Cash - Unrestricted | \$292,558.74 |
| Restricted - AVRWMG | 88,119.13 |
| Restricted - USGS | 34,134.31 |
| Accounts Receivable | 0.00 |
| Prepaid Insurance (Premium Period 10/1 - 9/30) | 1,091.46 |
| Total Assets | \$415,903.64 |
| LIABILITIES AND FUND BALANCE | |
| LIABILITIES | |
| Accounts Payable | \$280,125.08 |
| Total Liabilities | 280,125.08 |
| FUND BALANCE | |
| Unassigned | 135,778.56 |
| Total Fund Balance | 135,778.56 |
| Total Liabilities and Fund Balance | \$415,903.64 |

ANTELOPE VALLEY STATE WATER CONTRACTORS
FY 2014/15 - Budget vs Actual
For the Nine Months Ending 3/31/2015

| | <u>March</u> <u>Actual</u> | <u>YTD</u> <u>Actual</u> | <u>Budget</u> | <u>Variance</u> |
|---|-------------------------------|-----------------------------|-------------------------|------------------------|
| General Revenues: | | | | |
| Contributions - Member Agency | | \$24,000 | \$24,000 | |
| Miscellaneous Refund | | | | |
| Interest Earnings | 9 | 86 | 50 | 36 |
| Total General Revenue | <u>\$9</u> | <u>\$24,086</u> | <u>\$24,050</u> | <u>(\$36)</u> |
| General Expenditures: | | | | |
| General Government | | | | |
| Bank Fees | | | \$150 | \$150 |
| Insurance | 182 | 1,092 | 2,350 | 1,258 |
| Memberships | | | 1,900 | 1,900 |
| Outreach | | 1,168 | 3,000 | 1,832 |
| Purchased Water | | | | |
| Miscellaneous | | | 350 | 350 |
| Contract Services - Administration | 1,279 | 9,018 | 12,000 | 2,982 |
| Contract Services - Other | | | 4,000 | 4,000 |
| Total General Expenditures | <u>\$1,461</u> | <u>\$11,277</u> | <u>\$23,750</u> | <u>\$12,473</u> |
| Program Revenues: | | | | |
| Contributions - Member Programs (USGS & CASGEM) | | \$76,725 | \$76,725 | |
| Contributions - Others (AVRWMP) | | | | |
| Grant Re-imburement - IRWMP 2013 Update | 278,210 | 278,210 | 325,000 | (46,790) |
| Water Sales - Pilot In-Lieu Banking | | | | |
| Total Program Revenue | <u>\$278,210</u> | <u>\$354,935</u> | <u>\$401,725</u> | <u>\$46,790</u> |
| Program Expenditures: | | | | |
| Contract Services - USGS & CASGEM | | \$55,275 | \$89,400 | \$34,125 |
| Contract Services - AVIRWMP | | 23,667 | 39,416 | 15,750 |
| Contract Services - IRWMP 2013 Update | | 278,210 | 325,000 | 46,790 |
| Total Program Expenditures | | <u>\$357,151</u> | <u>\$453,816</u> | <u>\$96,665</u> |