



- (3) Pomona Basin Regional Groundwater Project
  - a. Six Basins Groundwater Project Update
  - b. Update: Proposition 84
- (4) Central Basin Well
  - a. Central Basin Well Site Evaluation
- (5) Proposition 1 Integrated Regional Water Management Grant

- IX. PBWA's Proposed 2020 Meeting Schedule and Approval of Resolution No. 12-19-015 Noting Same (attachment) Chairman Lee
  - a. Discussion b. Action Taken
- X. Commission Follow-Up Mr. Hitchman
  - a. Discussion b. Action Taken
- XI. Commissioner Comments
  - a. Discussion b. Action Taken
- XII. Items for Future Discussion/Review Chairman Lee
  - a. Discussion b. Action Taken
- XIII. Attorney's Report
  - a. Legal Counsel will report on matters of interest or having an effect on the Agency
- XIV. Public Comment on Closed Session Chairman Lee
- XV. Closed Session
  - (1) CONFERENCE WITH REAL PROPERTY NEGOTIATOR [§54956.8]
    - Property: Acquisition and/or Lease
    - Negotiators: Tom Coleman, Erik Hitchman
    - 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 Water Rights
    - Negotiators: Tom Coleman, Erik Hitchman
    - 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
- XVI. Reconvene in Open Session
  - Report of action, if any, taken in Closed Session

- *Next Commission Meeting: To be scheduled*

Adjournment



December 12, 2019

TO: Board of Commissioners  
FROM: Brian Teuber  
RE: 2018-2019 Audited Financial Statements Prepared by Davis Farr

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### **Recommendation**

That the Commissioners receive, approve, and file:

- A. 2018-19 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 2018-2019 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, 2019

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**PUENTE BASIN WATER AGENCY**

**FINANCIAL STATEMENTS**

Year ended June 30, 2019

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## **INDEPENDENT AUDITOR'S REPORT**

Board of Commissioners  
Puente Basin Water Agency  
Walnut, California

### **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, 2019, 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 Agency'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 Agency'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, 2019 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 2018 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated November 5, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 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 is 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 November 8, 2019 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 "Davis Lee UP". The signature is written in a cursive, flowing style.

Irvine, California  
November 8, 2019

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**PUENTE BASIN WATER AGENCY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

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, 2019 and June 30, 2018. Please read it in conjunction with the basic financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

Fiscal Year 2019

- The Agency's net assets as of June 30, 2019 were \$33,285,149, an increase of \$4,505,285, or 15.7% over the prior year.
- Revenues totaled \$16,491,773 for the year, an increase of \$389,169 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 2019, the total of these pass-through costs was \$15,173,416 and is reflected in both the revenues and expenses of the Agency.
- Operating expenses for the year totaled \$17,474,328 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 \$17,859, were incurred related to the maintenance and management of the project facilities.
- During the year the Cal Domestic Project water reliability project produced 1,481 acre-feet of water. The costs related to the production of this water totaled \$1,692,541 for the year. These costs included the use of stored water in the amount of \$588,382, that was purchased and paid for in prior years.
- The Agency recorded an additional \$1,703,708 and \$1,990,438 in construction costs related to the Pathfinder Project and Pomona Basin Project respectively, which is currently being constructed and is reflected in the Agency's Construction in Progress account.
- The Agency entered into a 20-year lease with the City of La Verne in 2018 for land and an old well site, which was recorded as a capital lease. The value of the lease is recorded at the value of the future minimum lease payments in the amount of \$1,779,919.

Fiscal Year 2018

- The Agency's net assets as of June 30, 2018 were \$28,779,864, a decrease of \$352,117, or 1.2% over the prior year.
- Revenues totaled \$16,102,604 for the year, a decrease of \$5,735,162 from the prior year.

**PUENTE BASIN WATER AGENCY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

- 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 2018, the total of these pass-through costs was \$14,742,678 and is reflected in both the revenues and expenses of the Agency.
- Operating expenses for the year totaled \$16,978,471 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 \$1,307, were incurred related to the maintenance and management of the project facilities.
- During the year the Cal Domestic Project water reliability project produced 1,804 acre-feet of water. The costs related to the production of this water totaled \$1,638,246 for the year. These costs included the use of stored water in the amount of \$588,382, that was purchased and paid for in prior years.
- The Agency recorded an additional \$186,327 and \$329,153 in construction costs related to the Pomona Basin Project and Pathfinder Project respectively, which is currently being constructed and is reflected in the Agency's Construction in Progress account.
- The Agency entered into a 20-year lease with the City of La Verne for land and an old well site, which was recorded as a capital lease. The value of the lease was recorded at the value of the future minimum lease payments in the amount of \$1,841,213.

**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, 2019 and 2018. 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, 2019 and 2018 the Agency had net assets, assets in excess of liabilities, of \$33,285,149 and \$28,779,864, 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

**PUENTE BASIN WATER AGENCY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

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, 2019 and 2018, was \$4,505,285 and \$(352,117), 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, 2019, cash and cash equivalents totaled \$1,633,112 an increase of \$625,087 from the previous fiscal year.

**FINANCIAL ANALYSIS OF THE AGENCY**

Our analysis of the Agency begins on page 13 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.

**PUENTE BASIN WATER AGENCY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

**Statements of Net Assets**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

Table A-1  
Condensed Statements of Net Assets

|                                  | Fiscal Year<br>2019 | Fiscal Year<br>2018 | Dollar<br>Change   | Fiscal Year<br>2017 | Dollar<br>Change   |
|----------------------------------|---------------------|---------------------|--------------------|---------------------|--------------------|
| <b>Assets:</b>                   |                     |                     |                    |                     |                    |
| Cash & Investments               | \$ 1,633,112        | \$ 1,008,025        | \$ 625,087         | \$ 757,020          | \$ 251,005         |
| Accounts Receivable              | 3,837,490           | 3,102,215           | 735,275            | 2,947,441           | 154,774            |
| Grant Receivable                 | 1,876,000           | 27,518              | 1,848,482          | 27,518              | 0                  |
| Interest Receivable              | 154,637             | 156,980             | (2,343)            | 154,004             | 2,976              |
| Installment Purchase Receivable  | 32,285,000          | 33,195,000          | (910,000)          | 34,065,000          | (870,000)          |
| Prepaid Water/Stored Water       | 6,080,786           | 6,861,294           | (780,508)          | 7,541,476           | (680,182)          |
| Capital Assets                   | 26,059,055          | 22,741,862          | 3,317,193          | 20,703,199          | 2,038,663          |
| Total Assets                     | <u>71,926,080</u>   | <u>67,092,894</u>   | <u>4,833,186</u>   | <u>66,195,658</u>   | <u>897,236</u>     |
| <b>Liabilities:</b>              |                     |                     |                    |                     |                    |
| Accounts Payable                 | 4,425,981           | 3,156,515           | 1,269,466          | 2,844,673           | 311,842            |
| Interest Payable                 | 150,030             | 153,635             | (3,605)            | 154,004             | (369)              |
| Long-Term Debt                   | 34,064,920          | 35,002,880          | (937,960)          | 34,065,000          | 937,880            |
| Total Liabilities                | <u>38,640,931</u>   | <u>38,313,030</u>   | <u>327,901</u>     | <u>37,063,677</u>   | <u>1,249,353</u>   |
| <b>Net Assets:</b>               |                     |                     |                    |                     |                    |
| Net Investment in Capital Assets | 24,279,136          | 20,933,982          | 3,345,154          | 20,703,199          | 230,783            |
| Unrestricted                     | 9,006,013           | 7,845,882           | 1,160,131          | 8,428,782           | (582,900)          |
| Total Net Assets                 | <u>\$33,285,149</u> | <u>\$28,779,864</u> | <u>\$4,505,285</u> | <u>\$29,131,981</u> | <u>\$(352,117)</u> |

As seen from Table A-1, the Agency's net assets exceeded liabilities by \$33,285,149 and \$28,779,864 for the fiscal years ending June 30, 2019 and 2018, respectively.

