



**BOARD OF COMMISSIONERS  
MEETING AGENDA**

Rowland Water District  
3021 S. Fullerton Road  
Rowland Heights, CA 91748

**Thursday, February 8, 2018  
To begin at 7:00 A.M.**

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

Materials related to an item on this agenda submitted after distribution of the agenda packet are available for public review during regular business hours at the Walnut Valley Water District office, located at 271 S. Brea Canyon Road, Walnut, California.

- |   |   |   |
|---|---|---|
| I. Welcome and Introductions  |   | Chairman Ebenkamp                                     |
| II. Flag Salute   |   |   |
| III. Roll Call  | Commissioner Lewis _____<br>Commissioner Lima _____   | Commissioner Ebenkamp _____<br>Commissioner Lee _____ |
| IV. Public Comment  | The Chair may impose reasonable limitations on public comments to assure an orderly and timely meeting. |   |
| V. Approval of Minutes for December 7, 2017 and January 10, 2018 (attachment)   |   | Chairman Ebenkamp                                     |
| a. Discussion   | b. Action Taken   |   |
| VI. Receive and File Rowland and Walnut Valley Water Districts' 2018 PBWA Board Member Appointment Resolutions (attachment) |   | Chairman Ebenkamp                                     |
| a. Discussion   | b. Action Taken   |   |
| VII. Annual Selection of Commission Officers and Commission Staff (attachment)  |   | Chair   |
| a. Discussion   | b. Action Taken   |   |
| VIII. 2016-17 Audited Financial Statements Prepared by Davis Farr (telephone call)  |   | Mr. Teuber  |
| a. Discussion   | b. Action Taken   |   |
| IX. Review of Financial Statements: Second Quarter FY 2017-18 (attachment)  |   | Mr. Teuber  |
| a. Discussion   | b. Action Taken   |   |
| X. Regional Water Supply Reliability Program Updates/Status:  |   | Mr. Coleman/Mr. Holmes                                |
| (1) California Domestic Water Company   |   |   |
| a. Project Update (verbal)  |   |   |
| i. Discussion   | ii. Action Taken  |   |

Mr. Hitchman

- (2) Pathfinder
  - a. Consider Award of Contract for the 20" Water Transmission Main (P.N. PB17-0004) (attachment)
    - i. Discussion
    - ii. Action Taken
  - b. Project Update (verbal)
    - i. Discussion
    - ii. Action Taken

- (3) Pomona Basin Regional Groundwater Project
  - a. Project Update (verbal)
  - b. Update: Old Baldy Well Agreement (attachment)
  - c. Update: Proposition 84 (verbal)
    - i. Discussion
    - ii. Action Taken

- (4) Central Basin Well
  - a. Project Update (verbal)

- (5) Update: Proposition 1 Integrated Regional Water Management Grant (attachment)
  - a. Discussion
  - b. Action Taken

- XI. Commission Follow-Up (attachment)
  - a. Discussion
  - b. Action Taken

- XII. Commissioner Comments
  - a. Discussion
  - b. Action Taken

- XIII. Items for Future Discussion/Review
    - a. Discussion
    - b. Action Taken
- Chair

- XIV. Attorney's Report
  - a. Legal Counsel will report on matters of interest or having an effect on the Agency

- XV. Public Comment on Closed Session
- Chair

- XVI. Closed Session
  - (1) CONFERENCE WITH REAL PROPERTY NEGOTIATOR [§54956.8]  
Property: Acquisition and/or Lease  
Negotiators: Tom Coleman, Michael Holmes  
Negotiating Parties: Various Property Owners  
Under Negotiations: Price and Payment Term
  - (2) CONFERENCE WITH REAL PROPERTY NEGOTIATOR [§54956.8]  
Property: Acquisition and/or Lease of Central Basin and Main San Gabriel Basin Water Rights  
Negotiators: Tom Coleman, Michael Holmes  
Negotiating Parties: Various Water Rights Holders  
Under Negotiations: Price and Payment Term
  - (3) CONFERENCE WITH LEGAL COUNSEL- ANTICIPATED LITIGATION [§54956.9(d)(4)]  
Initiation of Litigation – One Potential Case

- XVII. Reconvene in Open Session  
Report of action, if any, taken in Closed Session

- *Next Commission Meeting: Thursday, April 5, 2018, 7:00 a.m., at Walnut Valley Water District*

Adjournment

**MINUTES OF MEETING  
OF THE BOARD OF COMMISSIONERS OF  
PUENTE BASIN WATER AGENCY**

**December 7, 2017  
At the Offices of the  
Walnut Valley Water District**

**COMMISSIONERS PRESENT:**

Theodore L. Ebenkamp, Chair  
Anthony Lima, Vice-Chair  
Theresa Lee, Commissioner  
Robert Lewis, Commissioner

**STAFF PRESENT:**

Mike Holmes, Administrative Officer  
Tom Coleman, Assistant Administrative Officer  
Jim Ciampa, Legal Counsel  
Brian Teuber, Treasurer  
Sean Henry, Assistant Treasurer  
Carmen Fleming, Secretary

Staff, guests and others in attendance: Ms. Rose Perea, and Mr. Dave Warren, Rowland Water District, and Mr. Erik Hitchman, Walnut Valley Water District.

The meeting was called to order at 7:00 a.m. with Chair Ebenkamp presiding.

**Item IV: Public Comment**

None.

**Item V: Approval of Minutes for November 9, 2017**

***Upon consideration thereof, it was moved by Commissioner Lima, seconded by Commissioner Lee and unanimously carried (4-0) to approve the minutes of the Commission meeting held on November 9, 2017.***

**Chair Ebenkamp indicated that the motion was approved by a 4-0 vote**

**Item VI: Regional Water Supply Reliability Program Updates/Status:**

(1) *California Domestic Water Company*

- ◆ *Project Update:* Mr. Coleman reported that the Cal Domestic project is continuing to produce water. Staff is maintaining a one-pump flow and trying to run two pumps as frequently as possible.

(2) *Pathfinder*

- ◆ *Project Update:* Mr. Hitchman reported that the plans have gone through plan-check process with Rowland Water District and staff will be putting bid packets together for the pipeline portion, to be disbursed the beginning of the year. Staff will continue the application process with Southern California Edison.

(3) *Pomona Basin Regional Groundwater Project*

- a. *Update: Old Baldy Well Agreement:* Mr. Holmes reported that staff will meet with the City of La Verne to review several outstanding items related to the draft agreement. City of La Verne staff will present the final agreement to City Council for approval in the next month or so.
- b. *Update: Proposition 84:* Due to the delay with the City of La Verne agreement, Ms. Wendy La, of LASER, Inc. will request an extension on the filing deadline on this item.

(4) *Central Basin Well*

- a. *Project Update:* Mr. Coleman stated that staff met with Cal Domestic and has decided to suspend the feasibility study with the City of Whittier. Staff will coordinate a meeting with a Central Basin Hydrogeologist to review other options.

- (5) *Update: Proposition 1 Integrated Regional Water Management Grant:* Mr. Holmes reported that staff is continuing to work with LASER, Inc., on potential projects for which grant funding may be sought. The final draft package is under review with a tentative release date in February 2018.

**Item VII: PBWA's Proposed 2018 Meeting Schedule and Approval of Resolution No. 12-17-009 Noting Same**

- ◆ Mr. Holmes stated that the Commission is required to pass a "Meeting Resolution" per State Law. As needed, meeting times may be changed by a vote.

*Upon consideration thereof, it was moved by Commissioner Lima, seconded by Commissioner Lewis and unanimously carried (4-0), to approve Resolution No. 12-17-009, setting forth the 2018 meeting schedule for the Puente Basin Water Agency. A roll call vote was then taken:*

*Yes: Ebenkamp, Lee, Lewis, Lima*

*Noes: None*

*Motion Passed (4-0)*

**Chair Ebenkamp indicated that the motion was approved by a 4-0 vote**

**Item VIII: Commission Follow-Up**

- ◆ The Commission received a follow-up on report on prior actions.

**Item IX: Commissioner Comments**

None.

**Item X: Items for Future Discussion/Review**

- ◆ Staff will present the Audit at the February meeting.

**Item XI: Attorney's Report**

Nothing to report.

**Item XII: Public Comment on Closed Session**

There were no requests to comment on closed session.

**Item XIII: Closed Session at 7:33 a.m.**

- (1) The Commission met in closed session in accordance with Government Code [§54956.8] to discuss one real property matter pertaining to the acquisition of Central Basin and Main San Gabriel water rights. The negotiators are Mr. Tom Coleman and Mr. Michael Holmes. The negotiating parties are various water rights holders. Under negotiations are the price and terms of payment.

- No discussion on this item.

- (2) The Commission met in closed session in accordance with Government Code [§54956.8] to discuss one real property matter. The negotiators are Mr. Tom Coleman and Mr. Michael Holmes. The negotiating parties are various water rights holders. Under negotiations are the price and terms of payment.

- No discussion on this item.

- (3) The Commission was briefed on the facts and circumstances of anticipated litigation under Government Code Section [§54956.9(d)(4)] (one case) and no reportable action under the Brown Act was taken.

**Item XIV: Reconvene in Open Session at 7:56 a.m. – see above for the closed session report concerning Item 3.**

**Adjournment – 7:57 a.m.**

*There being no further business to discuss, upon consideration thereof, it was moved by Commissioner Lima, seconded by Commissioner Lee and unanimously carried (4-0), to adjourn the Commission meeting.*

Chair Ebenkamp indicated that the motion was approved by a 4-0 vote

DRAFT

**MINUTES OF MEETING  
OF THE BOARD OF COMMISSIONERS OF  
PUENTE BASIN WATER AGENCY**

**January 10, 2018  
At the Offices of the  
Walnut Valley Water District**

**COMMISSIONERS PRESENT:**

Theodore L. Ebenkamp, Chair  
Anthony Lima, Vice-Chair  
Theresa Lee, Commissioner

**ABSENT:**

Robert Lewis, Commissioner

**STAFF PRESENT:**

Mike Holmes, Administrative Officer  
Tom Coleman, Assistant Administrative Officer  
Jim Ciampa, Legal Counsel (via phone)  
Brian Teuber, Treasurer  
Sean Henry, Assistant Treasurer  
Carmen Fleming, Secretary

Staff, guests and others in attendance: Ms. Rose Perea, and Mr. Dave Warren, Rowland Water District, and Mr. Erik Hitchman, Walnut Valley Water District.

The meeting was called to order at 7:04 a.m. with Chair Ebenkamp presiding.

**Item IV: Public Comment**

None.

**Item V: Consider Approval of the Old Baldy Well Agreement**

Mr. Holmes stated that staff met with the City of La Verne to discuss final terms of the agreement. The agreement was finalized and is ready to be signed by the PBWA. The City of La Verne is scheduled to take this agreement to their February City Council meeting for consideration and approval.

