



BOARD OF COMMISSIONERS MEETING AGENDA

Thursday, December 2, 2021
To begin at 7:00 A.M.

Pursuant to the provisions of Government Code Section 54953(e), as amended by AB 361, any Commissioner and any member of the public who desires to participate in the open session items of this meeting may do so by accessing the Webex link below without otherwise complying with the Brown Act's teleconference requirements.

<https://walnutvalley.webex.com/meet/bmeeting>

Join audio by phone at: (415) 655-0001

Access code: 146 176 8599

(Computer and Telephone Audio Accessible)

Any member of the public wishing to make any comments to the Commission may do so by accessing the above-referenced link where they may select the option to join via webcam or teleconference. The meeting Chair will acknowledge such individual(s) at the appropriate time in the meeting prior to making his or her comment. Members of the public will be disconnected from the meeting prior to the Closed Session.

NOTE: To comply with the Americans with Disabilities Act, if you need special assistance to participate in any Commission meeting, please contact the Administrative Officer's office at least 4 hours prior to a Commission meeting to inform the Agency of your needs and to determine if accommodation is feasible. Each item on the agenda shall be deemed to include any appropriate motion, resolution, or ordinance, to take action on any item.

Materials related to an item on this agenda submitted after distribution of the agenda packet are available for public review at <https://puentebasin.com/board-packets/>.

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|---|--|
| I. Welcome and Introductions | Chair Tang |
| II. Flag Salute | |
| III. Roll Call | Commissioner Lewis _____ Commissioner Lee _____
Commissioner Lima _____ Commissioner Tang _____ |
| IV. Public Comment | |
| The Chair may impose reasonable limitations on public comments to assure an orderly and timely meeting. | |
| V. Consider Adoption of Subsequent Resolution No. 12-21-020 - Authorizing Remote Teleconference Meetings for the Period of December 2, 2021 to January 1, 2022 (attachment) | Mr. Hitchman |
| a. Discussion | b. Action Taken |
| VI. 2020-21 Audited Financial Statements Prepared by Fedak & Brown (attachment) | Mr. Byerrum |
| a. Discussion | b. Action Taken |

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|-------|---|------------------------------|
| VII. | Approval of Minutes for October 7, 2021 (attachment) | Chair Tang |
| a. | Discussion | b. Action Taken |
| VIII. | Review of Financial Statements: First Quarter FY 21-22 (attachment) | Mr. Byerrum |
| a. | Discussion | b. Action Taken |
| IX. | Regional Water Supply Reliability Program Updates/Status: | Mr. Coleman/
Mr. Hitchman |
| (1) | California Domestic Water Company | |
| (2) | Pomona Basin Regional Groundwater Project | |
| a. | Six Basins Groundwater Project Update | |
| b. | Proposition 84 | |
| c. | Proposition 1 Integrated Regional Water Management Grant | |
| X. | PBWA's Proposed 2022 Meeting Schedule and Approval of Resolution No. 12-21-021 Noting Same (attachment) | Chair Tang |
| a. | Discussion | b. Action Taken |
| XI. | Commission Follow-Up (attachment) | Mr. Hitchman |
| a. | Discussion | b. Action Taken |
| XII. | Commissioner Comments | |
| a. | Discussion | b. Action Taken |
| XIII. | Items for Future Discussion/Review | Chair Tang |
| a. | Discussion | b. Action Taken |
| XIV. | Attorney's Report | |
| a. | Legal Counsel will report on matters of interest or having an effect on the Agency | |
| XV. | Public Comment on Closed Session | Chair Tang |
| XVI. | 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 | |
| XVII. | Reconvene in Open Session | |
| | Report of action, if any, taken in Closed Session | |
| | Adjournment | |

RESOLUTION NO. 12-21-020

A RESOLUTION OF THE COMMISSION OF THE PUENTE BASIN WATER AGENCY PROCLAIMING A STATE OF EMERGENCY PERSISTS, RE-RATIFYING THE PROCLAMATION OF A STATE OF EMERGENCY BY GOVERNOR GAVIN NEWSOM, AND RE-AUTHORIZING REMOTE TELECONFERENCE MEETINGS OF THE COMMISSION OF THE PUENTE BASIN WATER AGENCY FOR THE PERIOD DECEMBER 2, 2021 TO JANUARY 1, 2022 PURSUANT TO BROWN ACT PROVISIONS.