By far, the largest component of net assets is the Agency's net investment in capital assets, which increased \$3,345,154 from the prior year. This increase was due primarily to the recognition of capital costs, attributable to the water supply reliability projects, which totaled \$3,694,146 for the year. As of June 30, 2019, the balance of the Construction in Progress account was \$5,835,394.

In 2018, the Agency's net investment in capital assets increased \$230,783 from the prior year. This increase was due to the recognition of capital costs, attributable to the water supply reliability project which totaled \$515,480 for the year. As of June 30, 2018, the balance of the Construction in Progress account was \$2,141,249.

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

**PUENTE BASIN WATER AGENCY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

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, 2019, the balance of the installment purchase receivable and related liability was \$32,285,000.

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

Fiscal Year 2019 – Revenues and Expenses

For fiscal year 2019 the Agency had total operating revenues of \$16,491,773, an increase of \$389,169 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 \$15,173,416, an increase of \$430,738 from the prior year. In addition, the Cal Domestic project produced 1,481 acre-feet of water during the year. A total of \$1,010,002 was collected from the Districts to cover the costs related to the production of this water, a decrease of \$83,522 from prior year. 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 \$220,965, an increase of \$25,543 over the prior year. During the year, the Agency leased water to three agencies amounting to \$67,500 in revenue. 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 \$1,491,971.

For fiscal year 2019, the Agency had total operating expenses of \$17,474,328, an increase of \$495,857 from the prior year. As discussed above, the most significant costs were attributable to the purchase and production of water, which totaled \$16,856,600 for the year, an increase of \$415,880 from the prior year.

Capital contributions for the year totaled \$5,542,628. Capital contributions included the money paid by each member agency and grant revenue for alternative water supply projects.

Fiscal Year 2018 – Revenues and Expenses

For fiscal year 2018 the Agency had total revenues of \$16,102,604, a decrease of \$5,735,162 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 \$14,742,678, a decrease of \$6,464,698 from the prior year. In addition, the Cal Domestic project produced 1,804 acre-feet of water during the year. A total of \$1,093,524 was collected from the Districts to cover the costs related to the production of this water, an increase of \$618,328 from prior year. Member assessments vary from year to year and represent payments received from the Districts to cover the other general and

**PUENTE BASIN WATER AGENCY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

administrative costs incurred by the Agency. For the year, member assessments totaled \$186,402, an increase of \$31,208 over the prior year. During the year, the Agency leased water to three agencies amounting to \$80,000 in revenue. 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 \$1,507,692.

For fiscal year 2018, the Agency had total operating expenses of \$16,978,471, a decrease of \$5,036,253 from the prior year. As discussed above, the most significant costs were attributable to the purchase and production of water, which totaled \$16,440,720 for the year, a decrease of \$5,299,545 from the prior year. Professional services for the year totaled \$79,511, an increase of \$12,147 from fiscal year 2017. This increase was expected, as the Agency incurred more costs for consultant fees related to government relations services.

Capital contributions for the year totaled \$515,480. Capital contributions included the money paid by each member agency for alternative water supply projects.

Table A-2  
Condensed Statements of Revenues, Expenses and Changes in Net Assets

|                                 | Fiscal Year<br>2019 | Fiscal Year<br>2018 | Dollar<br>Change | Fiscal Year<br>2017 | Dollar<br>Change |
|---------------------------------|---------------------|---------------------|------------------|---------------------|------------------|
| <b>Revenues:</b>                |                     |                     |                  |                     |                  |
| Sale of Water (TVMWD)           | \$ 15,173,416       | \$ 14,742,678       | \$ 430,738       | \$ 21,207,376       | \$ (6,464,698)   |
| Sale of Water (Project)         | 1,010,002           | 1,093,524           | (83,522)         | 475,196             | 618,328          |
| Member Assessments              | 210,891             | 186,402             | 24,489           | 155,194             | 31,208           |
| Other                           | 97,464              | 80,000              | 17,464           | -                   | 80,000           |
| Total Operating Revenues        | 16,491,773          | 16,102,604          | 389,169          | 21,837,766          | (5,735,162)      |
| Interest Income                 | 1,491,971           | 1,515,962           | (23,991)         | 1,387,763           | 128,199          |
| Total Revenues                  | 17,983,744          | 17,618,566          | 365,178          | 23,225,529          | (5,606,963)      |
| <b>Expenses:</b>                |                     |                     |                  |                     |                  |
| Water Supply (TVMWD)            | 15,171,357          | 14,740,618          | 430,739          | 21,207,376          | (6,466,758)      |
| Water Supply (Project)          | 1,710,400           | 1,731,353           | (20,953)         | 532,889             | 1,198,464        |
| Legal                           | 104,745             | 16,709              | 88,036           | 43,115              | (26,406)         |
| Accounting                      | 9,040               | 7,802               | 1,238            | 7,650               | 152              |
| Engineering                     | 1,543               | 21,955              | (20,412)         | 1,423               | 20,532           |
| Administrative                  | 42,774              | 42,493              | 281              | 35,642              | 6,851            |
| Professional Services           | 57,516              | 79,511              | (21,995)         | 67,364              | 12,147           |
| Depreciation                    | 376,953             | 318,030             | 58,923           | 119,265             | 198,765          |
| Total Operating Expenses        | 17,474,328          | 16,958,471          | 515,857          | 22,014,724          | (5,056,253)      |
| Non-Operating: Interest Expense | 1,546,759           | 1,507,692           | 39,067           | 1,387,763           | 119,929          |
| Total Expenses                  | 19,021,087          | 18,466,163          | 554,924          | 23,402,487          | (4,936,324)      |
| Net Income (Loss)               | (1,037,343)         | (847,597)           | (189,746)        | (176,958)           | (670,639)        |
| Capital Contributions           | 5,542,628           | 515,480             | 5,027,148        | 741,996             | (226,516)        |
| Changes in Net Assets           | 4,505,285           | (332,117)           | 4,837,402        | 565,038             | (897,155)        |
| Net Assets, Beg. of Year        | 28,779,864          | 29,131,981          | (352,117)        | 28,566,943          | 565,038          |
| Net Assets, End of Year         | \$ 33,285,149       | \$ 28,799,864       | \$ 4,485,285     | \$ 29,131,981       | \$ (332,117)     |

**PUENTE BASIN WATER AGENCY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

**Capital Asset Administration**

As of June 30, 2019, the Agency had invested \$26,059,055 in capital assets, an increase of \$3,317,193 from the prior fiscal year. These assets were comprised of construction in progress capital assets related to several alternative water supply projects.