***Upon consideration thereof, it was moved by Commissioner Lima, seconded by Commissioner Lee and unanimously carried (3-0) to approve the signing of the Old Baldy agreement between the Puente Basin Water Agency and the City of La Verne.***

**Chair Ebenkamp indicated that the motion was approved by a 3-0 vote**

**Item VI: Consideration and Possible Approval for Awarding a Contract to Doty Bros. Inc. for Immediate Installation of Approximately 1,200 feet of Pipeline on Pathfinder Rd.**

- ◆ Mr. Hitchman stated that the Pathfinder pipeline project was out to bid. He also stated that a County of Los Angeles paving project has presented a conflict. Staff agreed that it would be necessary to place approximately 1,200 feet of pipe on Pathfinder as soon as possible to avoid construction conflicts with the County's project.

***Upon consideration thereof, it was moved by Commissioner Lee, seconded by Commissioner Lima and unanimously carried (3-0) to approve and award a contract to Doty Bros. Inc. for immediate installation of approximately 1,200 feet of pipeline on Pathfinder Rd.***

**Chair Ebenkamp indicated that the motion was approved by a 3-0 vote**

**Item VII: Public Comment on Closed Session**

There were no requests to comment on closed session.

**Item VIII: Closed Session at 7:23 a.m.**

(1) The Commission was briefed on the facts and circumstances of anticipated litigation under Government Code Section [§54956.9(d)(4)] (one case) and no reportable action under the Brown Act was taken.

**Item IX: Reconvene in Open Session at 7:27 a.m. – see above for the closed session report concerning Item 1.**

**Adjournment – 7:27 a.m.**

*There being no further business to discuss, upon consideration thereof, it was moved by Commissioner Lima, seconded by Commissioner Lee and unanimously carried (3-0), to adjourn the Commission meeting.*

Chair Ebenkamp indicated that the motion was approved by a 3-0 vote

DRAFT



February 8, 2018

TO: Board of Commissioners  
FROM: Michael Holmes  
RE: Receive and File Rowland and Walnut Valley Water Districts' 2018 PBWA  
Board Member Appointment Resolutions

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**Recommendation**

Receive and file Resolution No. 12.1-2017, Rowland Water District, and Resolution No. 01-18-648, Walnut Valley Water District.

**Background**

Attachments:

- ✓ *Rowland Water District Board approval documents*
- ✓ *Walnut Valley Water District Board approval documents*



**RESOLUTION NO. 12.1-2017**  
*Supersedes Resolution No. 12-2016*

**ROWLAND WATER DISTRICT**

**RESOLUTION OF THE BOARD OF DIRECTORS  
APPOINTING REPRESENTATIVES TO THE  
PUENTE BASIN WATER AGENCY**

**WHEREAS**, the Rowland Water District entered into an Amended Restated and Renewed Joint Powers Agreement creating the PUENTE BASIN WATER AGENCY, dated October 28, 2009, with Walnut Valley Water District, (the PBWA Agreement); and,

**WHEREAS**, the PBWA Agreement provides that the PUENTE BASIN WATER AGENCY shall be governed by a Commission consisting of four commissioners, and that the governing body of each of the members shall annually appoint two representatives to the Commission and one alternate to serve in the absence of either of the appointed representatives; and,

**WHEREAS**, the PBWA Agreement further provides that at least one of the appointed representatives of each member shall be a Director on the governing board of the appointing member; and,

**WHEREAS**, each Commissioner must file with the PUENTE BASIN WATER AGENCY a certified copy of the resolution of the member appointing him or her,

**NOW THEREFORE, BE IT RESOLVED** by the Board of Directors of the Rowland Water District:

1. That ANTHONY J. LIMA, who is a member of the Board of Directors of the Rowland Water District, shall be appointed as a representative of the Rowland Water District to serve on the Commission of the PUENTE BASIN WATER AGENCY.
2. That ROBERT W. LEWIS, who is a member of the Board of Directors of the Rowland Water District shall be appointed as a representative of the Rowland Water District to serve on the Commission of the PUENTE BASIN WATER AGENCY.
3. That TOM COLEMAN, General Manager of Rowland Water District, shall be appointed as an alternate representative of the Rowland Water District to serve on the Commission of the PUENTE BASIN WATER AGENCY in the absence of either of the appointed representatives.

4. That each of the representatives and alternate appointed herein shall serve for a term of one year unless removed and replaced at the pleasure of the Board of Directors, or unless such representative or alternate resigns or becomes incapacitated.

5. That a certified copy of this Resolution be provided to the PUENTE BASIN WATER AGENCY.

**ADOPTED AT A REGULAR MEETING OF THE ROWLAND WATER DISTRICT HELD DECEMBER 12, 2017 by the following roll call vote:**

<b>AYES:</b>	<b>Directors Lu-Yang, Bellah, Lima, Lewis and Rios</b>
<b>NOES:</b>	<b>None</b>
<b>ABSTAIN:</b>	<b>None</b>
<b>ABSENT:</b>	<b>None</b>

  
\_\_\_\_\_  
**Szu Pei Lu-Yang, President**

I certify that the forgoing Resolution is a true and correct copy of the Resolution of the Board of Directors of the Rowland Water District adopted on December 12, 2017.

  
\_\_\_\_\_  
**TOM COLEMAN**  
General Manager/Board Secretary

**RESOLUTION NO. 01-18-648**

**RESOLUTION OF THE WALNUT VALLEY WATER DISTRICT  
BOARD OF DIRECTORS  
APPOINTING REPRESENTATIVES TO THE PUENTE BASIN WATER AGENCY**

**WHEREAS**, the Walnut Valley Water District entered into an Amended Restated and Renewed Joint Powers Agreement creating the PUENTE BASIN WATER AGENCY, dated October 28, 2009, with Rowland Water District, (the PBWA Agreement); and,

**WHEREAS**, the PBWA Agreement provides that the PUENTE BASIN WATER AGENCY shall be governed by a Commission consisting of four commissioners, and that the governing body of each of the members shall annually appoint two representatives to the Commission and one alternate to serve in the absence of either of the appointed representatives; and,

**WHEREAS**, the PBWA Agreement further provides that at least one of the appointed representatives of each member shall be a director on the governing board of the appointing member; and,

**WHEREAS**, each Commissioner must file with the PUENTE BASIN WATER AGENCY a certified copy of the resolution of the member appointing him or her,

**NOW THEREFORE, BE IT RESOLVED** by the Board of Directors of the Walnut Valley Water District:

1. That Theodore Ebenkamp, who is a member of the Board of Directors of the Walnut Valley Water District, shall be appointed as a representative of the Walnut Valley Water District to serve on the Commission of the PUENTE BASIN WATER AGENCY.

2. That Theresa Lee, who is a member of the Board of Directors of the Walnut Valley Water District, shall be appointed as a representative of the Walnut Valley Water District to serve on the Commission of the PUENTE BASIN WATER AGENCY.

3. That Scarlett P. Kwong, who is a member of the Board of Directors of the Walnut Valley Water District, shall be appointed as an alternate representative of the Walnut Valley Water District to serve on the Commission of the PUENTE BASIN WATER AGENCY in the absence of either of the appointed representatives.

4. That each of the representatives and alternate appointed herein shall serve for a term of one year unless removed and replaced at the pleasure of the Board of Directors, or unless such representative or alternate resigns or becomes incapacitated.

5. That a certified copy of this Resolution be provided to the PUENTE BASIN WATER AGENCY.

**ADOPTED AT A REGULAR MEETING OF THE WALNUT VALLEY WATER DISTRICT held January 16, 2018.**

AYES: Ebenkamp, Hilden, Kwong, Lee, and Wu

NOES: None.

ABSENT: None.

ABSTAIN: None.

  
Theodore L. Ebenkamp  
President  
Board of Directors

ATTEST:



Secretary



February 8, 2018

TO: Board of Commissioners  
FROM: Michael Holmes  
RE: Annual Selection of Commission Officers and Commission Staff

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### **Recommendation**

That the Commissioners:

1. Conduct the annual selection of officers as set forth in the Joint Powers Agreement (JPA);<sup>1</sup> and the,
2. Annual appointment of Secretary, Treasurer, Administrative Officer, Assistant Administrative Officer and Assistant Treasurer as set forth in the JPA.

### **Background**

At February's PBWA meeting the amended JPA (referenced below) directs the selection of Commission officers:

1. **Section of Chair and Vice-Chair** (as amended on January 19, 2012)

In the JPA, subdivision 1 of Section E, it states,

At the Commission meeting in February, there shall be selected from the Commission a Chairman and a Vice Chairman. When the Commissioners select a Chairman from Walnut, the Vice Chairman shall be from Rowland. In that instance, for the following year, the new Chairman shall be from Rowland and the Vice Chairman shall be from Walnut. Such offices shall alternate between the Commissioners from Walnut and Rowland each year.

Following is the rotation for 2018:

<b>Position</b>	<b>Current</b>	<b>Rotation for 2018</b>
Chairman	Mr. Ebenkamp—WVWD	RWD Designee
Vice-Chairman	Mr. Lima—RWD	WVWD Designee

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<sup>1</sup> As amended at the PBWA's Jan 19, 2012, meeting and approved by the Rowland and Walnut Water Districts Board of Directors. Further amendments took place at the Feb 7, 2017, Commission meeting where Section E(1) authorizes the Commission to appoint additional officers as they deem appropriate (also refer to Item No. 2 of this report).

**2. Appointment of Secretary, Treasurer, Administrative Officer, Assistant Administrative Officer, and the Assistant Treasurer (as amended on January 19, 2012 and February 7, 2017)**

The JPA further states in subdivision 1 of Section E,

There shall also be a Secretary, Treasurer, and Administrative Officer. The Secretary of the Commission shall rotate annually between the General Manager of Walnut, or Walnut's General Manager's designee, and the General Manager of Rowland, or Rowland's General Manager's designee. The Treasurer of the Commission shall be the Treasurer of Rowland or Rowland's General Manager's designee. The Administrative Officer shall be the General Manager of Walnut, or Walnut's General Manager's designee.

In addition to the officers specified in Section 2, above, Section E(1) of the Agency's Joint Powers Agreement authorizes the Commission to appoint additional officers as they deem appropriate. Accordingly, at the February 7, 2017, Commission meeting, approval was given to add Rowland's General Manager, Mr. Tom Coleman, and Rowland's Finance Officer, Mr. Sean Henry, as Assistant Administrative Officer and Assistant Treasurer, respectively, to these PBWA positions.