WHEREAS, the Puente Basin Water Agency (the “Agency”) is committed to preserving and nurturing public access and participation in its Commission’s meetings; and

WHEREAS, all meetings of the Agency’s Commission are open and public, as required by the Ralph M. Brown Act (California Government Code Sections 54950 – 54963), so that any member of the public may attend, participate, and watch those bodies conduct their business; and

WHEREAS, the Brown Act, in Government Code Section 54953(e), makes provision for remote teleconferencing participation in meetings by members of a legislative body, without compliance with the requirements of Government Code Section 54953(b)(3), subject to the existence of certain conditions; and

WHEREAS, a required condition for application of Section 54953(e) is that a state of emergency is declared by the Governor pursuant to Government Code Section 8625, proclaiming the existence of conditions of disaster or of extreme peril to the safety of persons and property within the state caused by conditions as described in Government Code Section 8558; and

WHEREAS, a proclamation is made when there is an actual incident, threat of disaster, or extreme peril to the safety of persons and property within the jurisdictions that are within the Agency’s boundaries, caused by natural, technological or human-caused disasters; and

WHEREAS, it is further required that state or local officials have imposed or recommended measures to promote social distancing, or, the legislative body meeting in person would present imminent risks to the health and safety of attendees; and

WHEREAS, the Agency’s Commission previously adopted a Resolution, Resolution No. 10-21-020 on October 7, 2021 finding that the requisite conditions exist for the Agency’s Commission to conduct remote teleconference meetings without compliance with paragraph (3) of subdivision (b) of Section 54953; and

WHEREAS, as a condition of extending the use of the provisions found in Section 54953(e), the Agency’s Commission must reconsider the circumstances of the state of emergency that exists in the Agency, and the Commission has done so; and

WHEREAS, emergency conditions persist in the Agency, specifically, COVID-19, and its Delta variant, remain highly contagious and, therefore, a threat to the health, safety and well-being of the Agency's employees, directors, vendors, contractors, customers and residents; and

WHEREAS, orders from the Los Angeles County Department of Public Health and regulations from the State of California impose limitations on gatherings and provide guidance on best practices with respect to actions to reduce the spread of COVID-19; and

WHEREAS, the Agency's Commission does hereby find that a state of emergency continues to exist within the Agency's service area as a result of the continuing presence of COVID-19 and resulting local, state and federal orders and guidance, which has caused, and will continue to cause, conditions of peril to the safety of persons within the Agency that are likely to be beyond the control of services, personnel, equipment, and facilities of the Agency, and the Commissioners desires to affirm a local emergency exists and re-ratify the proclamation of state of emergency by the Governor of the State of California; and

WHEREAS, as a consequence of the local emergency persisting, the Commission does hereby find that the Agency shall continue to conduct their meetings without compliance with paragraph (3) of subdivision (b) of Government Code Section 54953, as authorized by subdivision (e) of Section 54953, and that such legislative bodies shall continue to comply with the requirements to provide the public with access to the meetings as prescribed in paragraph (2) of subdivision (e) of Section 54953; and

WHEREAS, the Agency will continue to provide proper notice to the public regarding all Agency Commission meetings, in accordance with Government Code Section 54953(e)(2)(A) and shall provide notice to the public of how they may access any such meeting via call-in number and/or internet link.

NOW, THEREFORE, THE COMMISSION OF THE PUENTE BASIN WATER AGENCY DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. Recitals. The Recitals set forth above are true and correct and are incorporated into this Resolution by this reference.

Section 2. Affirmation that Local Emergency Persists. The Commission hereby considers the conditions of the state of emergency in the Agency and proclaims that a local emergency now exists throughout the Agency, and that conducting Agency Commission meetings virtually will minimize the possible spread COVID-19 and any variant thereof.

Section 3. Ratification of Governor's Proclamation of a State of Emergency. The Commission hereby ratifies the Governor of the State of California's Proclamation of State of Emergency regarding COVID-19, dated March 4, 2020.