**Debt Administration**

Table A-3  
Long-Term Debt

|  | Fiscal Year<br>2019  | Fiscal Year<br>2018  | Dollar<br>Change    | Fiscal Year<br>2017  | Dollar<br>Change  |
|--|----------------------|----------------------|---------------------|----------------------|-------------------|
| Long Term Debt:                                  |                      |                      |                     |                      |                   |
| 2012 Series A Water Revenue Bonds (RWD Project)  | \$ 17,395,000        | \$ 17,840,000        | \$ (445,000)        | \$ 18,265,000        | \$ (425,000)      |
| 2013 Series A Water Revenue Bonds (WVWD Project) | \$ 14,890,000        | \$ 15,355,000        | \$ (465,000)        | \$ 15,800,000        | \$ (445,000)      |
| Capital Lease                                    | \$ 1,779,919         | \$ 1,807,880         | \$ (27,961)         | \$ -                 | \$ 1,807,880      |
| Total Long-Term Debt                             | <u>\$ 34,064,919</u> | <u>\$ 35,002,880</u> | <u>\$ (937,961)</u> | <u>\$ 34,065,000</u> | <u>\$ 937,880</u> |

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

Table A-4  
Fiscal Year 2020 Budget vs. Fiscal Year 2019 Actual

|                             | Budget<br>2020       | Actual<br>2019       | Dollar<br>Change   |
|-----------------------------|----------------------|----------------------|--------------------|
| Revenues:                   |                      |                      |                    |
| Sale of Water (TVMWD)       | \$ 13,881,600        | \$ 15,173,416        | \$ (1,291,816)     |
| Sale of Water (Project)     | 2,150,130            | 1,029,892            | 1,120,238          |
| Member Assessments          | 283,040              | 210,891              | 72,149             |
| Other                       | 10,000               | 87,419               | (77,419)           |
| Total Operating Revenues    | 16,324,770           | 16,501,618           | (176,848)          |
| Use of Stored Water         | 1,614,350            | 780,508              | 833,842            |
| Total                       | <u>\$ 17,939,120</u> | <u>\$ 17,282,126</u> | <u>\$ 656,994</u>  |
| Expenses:                   |                      |                      |                    |
| Water Supply (TVMWD)        | \$ 13,881,600        | \$ 15,173,416        | \$ (1,291,816)     |
| Water Supply (Project)      | 3,646,480            | 1,710,400            | 1,936,080          |
| Legal                       | 100,000              | 104,745              | (4,745)            |
| Accounting                  | 8,040                | 9,040                | (1,000)            |
| Engineering                 | 5,000                | 1,543                | 3,457              |
| Professional Service        | 125,000              | 57,516               | 67,484             |
| Administrative Expenses     | 45,000               | 40,714               | 4,286              |
| Lease Agreement - Old Baldy | 103,000              | 100,000              | 3,000              |
| Total Operating Expenses    | <u>\$ 17,914,120</u> | <u>\$ 17,197,374</u> | <u>\$ 716,746</u>  |
| Net Income                  | <u>\$ 25,000</u>     | <u>\$ 84,752</u>     | <u>\$ (59,752)</u> |

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**PUENTE BASIN WATER AGENCY**  
**STATEMENT OF NET POSITION**  
**June 30, 2019**  
**(with comparative information for prior year)**

|  | <u>2019</u>          | <u>2018</u>       |
|--|----------------------|-------------------|
| <b>CURRENT ASSETS:</b>                                 |                      |                   |
| Cash and investments (note 2)                          | \$ 1,633,112         | 1,008,025         |
| Accounts receivable                                    |                      |                   |
| WVWD   | 2,678,848            | 2,089,801         |
| RWD  | 1,141,142            | 957,414           |
| Other  | 17,500               | 55,000            |
| Grants receivable                                      | 1,876,000            | 27,518            |
| Interest receivable                                    | 154,637              | 156,980           |
| Installment purchase receivable - current (note 3)     | 950,000              | 910,000           |
| Stored water   | <u>6,080,786</u>     | <u>6,861,294</u>  |
| <b>TOTAL CURRENT ASSETS</b>                            | <u>14,532,025</u>    | <u>12,066,032</u> |
| <b>CAPITAL ASSETS (note 4):</b>                        |                      |                   |
| Capital assets not being depreciated                   | 16,238,348           | 12,544,202        |
| Capital assets being depreciated                       | 10,714,539           | 10,714,539        |
| Less accumulated depreciation                          | <u>(893,832)</u>     | <u>(516,879)</u>  |
| <b>TOTAL CAPITAL ASSETS</b>                            | <u>26,059,055</u>    | <u>22,741,862</u> |
| <b>NON CURRENT ASSETS</b>                              |                      |                   |
| Installment purchase receivable - non current (note 3) | <u>31,335,000</u>    | <u>32,285,000</u> |
| <b>TOTAL NON CURRENT ASSETS</b>                        | <u>31,335,000</u>    | <u>32,285,000</u> |
| <b>TOTAL ASSETS</b>                                    | <u>71,926,080</u>    | <u>67,092,894</u> |
| <b>CURRENT LIABILITIES:</b>                            |                      |                   |
| Accounts payable                                       | 4,425,981            | 3,156,515         |
| Interest payable                                       | 150,030              | 153,635           |
| Current portion of long-term debt (note 5)             | <u>983,122</u>       | <u>937,961</u>    |
| <b>TOTAL CURRENT LIABILITIES</b>                       | <u>5,559,133</u>     | <u>4,248,111</u>  |
| <b>LONG-TERM DEBT (note 5)</b>                         | <u>33,081,798</u>    | <u>34,064,919</u> |
| <b>TOTAL LIABILITIES</b>                               | <u>38,640,931</u>    | <u>38,313,030</u> |
| <b>NET POSITION:</b>                                   |                      |                   |
| Net investment in capital assets                       | 24,279,136           | 20,933,982        |
| Unrestricted   | <u>9,006,013</u>     | <u>7,845,882</u>  |
| <b>TOTAL NET POSITION</b>                              | <u>\$ 33,285,149</u> | <u>28,779,864</u> |