<b>Position</b>	<b>Current Appointments</b>	<b>Proposed for 2018</b>
Secretary (Rotates between RWD and WVWD)	RWD Designee (Ms. Fleming)	WVWD's Designee (Ms. Fleming)
Treasurer (RWD)	RWD Designee (Mr. Teuber)	RWD Designee (Mr. Teuber)
Administrative Officer (WVWD)	Mr. Holmes, WVWD	Mr. Hitchman, WVWD
Assistant Administrative Officer	Mr. Coleman, RWD	Mr. Coleman, RWD
Assistant Treasurer	Mr. Henry, RWD	Mr. Henry, RWD



February 8, 2018

TO: Board of Commissioners  
FROM: Brian Teuber  
RE: 2016-2017 Audited Financial Statements Prepared by Davis Farr

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### **Recommendation**

That the Commissioners receive, approve, and file:

- A. 2016-17 Audited Financial Statements; and
- B. Summary of Audit Results (SAS) 114 Letter

### **Background**

A Davis Farr, LLP, representative will be participating in a teleconference to present the audited 2016-17 financial statements. The representative will review the firm's findings and will be available to answer any questions.

**PUENTE BASIN WATER AGENCY**

**BASIC FINANCIAL STATEMENTS**

Year Ended June 30, 2017

**PUENTE BASIN WATER AGENCY**

**FINANCIAL STATEMENTS**

Year ended June 30, 2017

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Board of Commissioners  
Puente Basin Water Agency  
Walnut, California

## **INDEPENDENT AUDITOR'S REPORT**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Puente Basin Water Agency ("Agency") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

### ***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 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 opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency, as of June 30, 2017 and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Report on Summarized Comparative Information***

We have previously audited the Agency's 2016 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated December 5, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Agency's basic financial statements. The supplementary information is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2017 on our consideration of the Agency'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 Agency's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "David Lawler".

Irvine, California  
December 28, 2017

**PUENTE BASIN WATER AGENCY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

This section of the Puente Basin Water Agency's (Agency) annual financial report presents our analysis of the Agency's financial performance during the fiscal years ending June 30, 2017 and June 30, 2016. Please read it in conjunction with the basic financial statements, which follow this section.

## **FINANCIAL HIGHLIGHTS**

### Fiscal Year 2017

- The Agency's net assets as of June 30, 2017 were \$29,131,981, an increase of \$565,038, or 2.0% over the prior year.
- Revenues totaled \$21,837,766 for the year, an increase of \$6,695,089 from the prior year.
- Beginning in July 2014, in order to properly account for the costs and benefits of water produced from the water reliability projects, funded jointly by the Walnut Valley Water District (WVWD) and the Rowland Water District (RWD), imported water purchased from TVMWD was invoiced through the Agency. For fiscal year 2017, the total of these pass through costs was \$21,207,376 and is reflected in both the revenues and expenses of the Agency.
- Operating expenses for the year totaled \$22,014,724 for the year, these costs include the pass-through water costs from TVMWD.
- The La Habra Heights water reliability project produced no water for the year. Although no water was produced, internal costs, in the amount of \$23,650, were incurred related to the maintenance and management of the project facilities.
- During the year the Cal Domestic Project was completed, and produced 616 acre-feet of water. The costs related to the production of this water totaled \$509,239 for the year. These costs included the use of stored water in the amount of \$160,773, that was purchased and paid for in prior years.
- During the year, the Cal Domestic Project was completed and \$8,181,098 related to the facilities was transferred from Construction in Progress to Fixed Assets.
- The Agency recorded an additional \$741,996 in construction costs related to the Pomona Basin Project, which is currently being constructed and is reflected in the Agency's Construction in Progress account.

### Fiscal Year 2016

- The Agency's net assets as of June 30, 2016 were \$28,566,943, an increase of \$7,666,429, or 36.7% over the prior year.
- Revenues totaled \$15,142,677 for the year, a decrease of \$79,621 from the prior year.
- Beginning in July 2014, in order to properly account for the costs and benefits of water produced from the water reliability projects, funded jointly by the Walnut Valley Water District (WVWD) and the Rowland Water District (RWD), imported water purchased from TVMWD was invoiced through the Agency. For fiscal year 2016, the total of these pass through costs was \$14,260,624 and is reflected in both the revenues and expenses of the Agency.
- Operating expenses for the year totaled \$14,876,341 for the year, these costs include the pass-through water costs from TVMWD.
- The La Habra Heights water reliability project produced 448 acre-feet of water. The costs related to the production of this water totaled \$403,574 for the year.

**PUENTE BASIN WATER AGENCY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

- The Agency purchased 4,600 acre-feet of water, at cost of \$2,708,592, which was placed in the Agency's storage account in the Main San Gabriel Valley Basin. This water will be produced through the Cal Domestic project.
- An additional 9,978 acre-feet, previously purchased by the member agencies, was transferred to the PBWA and placed in their storage account. The cost of the water transferred was \$4,901,858.
- During the year, the Agency recorded costs related to the construction of several water reliability projects in the amount of \$1,054,846. The project facilities are owned by the Agency, with the costs and benefits shared equally by the RWD and WVWD.
- During the year the District received state grant reimbursements in the amount of \$481,296, related to the construction of the Pomona Basin water reliability project.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial statements report information about the Agency using accounting methods similar to those used by private sector companies. The financial statements, comprised of the Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows, offer short-term and long-term financial information about the Agency's activities. Each financial statement is identified and defined in this section and analyzed in subsequent sections of MD&A.

### Statement of Net Assets

The Statement of Net Assets presents the Agency's financial position (assets and liabilities) as of June 30, 2017 and 2016. The Statement of Net Assets includes all of the Agency's investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for evaluating the capital structure of the Agency and assessing the liquidity and financial flexibility of the Agency. As of June 30, 2017 and 2016 the Agency had net assets, assets in excess of liabilities, of 29,131,981 and \$28,566,944, respectively.

### Statement of Revenues, Expenses & Changes in Net Assets

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in net Assets. This statement measures the success of the Agency's operations and can be used to determine whether the Agency has successfully recovered all of its costs through member assessments and other revenues. Revenues are recognized (recorded) when services are provided and expenses are recognized when incurred. Operating revenues and expenses are related to the Agency's core activities. The change in net assets for the years ending June 30, 2017 and 2016, was \$565,038 and \$7,666,429, respectively.

### Statement of Cash Flows

The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the Agency's cash receipts and cash payments during the fiscal year. The statement reports cash receipts, cash payments, and net changes in cash and cash equivalents resulting from operations, investing, and 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 year. As of June 30, 2017 cash and cash equivalents totaled \$757,020 an increase of \$146,721 from the previous fiscal year.

**PUENTE BASIN WATER AGENCY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

**FINANCIAL ANALYSIS OF THE AGENCY**

Our analysis of the Agency begins on page 11 of the financial statements. One of the most important questions to ask about the Agency's finances is, "Whether the Agency, as a whole, is better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information about the Agency's finances in a way that will help answer that question. Measuring the change in the Agency's net assets, the difference between assets and liabilities, is one way to measure financial health or financial position. Over time, increases or decreases in the Agency's net assets are one indicator of whether its financial health is improving or deteriorating. However, you will need to consider other non-financial factors such as changes in economic conditions, population growth and new or changed government legislation.

**Statements of Net Assets**

Table A-1  
Condensed Statements of Net Assets

	Fiscal Year 2017	Fiscal Year 2016	Dollar Change	Fiscal Year 2015	Dollar Change
<b>Assets:</b>					
Cash & Investments	\$ 757,020	\$ 610,299	\$ 146,721	\$ 25,534	\$ 584,765
Accounts Receivable	2,974,959	2,816,371	158,588	2,955,362	(138,991)
Interest Receivable	154,004	157,437	(3,433)	163,592	(6,155)
Installment Purchase Receivable	34,065,000	34,905,000	(840,000)	35,715,000	(810,000)
Prepaid Water/Stored Water	7,541,476	7,702,250	(160,774)	1,745,303	5,956,947
Capital Assets	20,703,199	20,080,470	622,729	19,060,233	1,020,237
<b>Total Assets</b>	<b>66,195,658</b>	<b>66,271,827</b>	<b>(76,169)</b>	<b>59,665,024</b>	<b>6,606,803</b>
<b>Liabilities:</b>					
Accounts Payable	2,844,673	2,642,447	202,226	2,885,918	(243,471)
Interest Payable	154,004	157,437	(3,433)	163,592	(6,155)
Long- Term Debt	34,065,000	34,905,000	(840,000)	35,715,000	(810,000)
<b>Total Liabilities</b>	<b>37,063,677</b>	<b>37,704,884</b>	<b>(641,207)</b>	<b>38,764,510</b>	<b>(1,059,626)</b>
<b>Net Assets:</b>					
Net Investment in Capital Assets	20,703,199	20,080,470	622,729	19,060,233	1,020,237
Unrestricted	8,428,782	8,486,473	(57,691)	1,840,281	6,646,192
<b>Total Net Assets</b>	<b>\$ 29,131,981</b>	<b>\$ 28,566,943</b>	<b>\$ 565,038</b>	<b>\$20,900,514</b>	<b>\$ 7,666,429</b>

**PUENTE BASIN WATER AGENCY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. As seen from Table A-1, the Agency's net assets exceeded liabilities by \$29,131,981 and \$28,566,944 for the fiscal years ending June 30, 2017 and 2016, respectively.

By far, the largest component of net assets is the Agency's net investment in capital assets, which increased \$622,729 from the prior year. This increase was due to the recognition of capital costs, attributable to the water supply reliability projects which totaled \$741,996 for the year. As of June 30, 2017, the balance of the Construction in Progress account was \$1,625,769.

In 2016, the Agency's net investment in capital assets increased \$1,020,237 from the prior year. This increase was due to the recognition of capital costs, attributable to several water supply reliability projects which totaled 1,054,846 for the year. As of June 30, 2016, the balance of the Construction in Progress account was \$19,960,233.

In 2013, the Agency issued \$19,385,000 of 2012 Series A Water Revenue Bonds related to capital facilities of the RWD. In addition, the Agency issued \$17,300,000 related to capital facilities of the WVWD. In accordance with the separate installment purchase agreements, each District is obligated to pay the interest and principal payments related to the bonds. To account for the debt and installment purchase agreement a liability and corresponding asset has been recorded. As of June 30, 2017, the balance of the installment purchase receivable and related liability was \$34,065,000.

**Statements of Revenues, Expenses, and Changes in Net Assets**

**Fiscal Year 2017 – Revenues and Expenses**

For fiscal year 2017 the Agency had total revenues of \$21,837,766, an increase of \$6,695,089 from the prior year. The largest source of revenue for the year is member payments for water purchased from TVMWD. Beginning in 2014, water purchased by the WVWD and RWD from TVMWD is invoiced through the Agency. For the year, revenues collected for water purchased from TVMWD totaled \$21,207,376, an increase of 6,946,752 from the prior year. In addition, during the year the Cal Domestic project was completed and produced 616 acre-feet of water during the year. A total of \$475,196 was collected from the Districts to cover the costs related to the production of this water. Member assessments vary from year to year and represent payments received from the Districts to cover the other general and administrative costs incurred by the Agency. For the year, member assessments totaled \$155,194, a decrease of \$3,421 over the prior year. In addition, interest income and interest expense, related to the debt that was issued by the Agency and the corresponding installment purchase agreements, were recorded in the amount of \$1,387,763.

For fiscal year 2017, the Agency had total operating expenses of \$22,014,724, an increase of \$7,076,067 from the prior year. As discussed above, the most significant costs were attributable to the purchase and production of water, which totaled \$21,740,265 for the year, an increase of \$14,664,198. Professional services for the year totaled \$67,364, a decrease of \$52,521 from fiscal year 2016. This decrease was expected, as the Agency incurred less costs for consultant fees related to government relations services.

**PUENTE BASIN WATER AGENCY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

Capital contributions for the year totaled \$741,996. Capital contributions included the money paid by each member agency for alternative water supply projects, the purchase and transfer of stored water, and the state grant money received.

Fiscal Year 2016 – Revenues and Expenses

For fiscal year 2016 the Agency had total revenues of \$15,142,677, a decrease of \$79,621 from the prior year. The largest source of revenue for the year is member payments for water purchased from TVMWD. Beginning in 2014, water purchased by the WVWD and RWD from TVMWD is invoiced through the Agency. For the year, revenues collected for water purchased from TVMWD totaled \$14,260,624, a decrease of \$286,930 from the prior year. In addition, the La Habra project produced 448 acre-feet of water during the year. A total of \$325,520 was collected from the Districts to cover the costs related to the production of this water. Member assessments vary from year to year and represent payments received from the Districts to cover the other costs incurred by the Agency. For the year, member assessments totaled \$158,615, a decrease of \$74,256, or 31.9% over the prior year. Other revenues totaled \$397,918, an increase of \$326,208 from the prior year. This increase was largely related to the lease of water production rights in the Central Basin. For the year lease income totaled \$208,000. In addition, interest income and interest expense, related to the debt that was issued by the Agency and the corresponding installment purchase agreements, were recorded in the amount of \$1,569,770.

For fiscal year 2016, the Agency had total operating expenses of \$14,876,341, a decrease of \$387,304 from the prior year. As discussed above, the most significant costs were attributable to the purchase and production of water which totaled \$14,664,198 for the year, a decrease of \$292,070, or 1.9%. Professional services for the year totaled \$119,885, a decrease of \$114,761 from fiscal year 2015. This decrease was expected, as the Agency discontinued service with a consultant that was previously providing government relations services.

**PUENTE BASIN WATER AGENCY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

Table A-2

Condensed Statements of Revenues, Expenses and Changes in Net Assets

	Fiscal Year 2017	Fiscal Year 2016	Dollar Change	Fiscal Year 2015	Dollar Change
<b>Revenues:</b>					
Sale of Water (TVMWD)	\$ 21,207,376	\$ 14,260,624	\$ 6,946,752	\$ 14,547,554	\$ (286,930)
Sale of Water (Project)	475,196	325,520	149,676	370,163	(44,643)
Member Assessments	155,194	158,615	(3,421)	232,871	(74,256)
Other	-	397,918	(397,918)	71,710	326,208
Total Operating Revenues	21,837,766	15,142,677	6,695,089	15,222,298	(79,621)
Interest Income	1,387,763	1,569,770	(182,007)	1,595,554	(25,784)
Total Revenues	23,225,529	16,712,447	6,513,082	16,817,852	(105,405)
<b>Expenses:</b>					
Water Supply (TVMWD)	21,207,376	14,260,624	6,946,752	14,547,553	(286,929)
Water Supply (Project)	532,889	403,574	129,315	408,715	(5,141)
Legal	43,115	26,513	16,602	24,161	2,352
Accounting	7,650	8,500	(850)	3,121	5,379
Engineering	1,423	2,335	(912)	1,300	1,035
Administrative	35,642	20,301	15,341	10,112	10,189
Professional Services	67,364	119,885	(52,521)	234,646	(114,761)
Depreciation	119,265	34,609	84,656	34,037	572
Total Operating Expenses	22,014,724	14,876,341	7,138,383	15,263,645	(387,304)
Non-Operating: Interest Expense	1,387,763	1,569,770	(182,007)	1,595,554	(25,784)
Other Expenses	-	-	-	8,386	(8,386)
Total Expenses	23,402,487	16,446,111	6,956,376	16,867,585	(421,474)
Net Income (Loss)	(176,958)	266,336	(443,294)	(49,733)	316,069
Capital Contributions	741,996	7,400,093	(6,658,097)	12,886,902	(5,486,809)
Changes in Net Assets	565,038	7,666,429	(7,101,391)	12,837,169	(5,170,740)
Net Assets, Beg. of Year	28,566,943	20,900,514	7,666,429	8,063,345	12,837,169
Net Assets, End of Year	\$ 29,131,981	\$ 28,566,943	\$ 565,038	\$ 20,900,514	\$ 7,666,429

**Capital Asset Administration**

As of June 30, 2017, the Agency had invested \$20,703,199 in capital assets, an increase of \$622,729 from the prior fiscal year. These assets were comprised of water rights, construction in progress and capital assets related to several alternative water supply projects.

**PUENTE BASIN WATER AGENCY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

**Debt Administration**

Table A-3  
Long-Term Debt

	Fiscal Year 2017	Fiscal Year 2016	Dollar Change	Fiscal Year 2015	Dollar Change
<b>Long Term Debt:</b>					
2012 Series A Water Revenue Bonds (RWD Project)	\$ 18,265,000	\$ 18,675,000	\$ (410,000)	\$ 19,070,000	\$ (395,000)
2013 Series A Water Revenue Bonds (WVWD Project)	\$ 15,800,000	\$ 16,230,000	\$ (430,000)	\$ 16,645,000	\$ (415,000)
Total Long-Term Debt	<u>\$ 34,065,000</u>	<u>\$ 34,905,000</u>	<u>\$ (840,000)</u>	<u>\$ 35,715,000</u>	<u>\$ (810,000)</u>

**Economic Factors and Next Year's Budget**

Table A-4  
Fiscal Year 2018 Budget vs. Fiscal Year 2017 Actual

	Budget 2018	Actual 2017	Dollar Change
<b>Revenues:</b>			
Sale of Water (TVMWD)	\$ 13,948,736	\$ 21,207,376	\$ (7,258,640)
Sale of Water (Project)	536,848	475,196	61,652
Member Assessments	223,500	155,194	68,306
Total Operating Revenues	<u>14,709,084</u>	<u>21,837,766</u>	<u>(7,128,682)</u>
Use of Stored Water	208,800	160,773	48,027
Total	<u>\$ 14,917,884</u>	<u>\$ 21,998,539</u>	<u>\$ (7,080,655)</u>
<b>Expenses:</b>			
Water Supply (TVMWD)	\$ 13,948,736	\$ 21,207,376	\$ (7,258,640)
Water Supply (Project)	741,648	532,889	208,759
Legal	50,000	43,115	6,885
Accounting	8,500	7,650	850
Engineering	5,000	1,423	3,577
Professional Service	125,000	35,642	89,358
Administrative Expenses	35,000	67,364	(32,364)
Total Operating Expenses	<u>\$ 14,913,884</u>	<u>\$ 21,895,459</u>	<u>\$ (6,981,575)</u>
Net Income	<u>\$ 4,000</u>	<u>\$ 103,080</u>	<u>\$ (147,107)</u>

PUENTE BASIN WATER AGENCY  
STATEMENT OF NET POSITION  
June 30, 2017  
(with comparative information for prior year)

	<u>2017</u>	<u>2016</u>
<b>CURRENT ASSETS:</b>		
Cash and investments (note 2)	\$ 757,020	610,299
Accounts receivable		
WVWD	1,511,461	1,822,268
RWD	1,435,980	820,748
Grants receivable	27,518	173,355
Interest receivable	154,004	157,437
Installment purchase receivable - current (note 3)	870,000	840,000
Prepaid water	91,801	91,801
Stored water	<u>7,449,675</u>	<u>7,610,449</u>
<b>TOTAL CURRENT ASSETS</b>	<u>12,297,459</u>	<u>12,126,357</u>
<b>CAPITAL ASSETS (note 4):</b>		
Capital assets not being depreciated	12,028,723	19,467,825
Capital assets being depreciated	8,873,325	692,227
Less accumulated depreciation	<u>(198,849)</u>	<u>(79,582)</u>
<b>TOTAL CAPITAL ASSETS</b>	<u>20,703,199</u>	<u>20,080,470</u>
<b>NON CURRENT ASSETS</b>		
Installment purchase receivable - non current (note 3)	<u>33,195,000</u>	<u>34,065,000</u>
<b>TOTAL NON CURRENT ASSETS</b>	<u>33,195,000</u>	<u>34,065,000</u>
<b>TOTAL ASSETS</b>	<u>66,195,658</u>	<u>66,271,827</u>
<b>CURRENT LIABILITIES:</b>		
Accounts payable	2,844,673	2,642,447
Interest payable	154,004	157,437
Current portion of long-term debt (note 5)	<u>870,000</u>	<u>840,000</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>3,868,677</u>	<u>3,639,884</u>
<b>LONG-TERM DEBT (note 5)</b>	<u>33,195,000</u>	<u>34,065,000</u>
<b>TOTAL LIABILITIES</b>	<u>37,063,677</u>	<u>37,704,884</u>
<b>NET POSITION:</b>		
Investment in capital assets	20,703,199	20,080,470
Unrestricted	<u>8,428,782</u>	<u>8,486,473</u>
<b>TOTAL NET POSITION</b>	<u>\$ 29,131,981</u>	<u>28,566,943</u>

See Notes to Financial Statements

PUENTE BASIN WATER AGENCY  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION

For the Year Ended June 30, 2017  
(with comparative information for prior year)