**PUENTE BASIN WATER AGENCY**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**Year Ended June 30, 2019**  
**(with comparative information for prior year)**

|  | <u>2019</u>          | <u>2018</u>       |
|--|----------------------|-------------------|
| OPERATING REVENUES:                        |                      |                   |
| Sale of water to member agencies           | \$ 16,176,013        | 15,827,182        |
| Member assessments                         | 220,965              | 195,422           |
| Water leases                               | 67,500               | 80,000            |
| Other revenue                              | 27,295               | -                 |
|  | <u>16,491,773</u>    | <u>16,102,604</u> |
| OPERATING EXPENSES:                        |                      |                   |
| Water supply                               | 16,856,600           | 16,440,720        |
| Legal                                      | 104,745              | 36,709            |
| Accounting                                 | 9,040                | 7,802             |
| Engineering                                | 1,543                | 21,955            |
| Administrative                             | 42,774               | 42,493            |
| Professional services                      | 57,516               | 79,511            |
| Other expenses                             | 25,157               | 31,251            |
| Depreciation                               | 376,953              | 318,030           |
|  | <u>17,474,328</u>    | <u>16,978,471</u> |
| OPERATING INCOME (LOSS)                    | <u>(982,555)</u>     | <u>(875,867)</u>  |
| NONOPERATING REVENUES (EXPENSES):          |                      |                   |
| Interest revenue                           | 1,491,971            | 1,515,962         |
| Interest expense                           | (1,546,759)          | (1,507,692)       |
|  | <u>(54,788)</u>      | <u>8,270</u>      |
| INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS | (1,037,343)          | (867,597)         |
| CAPITAL CONTRIBUTIONS:                     |                      |                   |
| Capital contributions from RWD             | 1,847,073            | 257,740           |
| Capital contributions from WVWD            | 1,847,073            | 257,740           |
| Capital contributions from grants          | 1,848,482            | -                 |
|  | <u>4,505,285</u>     | <u>(352,117)</u>  |
| CHANGE IN NET POSITION                     | 4,505,285            | (352,117)         |
| NET POSITION - BEGINNING OF YEAR           | <u>28,779,864</u>    | <u>29,131,981</u> |
| NET POSITION - END OF YEAR                 | <u>\$ 33,285,149</u> | <u>28,779,864</u> |

**PUENTE BASIN WATER AGENCY**  
**STATEMENT OF CASH FLOWS**  
**Year Ended June 30, 2019**  
**(with comparative information for prior year)**

|   | <u>2019</u>         | <u>2018</u>      |
|---|---------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES:   |                     |                  |
| Cash received for water sales   | \$ 16,956,521       | 15,965,300       |
| Receipts from members for operations  | 147,012             | 195,422          |
| Water purchases   | (16,856,600)        | (15,760,538)     |
| Payments to suppliers for other goods and services  | (382,602)           | (219,721)        |
| Sale of water leases  | <u>67,500</u>       | <u>80,000</u>    |
| NET CASH PROVIDED (USED)<br>BY OPERATING ACTIVITIES   | <u>(68,169)</u>     | <u>260,463</u>   |
| CASH FLOWS FROM CAPITAL AND<br>RELATED FINANCING ACTIVITIES:                                      |                     |                  |
| Receipts from members for capital activities  | 3,694,146           | 515,480          |
| Payments for the acquisition of capital assets  | <u>(3,016,880)</u>  | <u>(529,863)</u> |
| NET CASH PROVIDED (USED) BY CAPITAL<br>AND RELATED FINANCING ACTIVITIES                           | <u>677,266</u>      | <u>(14,383)</u>  |
| CASH FLOWS FROM INVESTING ACTIVITIES  |                     |                  |
| Interest received on cash and investments   | <u>15,990</u>       | <u>4,925</u>     |
| NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES  | <u>15,990</u>       | <u>4,925</u>     |
| CASH AND CASH EQUIVALENTS - BEGINNING<br>OF YEAR  | <u>1,008,025</u>    | <u>757,020</u>   |
| CASH AND CASH EQUIVALENTS - END OF YEAR   | <u>\$ 1,633,112</u> | <u>1,008,025</u> |
| RECONCILIATION OF OPERATING INCOME TO NET<br>CASH PROVIDED (USED) BY OPERATING ACTIVITIES:        |                     |                  |
| Operating income (loss)   | <u>\$ (982,555)</u> | <u>(875,867)</u> |
| Adjustments to reconcile operating income to net cash<br>provided (used) by operating activities: |                     |                  |
| Depreciation  | 376,953             | 318,030          |
| Changes in assets and liabilities:  |                     |                  |
| (Increase) decrease in accounts receivable  | (735,275)           | (154,774)        |
| (Increase) decrease in prepaid water  | -                   | 91,801           |
| (Increase) decrease in stored water   | 780,508             | 588,381          |
| Increase (decrease) in accounts payable   | <u>492,200</u>      | <u>292,892</u>   |
| Total adjustments   | <u>914,386</u>      | <u>1,136,330</u> |
| NET CASH PROVIDED (USED) BY<br>OPERATING ACTIVITIES   | <u>\$ (68,169)</u>  | <u>260,463</u>   |
| Noncash investing, capital and financing activities:  |                     |                  |
| Member remittance of funds to bond service agent  | <u>\$ 2,388,325</u> | <u>2,381,300</u> |
| Capital assets acquired with capital lease  | <u>\$ -</u>         | <u>1,841,214</u> |

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## 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 (RWD) and Walnut Valley Water District(WVWD). 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.

## PUENTE BASIN WATER AGENCY

### NOTES TO BASIC FINANCIAL STATEMENTS

#### 1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 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.

E. Cash and Cash Equivalents:

For purposes of the statement of cash flows, 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**

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

H. Net Position:

In the Statement of Net Position, net position is classified in the following categories:

Net Investment in Capital Assets - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position - This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Position - This amount is all net positions that do not meet the definitions of "net investment in capital assets" or "restricted net position".

When both restricted and unrestricted resources are available for use, the Agency may use restricted resources or unrestricted resources based on the Board's discretion.

I. Prior Year Comparative Information:

Certain data has been presented for the prior year. Such data does not represent a complete presentation in accordance with generally accepted accounting principles but has been presented for comparative purposes only.

**2. CASH AND INVESTMENTS**

Cash and investments as of June 30, 2019 consisted of the following:

|                            |                     |
|----------------------------|---------------------|
| Deposits                   | \$ 912,197          |
| Investments                | 720,915             |
| Total cash and investments | <u>\$ 1,633,112</u> |

**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.

**PUENTE BASIN WATER AGENCY**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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

| <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

**Investment in State Investment Pool**

The Agency is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the Agency's investment in this pool is reported in the accompanying financial statements at amounts based upon the Agency's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded at fair value. The amount recorded in the State Investment Pool at June 30, 2019 is \$720,915. The Agency's investment in LAIF is considered to mature within twelve months or less and is not rated.

**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 Agency'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, 2019 are \$17,395,000 and \$14,890,000, respectively.