	<u>2017</u>	<u>2016</u>
<b>OPERATING REVENUES:</b>		
Sale of water to member agencies	\$ 21,734,686	14,586,144
Member assessments	103,080	158,615
Water leases	-	379,000
Other	-	18,918
	<u>21,837,766</u>	<u>15,142,677</u>
<b>OPERATING EXPENSES:</b>		
Water supply	21,740,265	14,664,198
Legal	43,115	26,513
Accounting	7,650	8,500
Engineering	1,423	2,335
Administrative	35,642	20,301
Professional services	67,364	119,885
Depreciation	119,265	34,609
	<u>22,014,724</u>	<u>14,876,341</u>
	<u>(176,958)</u>	<u>266,336</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Interest revenue	1,387,763	1,569,770
Interest expense	(1,387,763)	(1,569,770)
	<u>-</u>	<u>-</u>
	<u>(176,958)</u>	<u>266,336</u>
<b>CAPITAL CONTRIBUTIONS:</b>		
Capital contributions from RWD	370,998	527,423
Capital contributions from WVWD	370,998	527,423
Member Contributions - stored water RWD	-	2,913,176
Member Contributions - stored water WVWD	-	2,950,775
Capital contributions from grants	-	481,296
	<u>565,038</u>	<u>7,666,429</u>
	<u>28,566,943</u>	<u>20,900,514</u>
	<u>\$ 29,131,981</u>	<u>28,566,943</u>

See Notes to Financial Statements

PUENTE BASIN WATER AGENCY  
STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2017  
(with comparative information for prior year)

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received for water sales	\$ 21,557,132	14,027,872
Receipts from members for operations	103,082	1,048,151
Water purchases	(21,740,265)	(14,027,424)
Payments to suppliers for other goods and services	(95,014)	(8,589,726)
Sale of water leases	<u>-</u>	<u>1,954,000</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(175,065)</u>	<u>(5,587,127)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Receipts from members for capital activities	741,996	1,054,846
Receipts from State Water Department for capital activities	145,837	307,941
Member contributions - stored water	-	5,863,951
Payments for the acquisition of capital assets	<u>(566,047)</u>	<u>(1,054,846)</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>321,786</u>	<u>6,171,892</u>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>610,299</u>	<u>25,534</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 757,020</u>	<u>610,299</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ <u>(176,958)</u>	<u>266,336</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation	119,265	34,609
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(304,425)	312,346
(Increase) decrease in prepaid water	-	1,653,502
(Increase) decrease in stored water	160,774	(7,610,449)
Increase (decrease) in accounts payable	<u>26,279</u>	<u>(243,471)</u>
Total adjustments	<u>1,893</u>	<u>(5,853,463)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (175,065)</u>	<u>(5,587,127)</u>
<b>Noncash investing, capital and financing activities:</b>		
Member remittance of funds to bond service agent	<u>\$ 2,385,200</u>	<u>2,386,800</u>

See Notes to Financial Statements

## PUENTE BASIN WATER AGENCY

### NOTES TO BASIC FINANCIAL STATEMENTS

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### A. Description of Reporting Entity:

The Puente Basin Water Agency (the Agency) was created April 1, 1971 by the execution of a Joint Powers Agreement between Rowland Water District and Walnut Valley Water District. The Agreement was made pursuant to Article 1, Chapter 5, Division 7, Title 1 of the government code of the State of California. The Agency was organized for the purpose of protection and utilization of the local, imported, and reclaimed water supply within the Puente Basin. The Agency is governed by an appointed Board of Commissioners consisting of four members.

As required by accounting principles generally accepted in the United States of America, these financial statements present the Puente Basin Water Agency and its component units, if any for which the Agency is considered to be financially accountable. Based upon the application of required criteria, there were no potential component units to be considered for inclusion in the Agency's reporting entity.

##### B. Description of Fund:

The accounts of the Agency are organized in a fund, which is considered a separate accounting entity. The operations of the fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenses. The following fund type is used:

##### Proprietary Fund Type

Enterprise Fund is used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

##### C. Accounting and Reporting Policies:

The Agency has conformed to the pronouncements of the Governmental Accounting Standards Board (GASB), which are the primary authoritative statements of accounting principles generally accepted in the United States of America applicable to state and local governments.

##### D. Basis of Accounting/Measurement Focus:

Proprietary fund types are accounted for using the "economic resources" measurement focus and accrual basis of accounting. This means that all assets and liabilities (whether current or concurrent) associated with the activity are included on the balance sheet. Their reported fund equity

PUENTE BASIN WATER AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

presents total net position. The operating statement of the proprietary funds presents increases (revenues) and decreases (expenses) in total net position. Revenues are recognized when they are earned and expenses are recognized when the liability is incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Agency are water sales to members and member operating assessments. Operating expenses include the costs of legal, accounting, and engineering services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first and the unrestricted resources as they are needed.

**E. Cash and Cash Equivalents:**

For purposes of the statement of cash flows of the proprietary funds, all cash and investments with an original maturity of 90 days or less are considered to be cash and cash equivalents.

**F. Use of Estimates:**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect certain reported amount and disclosures. Accordingly, actual results could differ from those estimates.

**G. Capital Assets:**

Capital assets acquired and/or constructed are capitalized at historical cost. Agency policy has set the capitalization threshold for reporting capital assets at \$5,000. Contributed assets are recorded at estimated acquisition value at the date of contribution. 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.

**PUENTE BASIN WATER AGENCY**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**2. CASH AND INVESTMENTS**

Cash and cash equivalents at June 30, 2017 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and investments \$757,020

Deposits with financial institutions \$757,020

**Investments Authorized by the California Government Code**

The table below identifies the investment types that are authorized for the Agency by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment In One Issuer</u>
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Government Sponsored Agency Securities	5 years	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base value	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

N/A – Not Applicable

PUENTE BASIN WATER AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS

2. **CASH AND INVESTMENTS (CONTINUED)**

**Disclosures Relating to 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 is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The Agency's deposits with financial institutions are available on demand.

**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. The California Government Code and the Agency's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the Agency's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The District's deposits are collateralized as required by California Law.

3. **INSTALLMENT PURCHASE RECEIVABLE**

The Agency entered into Installment Purchase Contracts with Rowland Water District ("RWD") and Walnut Valley Water District ("WVWD") related to the issuing of Bonds. RWD and WVWD received the proceeds of the Bonds and are required to make semiannual installment purchase payments that are equal in amount and timing to the principal and interest payments that are paid on a semiannual basis by the Agency to the holders of the Bonds. Total amounts required to be paid by RWD and WVWD as of June 30, 2017 are \$18,265,000 and \$15,800,000, respectively.

**PUENTE BASIN WATER AGENCY**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**4. CAPITAL ASSETS**

Changes in capital assets for the year ended June 30, 2017 are as follows:

	<u>Balance at July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at July 1, 2017</u>
Capital assets, not being depreciated:				
Construction in progress	\$ 9,064,871	741,996	(8,181,098)	1,625,769
Water rights	<u>10,402,954</u>	<u>-</u>	<u>-</u>	<u>10,402,954</u>
Total capital assets, not being depreciated	<u>19,467,825</u>	<u>741,996</u>	<u>(8,181,098)</u>	<u>12,028,723</u>
Capital assets, being depreciated:				
Pumping structure	<u>692,227</u>	<u>8,181,098</u>	<u>-</u>	<u>8,873,325</u>
Less accumulated depreciation:				
Pumping structure	<u>(79,582)</u>	<u>(119,267)</u>	<u>-</u>	<u>(198,849)</u>
Total capital assets being depreciated, net	<u>612,645</u>	<u>8,061,831</u>	<u>-</u>	<u>8,674,476</u>
Total capital assets	<u>\$ 20,080,470</u>	<u>8,803,827</u>	<u>(8,181,098)</u>	<u>20,703,199</u>

**5. LONG-TERM DEBT**

The changes in long-term debt for the year ended June 30, 2017, is as follows:

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2017</u>	<u>Due Within One Year</u>
2012 Series A Water Revenue Bonds (RWD Project)	\$18,675,000	-	410,000	18,265,000	425,000
2013 Series A Water Revenue Bonds (WVWD Project)	<u>16,230,000</u>	<u>-</u>	<u>430,000</u>	<u>15,800,000</u>	<u>445,000</u>
Total long-term debt	<u>\$34,905,000</u>	<u>-</u>	<u>840,000</u>	<u>34,065,000</u>	<u>870,000</u>

**PUENTE BASIN WATER AGENCY**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**5. LONG-TERM DEBT (Continued)**

**2012 Series A Water Revenue Bonds (Rowland Water District Project)**

On November 1, 2012, the Agency issued \$19,385,000 of 2012 Series A Water Revenue Bonds. The Bonds will be used to finance certain capital facilities of RWD, a member agency. RWD is obligated under terms of the Installment Purchase Contract associated with the Bonds, to make semiannual installment purchase payments that are equal in amount and timing to the principal and interest payments that are paid on a semiannual basis by the Agency to the holders of the Bonds.

The Bonds were issued at a premium of \$1,570,182 which will be amortized over the life of the debt service with RWD receiving the proceeds of the Bonds. Interest and principal are payable on December 1st and June 1st of each year beginning June 1, 2013, with interest rates ranging from 1.0% to 5.0%. The Bonds are scheduled to mature on December 1, 2042. The rate covenants of the Bonds require that net revenues of RWD for each fiscal year be equal to at least 110% of the annual debt service payments required for that fiscal year.

**2013 Series A Water Revenue Bonds (Walnut Valley Water District Project)**

On March 1, 2013, the Agency issued \$17,300,000 of 2013 Series A Water Revenue Bonds. The Bonds will be used to finance certain capital facilities of WVWD, a member agency. WVWD is obligated under terms of the Installment Purchase Contract associated with the Bonds, to make semiannual installment purchase payments that are equal in amount and timing to the principal and interest payments that are paid on a semiannual basis by the Agency to the holders of the Bonds.

The Bonds were issued at a premium of \$2,695,738 which will be amortized over the life of the debt service with WVWD receiving the proceeds of the Bonds. Interest is payable on June 1st and December 1st of each year beginning December 1, 2013, with interest rates ranging from 1.0% to 5.0%. Principal is due December 1st each year beginning December 1, 2013. The Bonds are scheduled to mature on December 1, 2038. The rate covenants of the Bonds require that net revenues of WVWD for each fiscal year be equal to at least 125% of the annual debt service payments required for that fiscal year.