**PUENTE BASIN WATER AGENCY**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**4. CAPITAL ASSETS**

Changes in capital assets for the year ended June 30, 2019 are as follows:

|   | <u>Balance at<br/>July 1, 2018</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance at<br/>July 1, 2019</u> |
|---|------------------------------------|------------------|------------------|------------------------------------|
| Capital assets, not being depreciated:      |                                    |                  |                  |                                    |
| Construction in progress                    | \$ 2,141,248                       | 3,694,146        | -                | 5,835,394                          |
| Water rights                                | 10,402,954                         | -                | -                | 10,402,954                         |
| Total capital assets, not being depreciated | <u>12,544,202</u>                  | <u>3,694,146</u> | <u>-</u>         | <u>16,238,348</u>                  |
| Capital assets, being depreciated:          |                                    |                  |                  |                                    |
| Old Baldy well *                            | 1,841,214                          | -                | -                | 1,841,214                          |
| Pumping structure                           | 8,873,325                          | -                | -                | 8,873,325                          |
| Total capital assets, being depreciated     | <u>10,714,539</u>                  | <u>-</u>         | <u>-</u>         | <u>10,714,539</u>                  |
| Less accumulated depreciation:              |                                    |                  |                  |                                    |
| *Old Baldy well                             | (29,458)                           | (88,379)         | -                | (117,837)                          |
| Pumping structure                           | (487,421)                          | (288,574)        | -                | (775,995)                          |
| Total accumulated depreciation              | <u>(516,879)</u>                   | <u>(376,953)</u> | <u>-</u>         | <u>(893,832)</u>                   |
| Total capital assets being depreciated, net | <u>10,197,660</u>                  | <u>(376,953)</u> | <u>-</u>         | <u>9,820,707</u>                   |
| Total capital assets                        | <u>\$ 22,741,862</u>               | <u>3,317,193</u> | <u>-</u>         | <u>26,059,055</u>                  |

\*See note 5 for Capital Leases

**5. LONG-TERM DEBT**

The changes in long-term debt for the year ended June 30, 2019, is as follows:

|  | <u>Balance<br/>7/1/2018</u> | <u>Additions</u> | <u>Retirements</u> | <u>Balance<br/>6/30/2019</u> | <u>Due Within<br/>One Year</u> |
|--|-----------------------------|------------------|--------------------|------------------------------|--------------------------------|
| 2012 Series A Water Revenue Bonds (RWD Project)  | \$ 17,840,000               | -                | (445,000)          | 17,395,000                   | 460,000                        |
| 2013 Series A Water Revenue Bonds (WVWD Project) | 15,355,000                  | -                | (465,000)          | 14,890,000                   | 490,000                        |
| Capital Lease                                    | 1,807,880                   | -                | (27,960)           | 1,779,920                    | 33,122                         |
| Total long-term debt                             | <u>\$ 35,002,880</u>        | <u>-</u>         | <u>(937,960)</u>   | <u>34,064,920</u>            | <u>983,122</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 is being recorded and amortized over the life of the debt service by RWD, since RWD received the proceeds and premium. 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 is being recorded and amortized over the life of the debt service by WVWD, since WVWD received the proceeds and premium. 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<br><u>June 30</u> | 2012 Series A Water Revenue Bonds<br>(Rowland<br>Water District Project) |                   | 2013 Series A Water Revenue<br>Bonds (Walnut Valley Water<br>District Project) |                  |
|-------------------------------|--|-------------------|--|------------------|
|                               | <u>Principal</u>   | <u>Interest</u>   | <u>Principal</u>   | <u>Interest</u>  |
| 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                          | 515,000  | 636,400           | 565,000  | 667,750          |
| 2024                          | 540,000  | 615,300           | 595,000  | 639,500          |
| 2025-2029                     | 3,005,000  | 2,757,625         | 3,435,000  | 2,722,000        |
| 2030-2034                     | 3,515,000  | 2,252,031         | 4,390,000  | 1,772,250        |
| 2035-2039                     | 4,205,000  | 1,563,844         | 4,370,000  | 559,500          |
| 2040-2043                     | 4,185,000  | 431,375           | -  | -                |
| Total payments                | <u>\$ 17,395,000</u>   | <u>10,283,875</u> | <u>14,890,000</u>  | <u>8,520,000</u> |

**Capital Leases**

On January 24, 2018 the Agency entered into a lease agreement for the use of a well. This lease qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the value of the future minimum lease payments as of the inception date in the amount of \$1,841,213. The lease is payable in semiannual payments of \$50,000, adjusted every July 1 for the Consumer Price Index for All Urban Consumers for the Los Angeles-Riverside-Orange County, California Area published by the Bureau of Labor Statistics for the preceding year, through July 31, 2039 at an annual interest rate of four percent.

**PUENTE BASIN WATER AGENCY**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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

The future minimum lease obligations and the value of these minimum lease payments as of June 30, 2019 were as follows:

| Year Ending<br><u>June 30</u> | <u>Principal</u>    | <u>Interest</u> |
|-------------------------------|---------------------|-----------------|
| 2020                          | \$ 32,122           | 70,878          |
| 2021                          | 36,540              | 69,550          |
| 2022                          | 41,231              | 68,042          |
| 2023                          | 46,207              | 66,344          |
| 2024                          | 51,484              | 64,443          |
| 2025-2029                     | 348,190             | 285,749         |
| 2030-2034                     | 534,742             | 200,167         |
| 2035-2039                     | <u>689,404</u>      | <u>72,251</u>   |
| Total payments                | <u>\$ 1,779,919</u> | <u>897,424</u>  |

**6. NET POSITION**

Changes in net position by member during the fiscal year ended June 30, 2019 was as follows:

|  | <u>Walnut Valley<br/>Water District</u> | <u>Rowland<br/>Water District</u> | <u>Total</u>      |
|--|---|-----------------------------------|-------------------|
| Net position June 30, 2018   | \$ 14,389,932                           | 14,389,932                        | 28,779,864        |
| Change in net position:  |   |                                   |                   |
| Capital contributions  | 1,847,073                               | 1,847,073                         | 3,694,146         |
| Share of joint venture gain<br>before member capital contributions | <u>405,570</u>                          | <u>405,569</u>                    | <u>811,139</u>    |
| Change in net position   | <u>2,252,643</u>                        | <u>2,252,642</u>                  | <u>4,505,285</u>  |
| Net position June 30, 2019   | <u>\$ 16,642,575</u>                    | <u>16,642,574</u>                 | <u>33,285,149</u> |

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**SUPPLEMENTARY INFORMATION**

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**PUENTE BASIN WATER AGENCY**  
**SUPPLEMENTARY INFORMATION**

June 30, 2019

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 13,336 acre-feet at June 30, 2019. 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.

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**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**

Board of Commissioners  
Puente Basin Water Agency  
Walnut, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Puente Basin Water Agency ("Agency"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated November 8, 2019.

**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

Board of Commissioners  
Puente Basin Water Agency  
Page Two

could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 Fan UP". The signature is written in a cursive, flowing style.

Irvine, California  
November 8, 2019

Board of Commissioners  
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, 2019 and the related statements of revenue, expenses and changes in net position 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 Commissioners in our engagement letter dated March 2, 2018 and our communication to the Finance Committee dated July 31, 2019.

#### *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. There were no new accounting standards implemented during the year. 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 such misstatements were detected during the audit.

*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 November 8, 2019.

*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 is 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 Commissioners 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.

*Davis Lee LLP*

Irvine, California  
November 8, 2019

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

**October 3, 2019  
At the Offices of the  
Rowland Water District**

**COMMISSIONERS PRESENT:**

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

**STAFF PRESENT:**

Erik Hitchman, Administrative Officer  
Jim Ciampa, Legal Counsel  
Carmen Fleming, Secretary

**COMMISSIONERS ABSENT:**

None

Staff, guests and others in attendance: Ms. Denise Jackman, Director at Three Valleys Municipal Water District; Mr. Tom Coleman, Rowland Water District.

The meeting was called to order at 7:01 a.m. with Chair Lee presiding.

**Item IV: Public Comment**

None.