**PUENTE BASIN WATER AGENCY**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**5. LONG-TERM DEBT (Continued)**

Future annual debt service requirements of the Agency are as follows:

Year Ending <u>June 30</u>	2012 Series A Water Revenue Bonds (Rowland Water District Project)		2013 Series A Water Revenue Bonds (Walnut Valley Water District Project)	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 425,000	725,750	445,000	785,550
2019	445,000	710,575	465,000	767,750
2020	460,000	694,700	490,000	744,500
2021	475,000	676,000	510,000	720,000
2022	495,000	656,600	535,000	694,500
2023-2027	2,800,000	2,965,325	3,120,000	3,041,750
2028-2032	3,300,000	2,461,813	3,980,000	2,180,250
2033-2037	3,885,000	1,888,689	5,080,000	1,080,250
2038-2042	4,855,000	912,625	1,175,000	58,750
2043	<u>1,125,000</u>	<u>28,125</u>	<u>-</u>	<u>-</u>
Total payments	<u>\$18,265,000</u>	<u>11,720,202</u>	<u>\$15,800,000</u>	<u>10,073,300</u>

**PUENTE BASIN WATER AGENCY**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**6. NET POSITION**

Changes in net position by member during the fiscal year ended June 30, 2017 was as follows:

	<u>Walnut Valley Water District</u>	<u>Rowland Water District</u>	<u>Total</u>
Net Position June 30, 2016	<u>\$ 14,283,471</u>	<u>14,283,472</u>	<u>28,556,943</u>
Capital Contributions	370,998	370,998	741,996
Share of Joint Venture loss before member capital contributions	<u>(88,479)</u>	<u>(88,479)</u>	<u>(176,958)</u>
Change in Net Position	<u>282,519</u>	<u>282,519</u>	<u>565,038</u>
Net Position June 30, 2017	<u>\$ 14,565,990</u>	<u>14,565,991</u>	<u>29,131,981</u>

**SUPPLEMENTARY INFORMATION**

## **PUENTE BASIN WATER AGENCY**

### **SUPPLEMENTARY INFORMATION**

June 30, 2017

#### **PUENTE NARROWS AGREEMENT**

On May 8, 1972, Puente Basin Water Agency and Upper San Gabriel Valley Municipal Water executed the Puente Narrows Agreement (the Agreement), which established the base water underflow from the Puente Basin to the Main San Gabriel Basin at 580 acre-feet per year. The Agreement requires Puente Basin Water Agency to make up payments in the following year where accumulated subsurface outflow falls below the accumulated base underflow. The Agency receives a credit for an excess of underflow over the base underflow. These credits can be applied only against deficiencies of underflow should such deficiencies occur in the future.

Puente Basin Water Agency had credits for excess of underflow of 12,921 acre-feet at June 30, 2017. The value of these credits have not been reflected in the accompanying financial statements because the likelihood of these credits being applied to material amounts of future deficiencies of underflow is extremely remote and the credits cannot be used for any other purpose. The administration of the Agreement is currently responsible for well measurement.

#### **ADJUDICATION OF PUENTE BASIN WATER RIGHTS**

The Puente Basin Watermaster allocates water rights among water producers in the Puente Basin. Water rights of 425 acre-feet were allocated to both Rowland Water District and Walnut Valley Water District. These amounts represent approximately 40 percent of the water rights available in the Puente Basin. The judgment allows some over and under allocation adjustments depending on water flow in the basin, limited carryover provisions, and credit for return water

Board of Commissioners  
Puente Basin Water Agency  
Walnut, California

**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***

**Independent Auditor's Report**

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 Puente Basin Water Agency ("Agency"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated December 28, 2017.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of

Board of Directors  
Puente Basin Water Agency  
Page Two

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

A handwritten signature in blue ink that reads "Davis San LP". The signature is written in a cursive, flowing style.

Irvine, California  
December 28, 2017

Board of Directors

Puente Basin Water Agency  
Walnut, California

### **Summary of Audit Results**

We have audited the accompanying statement of net assets of the Puente Basin Water Agency (the "Agency") as of June 30, 2017 and the related statement of revenue, expenses and changes in net assets and cash flows for the year then ended. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, as well as certain information related to the audit.

#### *Scope and Timing of the Audit*

The scope and timing of the audit was communicated to the Board of Directors in our engagement letter dated May 29, 2015 and our communication to the Finance Committee dated July 3, 2017.

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Agency are described in Note 1 to the financial statements. We noted no transactions entered into by the Agency during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period. Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Examples of subjective considerations inherently included in the financial reporting process are:

- Management's estimate of the depreciation is computing using the straight-line method based on estimated useful lives which range from 4 to 75 years.
- Management's estimate involving revenues and expenses to be accrued as of the year end.

The financial statement disclosures are neutral, consistent, and clear.

#### *Significant Difficulties Encountered in Performing the Audit*

We encountered no difficulties in performing and completing our audit.

#### *Audit Adjustments*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. No material audit adjustments were noted during the audit. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material to the financial statements.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have obtained certain representations from management that are included in the management representation letter dated December 14, 2017.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to and subsequent to our retention as the governmental unit's auditors. However, these discussions occur in the normal course of our professional relationship and any such discussion is not a condition to our retention.

*Other Matters*

We applied certain limited procedures to the Management's Discussion and Analysis which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were not engaged to report on Supplementary Information, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

*Restriction on Use*

This information is intended solely for the use of the Board of Directors and management of Puente Basin Water Agency and is not intended to be, and should not be, used by anyone other than these specified parties.



Irvine, California  
December 28, 2017

PUENTE BASIN WATER AGENCY  
FY 2017-18 OPERATING RESULTS

	Budget					Actual				
	Administrative	TVMWD	LHHCWD	CDWC	Total Budget	09/30/17	12/31/17	03/31/18	06/30/18	Year to Date
<b>REVENUES:</b>										
Administrative Assessment - RWD	\$ 111,750	\$ -	\$ -	\$ -	\$ 111,750	\$ 15,818	\$ 26,021			\$ 41,839
Administrative Assessment - WVWD	111,750				111,750	15,818	26,021			41,839
Other - TVMWD	-				-					-
Water Sales - Project - RWD			-	266,424	266,424	98,187	150,819			249,006
Water Sales - Project - WVWD			-	266,424	266,424	98,187	150,819			249,006
Water Sales - TVMWD - RWD		5,161,580	-		5,161,580	1,249,011	1,103,456			2,352,467
Water Sales - TVMWD - WVWD		8,787,156			8,787,156	3,664,462	2,607,626			6,272,088
Project Maintenance Reserve - RWD			-	2,000	2,000	770	1,392			2,161
Project Maintenance Reserve - WVWD			-	2,000	2,000	770	1,392			2,161
Total Revenues	223,500	13,948,736	-	536,848	14,709,084	5,143,022	4,067,545	-	-	9,210,567
Use of Stored/Leased Water				208,800	208,800	80,336	145,278			225,614
Total	\$ 223,500	\$ 13,948,736	\$ -	\$ 745,648	\$ 14,917,884	\$ 5,223,357	\$ 4,212,823	\$ -	\$ -	\$ 9,436,180
<b>EXPENSES:</b>										
<u>Source of Supply</u>										
Purchased Water - TVMWD		13,351,450			13,351,450	4,754,528	3,554,197			8,308,725
Purchased Water - LHHCWD			-		-	-	-			-
Purchased Water - CDWC				272,212	272,212	108,777	195,374			304,151
Purchased Water - CDWC Stored Water				208,800	208,800	80,336	145,278			225,614
Surcharge - Orchard Dale			-		-	-	-			-
Leased Water - LHHCWD					-	-	-			-
Assessments - WRD			-		-	-	-			-
Assessments - MSGBWM			-	52,000	52,000	20,007	36,180			56,187
Subtotal	-	13,351,450	-	533,012	13,884,462	4,963,647	3,931,029	-	-	8,894,677
<u>Fixed Charges</u>										
TVMWD Equivalent Small Meters		59,501			59,501	14,586	14,586			29,171
TVMWD Water Use Charge		62,521			62,521	14,738	14,738			29,476
TVMWD Connected Capacity		60,694			60,694	14,752	14,752			29,504
MWD Capacity Reservation Charge		412,470			412,470	112,809	112,809			225,618
CDWC - Ready to Serve Charge				7,436	7,436	1,859	1,859			3,718
Subtotal	-	595,186	-	7,436	602,622	158,744	158,744	-	-	317,487
<u>Other Costs</u>										
Energy - Pumping and Treatment			-	153,600	153,600	51,862	43,827			95,689
Materials & Supplies - Chemicals			-	10,400	10,400	2,982	8,452			11,433
Materials & Supplies - Others			-		-	1,540	6,978			8,518
Other Costs (RWD Labor etc.)			-	37,200	37,200	9,347	8,967			18,314
Permits & Fees		2,100	-		2,100	2,060	-			2,060
Subtotal	-	2,100	-	201,200	203,300	67,791	68,224	-	-	136,015

PUENTE BASIN WATER AGENCY  
FY 2017-18 OPERATING RESULTS

Administrative & General											
Legal	50,000				50,000	4,380	7,560				11,940
Engineering	5,000				5,000	-	441				441
Professional Services- Other	125,000				125,000	22,577	28,174				50,751
Insurance - Property & Liability	5,000				5,000	-	2,139				2,139
Accounting	8,500				8,500	-	5,000				5,000
Administrative Expenses - Other	30,000				30,000	4,678	8,729				13,407
Subtotal	223,500	-	-	-	223,500	31,635	52,043	-	-		83,678
Total Expenses	\$ 223,500	\$ 13,948,736	\$ -	\$ 741,648	\$ 14,913,884	\$ 5,221,817	\$ 4,210,040	\$ -	\$ -	\$ -	\$ 9,431,857
Other Income/(Expense)											
LAIF Interest					-		185			-	185
Leased Water Revenue					-					-	-
Depreciation					-					-	-
Subtotal	-	-	-	-	-	-	185	-	-	-	185
Net Income (Loss) Before Transfers	\$ -	\$ -	\$ -	\$ 4,000	\$ 4,000	\$ 1,540	\$ 2,968	\$ -	\$ -	\$ -	\$ 4,508
Transfers In: Maint. Reserve Funds Used				-	-						-
Transfers Out: Maint. Reserve Funds Collected	-	-	-	(4,000)	(4,000)	(1,540)	(2,783)	-	-	-	(4,323)
Net Income (Loss) After Transfers	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0	\$ 185	\$ -	\$ -	\$ -	\$ 185
PBWA Maintenance Reserve											
	Administrative	TVMWD	LHHCWD	CDWC	Total						
Beginning Balance July 1, 2017	\$ -	\$ -	\$ 21,094	\$ 101,250	\$ 122,344	\$ 124,174	\$ 125,714	\$ 128,497	\$ 128,497	\$ 124,174	\$ 124,174
Transfers In	-	-	-	4,000	4,000	1,540	2,783			4,323	
Transfers Out					-					-	
Ending Balance June 30, 2018	\$ -	\$ -	\$ 21,094	\$ 105,250	\$ 126,344	\$ 125,714	\$ 128,497	\$ 128,497	\$ 128,497	\$ 128,497	\$ 128,497

PUENTE BASIN WATER AGENCY  
FY 2017-18 OPERATING RESULTS

**Capital Projects**

PBWA Capital Project: Pomona Basin Regional Groundwater <sup>1</sup>	09/30/17	12/31/17	03/31/18	06/30/18	Year to Date	Life to Date
<b>REVENUES:</b>						
Member Assessment - RWD	\$ 163	\$ 467	\$ -	\$ -	\$ 630	\$ 813,514
Member Assessment - WVWD	\$ 163	\$ 467	-	-	\$ 630	\$ 813,514
Total Revenues	327	933	-	-	1,260	1,627,028
<b>EXPENSES:</b>						
Pomona Basin Project Expenses	327	933	-	-	1,260	1,627,028
Total Expenses	\$ 327	\$ 933	\$ -	\$ -	\$ 1,260	\$ 1,627,028

1. Excludes professional fees for preliminary investigation work and feasibility assessment that was expensed by the Agency in the amount of \$457,439

PBWA: STORED WATER	As of the Quarter Ended				
	09/30/17	12/31/17	03/31/18	06/30/18	Year to Date
<b>Stored Water (\$\$):</b>					
Beginning Balance	\$ 7,449,676.11	\$ 7,369,340.31	\$ 7,224,062.49	\$ 7,224,062.49	\$ 7,449,676.11
Add: Purchased Water	\$ -	\$ -	\$ -	\$ -	\$ -
Less: Water Produced	\$ (80,335.80)	\$ (145,277.82)	\$ -	\$ -	\$ (225,613.62)
Ending Balance	\$ 7,369,340.31	\$ 7,224,062.49	\$ 7,224,062.49	\$ 7,224,062.49	\$ 7,224,062.49
<b>Stored Water (AF):</b>					
Beginning Balance	13,962.31	13,654.51	13,097.89	13,097.89	13,962.31
Add: Purchased Water	-	-	-	-	-
Less: Water Produced	(307.80)	(556.62)	-	-	(864.42)
Ending Balance	13,654.51	13,097.89	13,097.89	13,097.89	13,097.89

**PUENTE BASIN WATER AGENCY  
STATEMENT OF CASH FLOWS  
FY 2017-18**

		BEGINNING BALANCE JULY 1, 2017		\$ 757,020.44
<b>Deposits:</b>				
		Rowland	\$ 2,656,172.69	
		WVWD	7,005,969.41	
		Cal-Domestic Water	-	
		County of LA-Prop 84	-	
		TVMWD	-	9,662,142.10
		Total Deposits		10,419,162.54
<b>Disbursements</b>				
<u>Date</u>	<u>Check #</u>	<u>Payee</u>		
07/17/17	1231	TVMWD Water	(1,097,342.69)	
07/17/17	1232	S & J Supply	(303.43)	
07/17/17	1233	McMaster-Carr	(31.65)	
07/17/17	1234	Lagerlof, Senecal, Gosney	(1,665.00)	
07/17/17	1235	Rowland Water District	(40,052.93)	
07/17/17	1236	CV Strategies	(2,019.02)	
07/17/17	1237	EcoTech Services	(350.00)	
07/17/17	1238	Applied Technology	(6,121.01)	
07/17/17	1239	Morrow Meadows Corp	(237.92)	
07/17/17	1240	RMC Water & Environment	(1,813.85)	
07/17/17	1241	DavisFarr LLP	(1,000.00)	
08/03/17	1242	Rowland Water District	(40,941.57)	
08/03/17	1243	CV Strategies	(2,537.00)	
08/03/17	1244	Lagerlof, Senecal, Gosney	(1,080.00)	
08/03/17	1245	EcoTech Services	(350.00)	
08/03/17	1246	Bank of America	(386.48)	
08/03/17	1247	TVMWD Water	(1,385,141.29)	
08/31/17	1248	WVWD - Admin Fees 16/17	(5,500.96)	
08/31/17	1249	EcoTech Services	(700.00)	
08/31/17	1250	Rowland Water District	(36,838.30)	
08/31/17	1251	LASER LLC	(6,361.56)	
08/31/17	1252	Lagerlof, Senecal, Gosney	(1,245.00)	
08/31/17	1253	CV Strategies	(7,570.00)	
09/13/17	1254	TVMWD Water	(1,577,936.79)	
09/19/17	1255	Doty Bros Equipment	(214,575.31)	
09/19/17	1256	Main San Gabriel WaterMaster	(40,039.35)	
09/19/17	1257	LASER LLC	(5,334.56)	
09/19/17	1258	Rowland Water District	(26,558.52)	

09/19/17	1259	RMC Water & Environment	(326.50)	
09/19/17	1260	Lagerlof, Senecal, Gosney	(2,280.00)	
10/05/17	1261	TVMWD Water	(1,642,354.09)	
10/05/17	1262	ACWA/JPIA	(2,139.00)	
10/17/17	1263	Rowland Water District	(26,121.96)	
10/17/17	1264	CV Strategies	(6,498.72)	
10/17/17	1265	Lagerlof, Senecal, Gosney	(855.00)	
10/17/17	1266	EcoTech Services	(840.00)	
11/09/17	1267	Davis Farr LLP	(5,000.00)	
11/09/17	1268	ACWA DUES	(2,930.00)	
11/09/17	1269	WRDSC-Central Wtrmstr	(868.50)	
11/09/17	1270	Bank of America	(467.79)	
11/09/17	1271	Rowland Water District	(26,073.37)	
11/09/17	1272	LASER LLC	(7,901.52)	
11/09/17	1273	TVMWD Water	(1,693,182.39)	
12/07/17	1274	LASER LLC	(7,365.88)	
12/07/17	1275	Lagerlof, Senecal, Gosney	(2,280.00)	
12/07/17	1276	Civiltec Engineering	(441.00)	
12/07/17	1277	CV Strategies	(1,281.25)	
12/07/17	1278	Rowland Water District	(47,603.72)	
12/07/17	1279	RMC Water & Environment	(933.00)	
12/07/17	1280	TVMWD Water	(1,577,900.79)	
		Total Disbursements		(9,559,678.67)
		ENDING BALANCE SEPTEMBER 30, 2017		\$ 859,483.87
		LAIF		\$ 700,185.40
		Checking		\$ 159,298.47
		Total Cash Balance		859,483.87



February 8, 2018

TO: Board of Commissioners  
FROM: Michael Holmes  
RE: Consider Award of Labor and Materials Contracts for the 20" Water Transmission Main  
P.N. PB17-0004

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### **Recommendation**

Request the Board of Commissioners:

1. Authorize the Administrative Officer to execute contracts for labor and materials for the subject project per the following bid results:

<b><u>Bid</u></b>	<b><u>Supplier</u></b>	<b><u>Price</u></b>	<b><u>Delivery</u></b>
Labor	Doty Bros.	\$ 1,296,237.00	
Misc. Materials	D'Angelo Co.	\$ 4,466.79	4 days
Service Materials	Inland	\$ 14,975.55	14 days
Steel	West Coast Pipe	\$ 428,688.12	70-90 working days
Valves	S & J Supply	\$ 21,238.62	1 day – 2 weeks

### **Background Information**

The Rowland Water District (RWD) in partnership with the Walnut Valley Water District (WVWD) are developing this project to ensure that Cal Domestic Project facilities, currently being utilized to move stored water from the Main San Gabriel Basin, as well as future groundwater projects in the Central Basin utilizing Cal Domestic Project Facilities can be maximized for the benefit of both Districts.

In addition to the 20-inch pipeline, the project includes three interties between RWD's transmission pipeline in Colima Road/Golden Springs Drive and WVWD's distribution system at Otterbein Avenue, Hallgreen Drive, and between Lemon Avenue and Brea Canyon Road.

Bids were solicited and received by the WVWD staff to provide the labor and materials for the 20" pipeline. Attached for your information are bid recaps for labor and material bids, project description, and a map.

Attachments

**PUENTE BASIN WATER AGENCY**

**Labor Bid Results**

**20" Water Transmission Main  
The Joint Effort Regional Water Supply Project  
Cal Domestic Project  
Project No. PB17-0004  
January 29, 2018 @ 2:00 PM**

<b>CONTRACTORS</b>	<b>TOTAL</b>
Brkich	\$1,874,600.00
<b>Doty Bros.</b>	<b>\$1,296,237.00</b>
Griffith	No Bid
McKinney	No Bid
Paulus	\$1,423,429.00
Rasic	\$2,079,615.00
Sully-Miller	\$1,560,000.00

**PUENTE BASIN WATER AGENCY**  
 271 South Brea Canyon Road, Walnut, CA 91789

**Valves, Service & Misc Materials Bid Results**

**20" Water Transmission Main**  
**Pathfinder Rd. Between Harbor Blvd. and Nogales St.**  
**Project No. PB17-0004**  
**January 26, 2018 @ 10:00 AM**

<b>Vendor</b>	<b>Valves</b>	<b>Service Materials</b>	<b>Misc. Materials</b>
C. Wells	No Bid	No Bid	No Bid
<b>D'Angelo</b>	\$ 27,475.74	\$ 15,256.01	<b>\$ 4,466.79</b>
Core & Main	No Bid	No Bid	No Bid
Ferguson	\$ 24,539.99	\$ 15,527.07	\$ 5,522.72
<b>Inland</b>	\$ 22,068.63	<b>\$ 14,975.55</b>	\$ 5,104.71
<b>S&amp;J Supply</b>	<b>\$ 21,238.62</b>	\$ 15,344.90	\$ 5,118.36
United	\$ 21,472.95	\$ 16,653.64	\$ 5,095.78
Western	\$ 23,267.00	\$ 15,276.73	\$ 4,888.15

**PUENTE BASIN WATER AGENCY**

**Bid Results for Revised List of Steel M.L.&C. Pipe  
20" Water Transmission Main  
Pathfinder Rd. Between Harbor Blvd. and Nogales St.  
Monday, January 29, 2018 @ 10:00AM**

<b>Manufacturers</b>	<b>TOTAL</b>
<b>Ameron</b>	\$791,995.98
<b>Imperial Pipe</b>	No Bid
<b>Northwest Pipe</b>	No Bid
<b>Southland Pipe</b>	No Bid
<b>West Coast Pipe</b>	\$428,688.12



## **Pathfinder Pipeline and Intertie Project**

**Annual Capacity:** Up to 4,000 acre feet per year

**Source of Supply:** Stored water previously purchased by the Districts (MWD untreated water) and stored in the Main San Gabriel Valley Basin under the terms of a Storage and Export between Puente Basin Water Agency and the Main San Gabriel Basin Watermaster. Water will be produced through the Cal Domestic Project Facilities.

Additional water from a future Central Basin groundwater project using both groundwater production rights as well as possible future stored water in the Central Basin may also be moved through this project in the future.