**Item V: Approval of Minutes for August 8, 2019**

*Upon consideration thereof, it was moved by Commissioner Ebenkamp, seconded by Commissioner Lewis and unanimously carried (4-0) to approve the minutes of the Commission meeting held on August 8, 2019.*

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

**Item VI: Review of Financial Statements: Fourth Quarter FY 18-19**

- ◆ Mr. Hitchman reviewed the Fourth Quarter Fiscal Year 2018-19 financials.

*Upon consideration thereof, it was moved by Commissioner Lewis seconded by Commissioner Ebenkamp, and unanimously carried (4-0), to approve, receive and file the financials for the Fourth Quarter Fiscal Year 2018-19.*

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

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

(1) *California Domestic Water Company:*

- a. *Project Update:* Mr. Coleman reported that the Cal Domestic project continues be turned off. Staff is requesting a meeting with Cal Domestic staff to review the progress of their new well.

(2) *Pathfinder Road 20-inch Water Main Installation:*

- a. *Project Update:* Ms. Shaw reported that the paving and striping has been placed, and the project is complete.

(3) *Pomona Basin Regional Groundwater Project*

- a. *Six Basins Groundwater Project Update*: Ms. Shaw reported that staff is working with the contractor to continue the work on the project.
- b. *Update: Proposition 84*: Mr. Hitchman stated that we received authorization to submit invoicing for construction activity reimbursements. Staff is also submitting an extension request to continue the current agreement, set to expire at the end of the 2019.

(4) *Central Basin Well*

- a. *Central Basin Well Site Evaluation*: Mr. Coleman stated that staff is continuing to work on the project. A meeting was held with WRD's Staff, and Hydrogeologist to review findings and any known concerns regarding a potential well site.

An alternate solution will be discussed with the staff of San Gabriel Valley Water Company for potential well use.

(5) *Proposition 1 Integrated Regional Water Management Grant*

- a. *Project Update*: Mr. Hitchman reported that staff is continuing to work with Ms. Wendy La of LASER, Inc., on potential projects for which grant funding may be sought.

**Item VIII: Commission Follow-Up**

None.

**Item IX: Commissioner Comments**

Commissioners discussed the nationwide concerns of PFOS and PFOA.

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

None.

**Item XI: Attorney's Report**

- ◆ Mr. Ciampa briefed the Commission on significant legislative developments regarding safe drinking water funding issues and briefly reported on the Buried Utilities Coalition regarding AQMD Rule 1403 regarding asbestos-containing materials.

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

There were no requests to comment on closed session.

**Item XIII: Closed Session at 7:55 a.m.**

- (1) 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. Erik Hitchman. The negotiating parties are various property owners. 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 pertaining to the acquisition and/or lease of Central Basin water rights. The negotiators are Mr. Tom Coleman and Mr. Erik Hitchman. 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 met in closed session in accordance with Government Code 54956.9(d)(4) regarding anticipated litigation concerning one case.

- The Commission was briefed on the facts and circumstances of the potential case and no reportable action under the Brown Act was taken.

**Item XIV: Reconvene in Open Session at 8:12 a.m.** – see above for the closed session report concerning Items 1-3.

*Upon consideration thereof, it was moved by Commissioner Lewis, seconded by Commissioner Lima and unanimously carried (4-0), that due to a scheduling conflict the next Commission meeting date will be held December 12, 2019.*

**Adjournment – 8:16 a.m.**

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

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

DRAFT

# Puente Basin Water Agency

## FY 2019-20 Operating Results By Quarter

|    | 9/30/2019                                    | TOTAL            | Budget           |                   |
|----|--|------------------|------------------|-------------------|
| 1  | <b>Income</b>                                |                  |                  |                   |
| 2  | Administrative Assessment                    | \$ 57,545        | \$ 57,545        | \$ 283,040        |
| 3  | Water Sales - Project                        | 79,593           | 79,593           | 2,135,130         |
| 4  | Water Sales - TVMWD                          | 5,636,443        | 5,636,443        | 13,881,600        |
| 5  | Project Maintenance Reserve                  | -                | -                | 15,000            |
| 6  | Used of Stored/Leased Water                  | -                | -                | 1,614,350         |
| 7  | <b>Total Income</b>                          | <b>5,773,581</b> | <b>5,773,581</b> | <b>17,929,120</b> |
| 8  | <b>Expense</b>                               |                  |                  |                   |
| 9  | <b>Source of Supply</b>                      |                  |                  |                   |
| 10 | Purchased Water - TVMWD                      | 5,500,559        | 5,500,559        | 13,329,740        |
| 11 | Purchased Water - CDWC                       | -                | -                | 1,135,570         |
| 12 | Purchased Water - Stored Water               | -                | -                | 1,614,350         |
| 13 | Assessments - MSGBWM                         | -                | -                | 495,000           |
| 14 | <b>Total Source of Supply</b>                | <b>5,500,559</b> | <b>5,500,559</b> | <b>16,574,660</b> |
| 15 | <b>Fixed Charges</b>                         |                  |                  |                   |
| 16 | TVMWD Equivalent Small Meters                | 16,099           | 16,099           | 64,200            |
| 17 | TVMWD Water Use Charge                       | 18,822           | 18,822           | 73,400            |
| 18 | TVMWD Connected Capacity                     | 15,187           | 15,187           | 61,040            |
| 19 | MWD Capacity Reservation Charge              | 83,716           | 83,716           | 351,120           |
| 20 | CDWC Ready To Serve                          | 1,859            | 1,859            | 7,440             |
| 21 | <b>Total Fixed Charges</b>                   | <b>135,683</b>   | <b>135,683</b>   | <b>557,200</b>    |
| 22 | <b>Other Costs</b>                           |                  |                  |                   |
| 23 | Energy - Pumping and Treatment               | 20,225           | 20,225           | 300,000           |
| 24 | Materials & Supplies - Chemical              | 869              | 869              | 36,000            |
| 25 | Materials & Supplies - Others                | 2,109            | 2,109            | 19,000            |
| 26 | Other Costs (RWD Labor etc.)                 | 2,931            | 2,931            | 39,120            |
| 27 | Baldy Lease Agreement                        | 51,600           | 51,600           | 103,000           |
| 28 | Permits & Fees                               | 2,060            | 2,060            | 2,100             |
| 29 | <b>Total Other Costs</b>                     | <b>79,794</b>    | <b>79,794</b>    | <b>499,220</b>    |
| 30 | <b>Administrative &amp; General</b>          |                  |                  |                   |
| 31 | Legal  | 10,805           | 10,805           | 100,000           |
| 32 | Engineering                                  | -                | -                | 5,000             |
| 33 | Professional Services- Other                 | 34,615           | 34,615           | 125,000           |
| 34 | Insurance - Property & Liability             | -                | -                | 5,000             |
| 35 | Accounting                                   | 4,000            | 4,000            | 8,040             |
| 36 | Administrative Expenses - Other              | 8,126            | 8,126            | 40,000            |
| 37 | <b>Total Administrative &amp; General</b>    | <b>57,545</b>    | <b>57,545</b>    | <b>283,040</b>    |
| 38 | <b>Total Expense</b>                         | <b>5,773,581</b> | <b>5,773,581</b> | <b>17,914,120</b> |
| 39 | <b>Other Income/Expense</b>                  |                  |                  |                   |
| 40 | Leased Water Income                          | -                | -                |                   |
| 41 | LAIF Interest                                | -                | -                | 10,000            |
| 42 | Grant Revenue                                | -                | -                |                   |
| 43 | Other Income                                 | -                | -                |                   |
| 44 | <b>Net Other Income</b>                      | <b>-</b>         | <b>-</b>         | <b>10,000</b>     |
| 45 | <b>Net Income (Loss) Before Transfers</b>    | <b>-</b>         | <b>-</b>         | <b>25,000</b>     |
| 46 | Transfer In: Maint. Reserve Funds Used       | -                | -                | -                 |
| 47 | Transfer Out: Maint. Reserve Funds Collected | -                | -                | (15,000)          |
| 48 | <b>Net Income (Loss) After Transfers</b>     | <b>\$ -</b>      | <b>\$ -</b>      | <b>\$ 10,000</b>  |

| PBWA Maintenance Reserve |  | 9/30/2019         | Year to Date      | Budget            |
|--------------------------|--|-------------------|-------------------|-------------------|
| 49                       | Beginning Balance                        | \$ 140,599        | \$ 140,599        | \$ 140,599        |
| 50                       | Transfers In                             | -                 | -                 | 15,000            |
| 51                       | Transfers Out                            | -                 | -                 | -                 |
| 52                       | <b>Ending Balance September 30, 2019</b> | <b>\$ 140,599</b> | <b>\$ 140,599</b> | <b>\$ 155,599</b> |

# Puente Basin Water Agency

## FY 2019-20 Operating Results By Quarter

| Capital Projects |                          | 9/30/2019         | Year to Date      | Life to Date        |
|------------------|--------------------------|-------------------|-------------------|---------------------|
| 53               | <b>Revenues</b>          |                   |                   |                     |
| 54               | Member Assessment - RWD  | \$ 75,338         | \$ 75,338         | \$ 2,992,985        |
| 55               | Member Assessment - WWWD | 75,338            | 75,338            | \$ 2,992,985        |
| 56               | <b>Total Revenues</b>    | <b>150,677</b>    | <b>150,677</b>    | <b>\$ 5,985,971</b> |
| 57               | <b>Expenses</b>          |                   |                   |                     |
| 58               | Pathfinder               | 41,739            | 41,739            | \$ 2,074,600        |
| 59               | Pomona Basin             | 108,937           | 108,937           | \$ 3,911,471        |
| 60               | <b>Total Expenses</b>    | <b>\$ 150,677</b> | <b>\$ 150,677</b> | <b>\$ 5,986,071</b> |

| PBWA Stored Water |                             | 9/30/2019           | Year to Date        |
|-------------------|-----------------------------|---------------------|---------------------|
| 61                | <b>Stored Water (\$\$):</b> |                     |                     |
| 62                | Beginning Balance           | \$ 6,080,786        | \$ 6,080,786        |
| 63                | Add: Purchased Water        |                     | -                   |
| 64                | Less: Water Purchased       | -                   | -                   |
| 65                | <b>Ending Balance</b>       | <b>\$ 6,080,786</b> | <b>\$ 6,080,786</b> |
| 66                | <b>Stored Water (AF):</b>   |                     |                     |
| 67                | Beginning Balance           | 10,677              | 10,677              |
| 68                | Add: Purchased Water        | -                   | -                   |
| 69                | Less: Water Purchased       | -                   | -                   |
| 70                | <b>Ending Balance</b>       | <b>10,677</b>       | <b>10,677</b>       |

**PUENTE BASIN WATER AGENCY  
STATEMENT OF CASH FLOWS  
FY 2019-20**

|                             |                       |                                       |                 |                 |
|-----------------------------|-----------------------|---------------------------------------|-----------------|-----------------|
|                             |                       |                                       |                 |                 |
|                             |                       | BEGINNING BALANCE JULY 1, 2019        |                 | \$ 1,633,112.40 |
| <b><u>Deposits:</u></b>     |                       |                                       |                 |                 |
|                             |                       | Rowland                               | \$ 1,385,340.29 |                 |
|                             |                       | WVWD                                  | 4,329,278.04    |                 |
|                             |                       | Liberty Utilities                     | 17,500.00       |                 |
|                             |                       | Palmdale Water District               | 3,333.32        |                 |
|                             |                       | Valley County Water District          | 3,000.00        |                 |
|                             |                       | LAIF-Interest                         | 4,606.71        |                 |
|                             |                       | Subtotal Deposits                     | -               | 5,743,058.36    |
|                             |                       | Total Deposits                        |                 | 7,376,170.76    |
| <b><u>Disbursements</u></b> |                       |                                       |                 |                 |
| <b><u>Date</u></b>          | <b><u>Check #</u></b> | <b><u>Payee</u></b>                   |                 |                 |
| 07/12/19                    | 1432                  | ACWA/JPIA                             | (1,869.81)      |                 |
| 07/12/19                    | 1433                  | Brkich Construction Corp.             | (438,020.54)    |                 |
| 07/12/19                    | 1434                  | City of La Verne                      | (51,600.00)     |                 |
| 07/12/19                    | 1435                  | DavisFarr                             | (2,000.00)      |                 |
| 07/12/19                    | 1436                  | Doty Bros. Equipment                  | (256,604.50)    |                 |
| 07/12/19                    | 1437                  | Lagerlof, Senecal, Gosney & Kruse LLP | (1,710.00)      |                 |
| 07/12/19                    | 1438                  | LASER LLC                             | (5,138.28)      |                 |
| 07/12/19                    | 1439                  | Reeb Government Relations, LLC        | (6,000.00)      |                 |
| 07/12/19                    | 1440                  | Rowland Water District                | (63,963.80)     |                 |
| 07/12/19                    | 1441                  | Southern California Edison            | (2,550.28)      |                 |
| 07/12/19                    | 1442                  | TVMWD                                 | (1,329,632.07)  |                 |
| 07/12/19                    | 1443                  | Walnut Valley Water District          | (12.93)         |                 |
| 07/12/19                    | 1444                  | Woodard & Curran - RMC                | (1,325.78)      |                 |
| 07/24/19                    | 1445                  | Los Angeles County Public Works       | (62.30)         |                 |
| 07/24/19                    | 1446                  | Los Angeles County Public Works       | (62.30)         |                 |
| 08/08/19                    | 1448                  | Bank of America                       | (442.39)        |                 |
| 08/08/19                    | 1449                  | City of Diamond Bar                   | (426.74)        |                 |
| 08/08/19                    | 1450                  | Civiltec Engineering                  | (2,237.50)      |                 |
| 08/08/19                    | 1451                  | Doty Bros. Equipment                  | (82,641.45)     |                 |
| 08/08/19                    | 1452                  | Lagerlof, Senecal, Gosney & Kruse LLP | (900.00)        |                 |
| 08/08/19                    | 1453                  | Reeb Government Relations, LLC        | (6,000.00)      |                 |
| 08/08/19                    | 1454                  | Rowland Water District                | (3,948.08)      |                 |
| 08/21/19                    | 1455                  | Brkich Construction Corp.             | (23,916.44)     |                 |
| 08/21/19                    | 1456                  | Doty Bros. Equipment                  | (21,980.15)     |                 |
| 08/21/19                    | 1457                  | Inland Water Works                    | (489.46)        |                 |