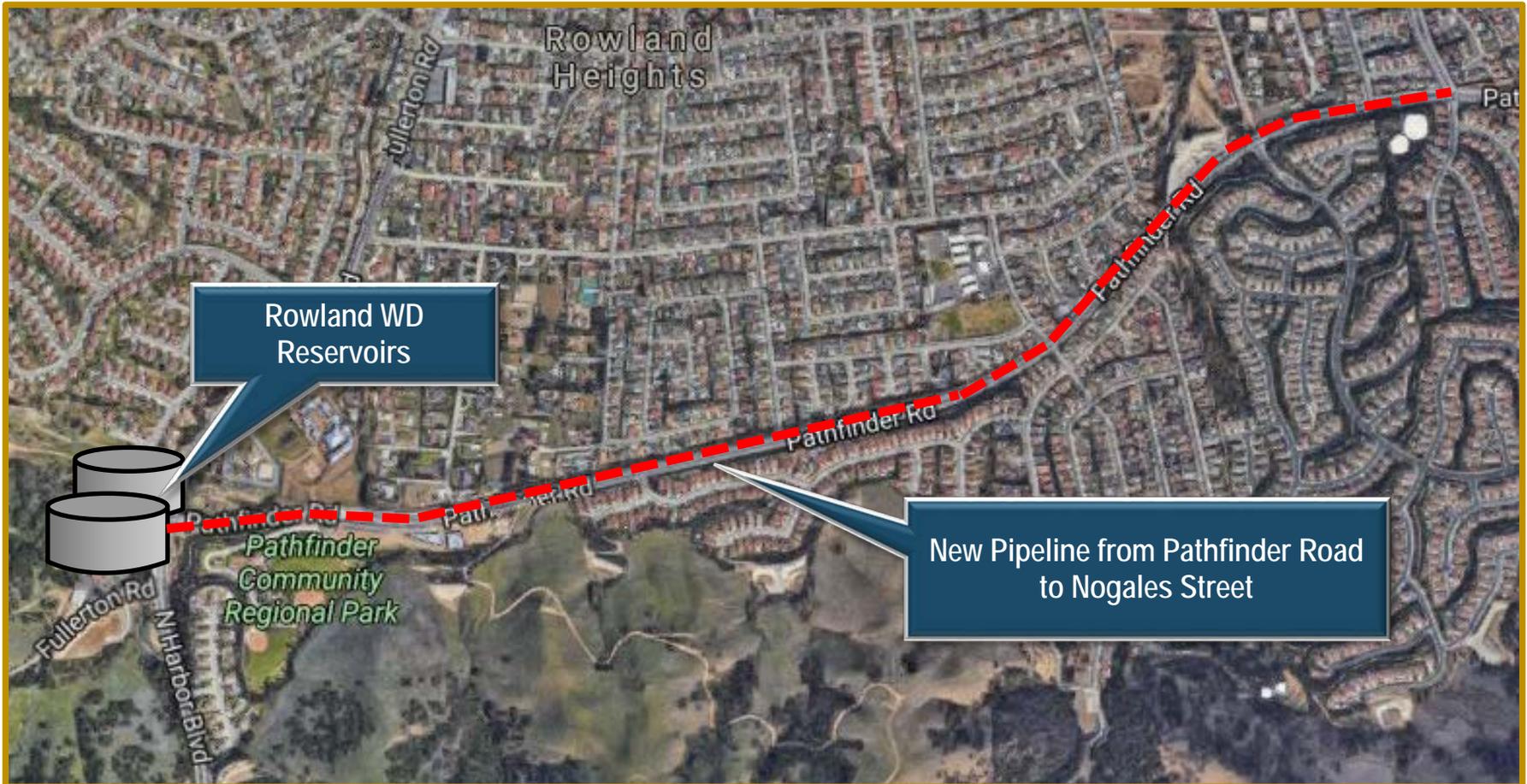
**Project Facilities:** The project consists of the installation of approximately 8,400 feet of 20-inch diameter cement mortar lined and coated steel pipe, and up to four metered intertie structures between Rowland's existing pipeline in Colima

### ***Project Description:***

The Walnut Valley Water District (WVWD) in partnership with the Rowland Water District (RWD) are developing this project to ensure that Cal Domestic Project facilities, currently being utilized to move stored water from the Main San Gabriel Basin, as well as future groundwater projects in the Central Basin utilizing Cal Domestic Project Facilities can be maximized for the benefit of both Districts.

In addition to the 20-inch pipeline, the project includes three interties between RWD's transmission pipeline in Colima Road/Golden Springs Drive and WVWD's distribution system at Otterbein Avenue, Hallgreen Drive, and between Lemon Avenue and Brea Canyon Road.

# Pathfinder Road Pipeline Project





January 24, 2018

To: Dan Keesey, Director of Public Works  
City of La Verne  
3660 D St, La Verne  
CA 91750

From: Michael Holmes—Puente Basin Water Agency

Re: **Lease Agreement—Old Baldy Well**

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Please find enclosed one (1) original copy of the aforementioned agreement and two (2) original signature pages. Please return one of the fully executed signature pages back to me at the address noted below:

*Puente Basin Water Agency  
Attn: Mike Holmes  
271 S. Brea Canyon Road  
Walnut, CA 91789*

Should you have any questions regarding this submittal, I may be reached as follows:

909.348.8200 (work)  
[mholmes@wvwd.com](mailto:mholmes@wvwd.com) (email)

Thank you for the opportunity to work with the City of La Verne on this project.

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Michael Holmes



February 8, 2018

TO: Board of Commissioners  
FROM: Michael Holmes  
RE: Update: Proposition 1—Integrated Regional Water Management Grant

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### **Recommendation**

That the Commission review and discuss the information provided.

### **Background—Proposition 1 Integrated Regional Water Management Grant**

On November 4, 2014, California voters approved Proposition 1, the Water Quality, Supply, and Infrastructure Improvement Act of 2014. Proposition 1 authorized \$510 million in Integrated Regional Water Management (IRWM) funding. Funds are allocated to the 12 hydrologic region-based Funding Areas.

The Proposition 1 IRWM Grant Program, administered by Department of Water Resources (DWR), provides funding for projects that help meet the long term water needs of the state, including:

- Assisting water infrastructure systems adapt to climate change;
- Providing incentives throughout each watershed to collaborate in managing the region's water resources and setting regional priorities for water infrastructure; and
- Improving regional water self-reliance, while reducing reliance on Sacramento-San Joaquin Delta.

### ***Update: Proposition 1 IRWM Implementation Grant (Central Basin Well Project)***

- The “Concept Guidelines” were scheduled to be released sometime late last year or last month. For now, the best guess is a pre-release date of spring 2018. These guidelines will initially be reviewed by a select, smaller group to review and comment and will not be available immediately for public review.
- Summary of Current Grants:
  - ✓ *The County staff reported that Prop 50 has been completed and DWR is finishing the audits of Prop 84 IRWM Grant Rounds 1, 2, and 3.*
  - ✓ *County staff also reported that they are still working the “time extension request” for the Upper SGVMWD’s Recycled Water Project as part of the update for Round 3 of the Prop 84 IRWM Grant Funding.*
- IRWM Plan Amendments: The County has submitted the IRWM Plan Amendments to DWR Dec 21, 2017. Now we just await for DWR’s comments.



February 8, 2018

TO: Board of Commissioners  
 FROM: Michael Holmes  
 RE: Commission Follow Up

**Recommendation**

For information only.

**Background**

Following is an update regarding matters that have recently come before the Commission.

Item	Meeting Date	Commission Activity	Completed	Follow-Up
Proposition 84: Pomona Basin Groundwater Project – Old Baldy Well Lease Agreement with the City of La Verne	10/5/17 1/10/18	Staff was authorized to finalize terms for the Old Baldy Well Lease Agreement with the City of La Verne	Pending	10/10/17: Rowland Water District's Board of Directors ratified the Lease Agreement  10/16/17: Walnut Valley Water District's Board of Directors ratified the Lease Agreement  1/10/18: Approved and signed by Commission
Water Rights Lease of 1,000 acre feet for FY 2017-18 to Bellflower-Somerset Mutual Water Co.	1/22/18		Pending confirmation from the Water Replenishment District	



# ROWLAND WATER DISTRICT

## BOARD OF DIRECTORS

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General Manager

David Warren  
Director of Operations

Rosemarie Perea  
Director of Administrative Svcs.

January 22, 2018

Mr. Jason Weeks, Manager of Water Resources  
Water Replenishment District  
Of Southern California  
4040 Paramount Boulevard  
Lakewood, CA 90712

**Subject: Water Rights Lease Agreement from Puente Basin Water Agency to  
Bellflower-Somerset Mutual Water Co.**

Dear Mr. Weeks:

Puente Basin Water Agency has agreed to Lease water rights to the following:

- Bellflower-Somerset Mutual Water Co., 1,000 acre feet of Allowed Pumping Allocation for fiscal year 2017 – 2018.

Attached is the fully executed original Lease of Water Rights for your review and recording. Please provide us with a letter confirming this transaction.

If you have any questions. I can be reached at (562) 690-7148.

Yours truly,

Thomas L. Coleman  
General Manager

/rp  
Enclosure

cc: Mr. Michael Holmes, Administrative Officer, Puente Basin Water Agency

**LEASE OF WATER RIGHTS**

For a valuable consideration, PUENTE BASIN WATER AGENCY hereby grants to Bellflower Somerset Mutual Water Company a license to extract One Thousand (1,000) acre feet of Licensor's Allowed Pumping Allocation allocated to Licensor ( or predecessors in interest) under and pursuant to Judgment date October 11, 1965 and entered in Los Angeles Superior Court Case No. 786656, entitled "Central and West Basin Replenishment District vs. Charles E. Adams, et al." during the period commencing July 1, 2017 and continuing to and including June 30, 2018.

Said License is granted subject to the following conditions:

1. Licensee shall exercise said right and extract the same on behalf of Licensor during the period above specified and put the same to beneficial use and Licensee shall not by the exercise hereunder of said right acquire any right to extract water independent of the right of Licensor.
2. Licensee shall pay assessments levied on the pumping of said ground waters by the Water Replenishment District of Southern California.
3. Licensee shall notify the District and the Watermaster that said pumping was done pursuant to this license and provide the Watermaster with a copy of this document.
4. Licensee shall note, in any recording of water production for the period of agreement, that said pumping was done pursuant to this license.
5. Licensee's Allowed Pumping allocation shall **Not** be increased by the amount hereby leased when computing carryover or allowable overextraction as provided by Part III, Subpart, A and B in said Judgment.

PUENTE BASIN WATER AGENCY warrants that they have One Thousand (1,000) acre feet of Allowed Pumping Allocation and that they have not pumped and will not pump or permit or license any other person to pump any part of said One Thousand (1,000) acre feet during the period of July 1, 2017 through June 30, 2018.

Dated January 10, 2018

Puente Basin Water Agency

Bellflower - Somerset Mutual Water Co.

Date 1/10/18

Date 1/17/18

Print Name MICHAEL HOLMES

Print Name Steve Lenton

Sign MK Holmes

Sign [Signature]

Licensor: Puente Basin Water Agency

Licensee: Bellflower - Somerset MWC

Title ADMINISTRATIVE OFFICER

Title Executive Director