**PUENTE BASIN WATER AGENCY**  
**STATEMENT OF CASH FLOWS**  
**FY 2019-20**

|          |      |                                       |                |                       |
|----------|------|---------------------------------------|----------------|-----------------------|
| 08/21/19 | 1458 | LASER LLC                             | (4,800.00)     |                       |
| 08/21/19 | 1459 | Rowland Water District                | (309.83)       |                       |
| 08/21/19 | 1460 | TVMWD                                 | (1,877,268.07) |                       |
| 08/21/19 | 1461 | Walnut Valley Water District          | (3,683.62)     |                       |
| 09/10/19 | 1462 | Ecotech Services                      | (1,900.00)     |                       |
| 09/10/19 | 1463 | Lagerlof, Senecal, Gosney & Kruse LLP | (240.00)       |                       |
| 09/10/19 | 1464 | Reeb Government Relations, LLC        | (6,000.00)     |                       |
| 09/10/19 | 1465 | Rowland Water District                | (2,680.96)     |                       |
| 09/10/19 | 1466 | San Gabriel Valley Watermaster        | (192,535.20)   |                       |
| 09/10/19 | 1467 | TVMWD                                 | (2,038,364.07) |                       |
|          |      | Total Disbursements                   |                | <u>(6,431,316.55)</u> |
|          |      | ENDING BALANCE SEPTEMBER 30, 2019     |                | \$ 944,854.21         |
|          |      |                                       |                |                       |
|          |      | LAIF                                  |                | \$ 219,332.31         |
|          |      | Checking                              |                | \$ 725,521.90         |
|          |      | Total Cash Balance                    |                | \$ 944,854.21         |



December 12, 2019

TO: Board of Commissioners  
FROM: Erik Hitchman, Administrative Officer  
RE: Consider Authorization of the 20" Water Transmission Main (P.N. PB17-0004) –  
Change Order No. 1

---

### **Recommendation**

Request the Board of Commissioners authorize the Administrative Officer to execute Change Order No. 1 for \$201,279.64 the subject project.

### **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.

As of today, Doty Bros. Equipment Co. (Doty) has completed the installation of approximately 8,765 linear feet of 20" steel pipe including appurtenances along Pathfinder Road between Fullerton Road and Nogales Street. Although existing utilities and field conditions were researched during the design phase, discrepancies were revealed during construction which included two conflicting sewer locations and unknown buried cement-treated base, rock, and groundwater at various locations. Due to a vertical conflict with the sewer line, Doty damaged and repaired one sewer line and made changes to the vertical alignment of the water line. In addition, the progress of Doty's work was impeded by the underground conditions previously mentioned and required by the Los Angeles County of Department of Public Works to restore the cement-treated base along with additional paving.

Change Order No. 1 includes these adjustments, as well as, permit fee reimbursement as allowed under Addendum No. 1.

*Attachments:*  
*Change Order No. 1*



CREATED BY A JOINT POWERS AGREEMENT BETWEEN  
ROWLAND WATER DISTRICT AND WALNUT VALLEY WATER DISTRICT

**CHANGE ORDER NO. 1**

**WATER TRANSMISSION SYSTEM  
20" Water Transmission Main  
Project No. PB17-0004**

Phil Dennis  
Doty Bros. Equipment Co.  
11232 E. Firestone Blvd.  
Norwalk, CA 90650

Dear Mr. Dennis:

The requirements under your labor contract for this project are hereby modified as follows:

- |   |             |
|---|-------------|
| 1. Reimburse costs for permit fees as allowed under Addendum #1..... Add  | \$38,497.00 |
| 2. Costs to replace cement treated base and additional paving ..... Add   | \$51,926.00 |
| 3. Costs to dewater groundwater infiltrating trench and pour concrete slurry plug to divert groundwater from trench at various locations..... Add | \$25,632.03 |
| 4. Costs to break and dig through cement treated base and rock ..... Add  | \$62,242.93 |
| 5. Costs to repair unmarked and unknown sewer line..... Add   | \$14,208.74 |
| 6. Costs to install water main deeper and center under existing sewer line due to conflict with sewer line and other utilities..... Add           | \$8,772.94  |

These changes add \$201,279.64 to your contract for a new contract total of \$1,497,516.64. The changes were requested on your Change Order Requests No. 1-5 and 7-9. Change Order Requests No. 6, 10 and 11 were removed.

All other conditions of the award shall be and remain the same. The foregoing modifications are hereby accepted.

DOTY BROS. EQUIPMENT CO.

PUENTE BASIN WATER AGENCY

By \_\_\_\_\_

By \_\_\_\_\_

Erik Hitchman, Administrative Officer

Title \_\_\_\_\_

Date \_\_\_\_\_

Date \_\_\_\_\_

EH:TD:cf

cc: Carmen Fleming  
Accounting

**RESOLUTION NO. 12-19-015**

**A RESOLUTION OF THE PUENTE BASIN WATER AGENCY ESTABLISHING  
CALENDAR YEAR 2020 MEETING SCHEDULE**

**WHEREAS**, the Board of Commissioners of the Puente Basin Water Agency (the “Commission”) is required to set an annual meeting calendar to establish dates and times to assist the Commissioners and staff with advance planning and scheduling of business; and

**WHEREAS**, in accordance with California Government Code Section 54954, the following calendar is established, notwithstanding the possible scheduling of additional meetings or meetings on alternative dates, as required upon proper notice under the Brown Act, and by proper motion and vote of the Commission,

**NOW, THEREFORE**, the Board of Commissioners of the Puente Basin Water Agency hereby adopts the following resolutions:

SECTION 1: The Commission establishes the following meeting schedule and meeting locations for the Calendar Year of 2020:

| <b>Date</b>       | <b>Time</b> | <b>Location</b>              |
|-------------------|-------------|------------------------------|
| February 6, 2019* | 7:00 a.m.   | Rowland Water District       |
| April 2, 2019**   | 7:00 a.m.   | Walnut Valley Water District |
| June 4, 2019      | 7:00 a.m.   | Rowland Water District       |
| August 6, 2019    | 7:00 a.m.   | Walnut Valley Water District |
| October 1, 2019   | 7:00 a.m.   | Rowland Water District       |
| December 10, 2019 | 7:00 a.m.   | Walnut Valley Water District |

\* *The annual meeting to designate Commission Officers, leadership, and staff positions.*

\*\* *The annual budget meeting shall be held no later than the third week of April*

SECTION 2: With proper notice during the year, meetings may be cancelled, rescheduled, or added as necessary pursuant to California law by motion duly approved by a majority of the Commissioners.

SECTION 3: The Secretary of the Commission shall certify to the adoption of this resolution.

**PASSED by roll call vote and ADOPTED this 12th day of December, 2019.**

Attest:

\_\_\_\_\_  
Chair, Puente Basin Water Agency

\_\_\_\_\_  
Secretary, Puente Basin Water Agency

\_\_\_\_\_  
Legal Counsel