Section 4. Remote Teleconference Meetings. The Agency's Administrative Officer, or his or her delegee, and the Agency's Commission are hereby authorized and directed to take all actions necessary to carry out the intent and purpose of this Resolution including, continuing to conduct open and public meetings in accordance with Government Code section 54953(e) and other applicable provisions of the Brown Act

Section 5. Effective Date of Resolution. This Resolution shall take effect immediately upon its adoption and shall be effective until the earlier of (i) the expiration of thirty (30) days from the date this Resolution was adopted, as set forth below, or (ii) such time as the Commission adopts a subsequent resolution in accordance with Government Code section 54953(e)(3) to extend the time during which the Agency's Commission may continue to teleconference without compliance with paragraph (3) of subdivision (b) of section 54953.

PASSED AND ADOPTED by the Commission of the Puente Basin Water Agency this 2nd day of December, 2021, by the following roll call vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

Chairman

ATTEST:

Secretary



December 2, 2021

TO: Board of Commissioners
FROM: Josh Byerrum
RE: 2020-21 Audited Financial Statements Prepared by Fedak & Brown LLP

Recommendation

That the Commissioners receive, approve, and file:

- A. 2020-21 Audited Financial Statements; and
- B. Summary of Audit Results (SAS) 114 Letter

Background

A Fedak & Brown, LLP, representative will present the audited 2020-21 financial statements. The representative will review the firm's findings and will be available to answer any questions.



Puente Basin Water Agency

Annual Financial Report

For the Fiscal Years Ended June 30, 2021 and 2020

Our Focus

“Achieving a sustainable and reliable local water supply through innovative planning and regionally-beneficial projects”

**Puente Basin Water Agency
Board of Commissioners as of June 30, 2021**

Name	Title	Member Agency	Elected*/ Appointed
Jerry Tang	Chair	Walnut Valley Water District	Appointed
Anthony J. Lima	Vice-Chair	Rowland Water District	Appointed
Theresa Lee	Commissioner	Walnut Valley Water District	Appointed
Robert W. Lewis	Commissioner	Rowland Water District	Appointed

* Members are elected based on member agency decisions.

**Puente Basin Water Agency
Erik Hitchman, Administrative Officer
271 S. Brea Canyon Road
Walnut, California 91789
(909) 595-1268 – www.puentebasin.com**



Puente Basin Water Agency

Annual Financial Report

For the Fiscal Years Ended June 30, 2021 and 2020

**Puente Basin Water Agency
Annual Financial Report
For the Fiscal Years Ended June 30, 2021 and 2020**

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Financial Section

Working Draft Subject to Review

Working Draft Subject to Review

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), which comprises the statements of net position as of June 30, 2021 and 2020, and the related statements of revenues, expenses, and changes in net position for the years then ended, 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; and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report, continued

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Puente Basin Water Agency as of June 30, 2021 and 2020, and the respective changes in net position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2021, 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. This report can be found on pages 30 and 31.

Fedak & Brown LLP

Cypress, California

December 2, 2021

**Puente Basin Water Agency
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2021 and 2020**

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Puente Basin Water Agency (Agency) provides an introduction to the financial statements of the Agency for the fiscal years ended June 30, 2021 and 2020. We encourage readers to consider the information presented here with additional information that we have furnished in the accompanying basic financial statements and related notes, which follow this section.

Financial Highlights

Fiscal Year 2021

- The Agency's net position as of June 30, 2021 was \$41,474,180, an increase of \$7,512,930, or 22.12% over the prior year.
- Operating revenues totaled \$18,519,701 for the year, an increase of \$1,187,124 from the prior year.
- Beginning in July 2014, in order to account for the costs and benefits of water produced from the water reliability projects, which are funded jointly by the Walnut Valley Water District (WVWD) and the Rowland Water District (RWD), imported water purchased from Three Valleys Municipal Water District (TVMWD) was invoiced through the Agency. For fiscal year 2021, the total of these pass-through costs were reflected in both the revenues amounting to \$17,211,751 and expenses amounting to \$17,209,691 of the Agency.
- Operating expenses for the year totaled \$19,260,642 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 \$2,480, was incurred related to the maintenance and management of the project facilities.
- During the year, the Cal Domestic Project water reliability project produced 1,105 acre-feet of water. The costs related to the production of this water totaled \$1,432,682 for the year. These costs included the use of stored water in the amount of \$586,881, that was purchased and paid for in prior years.
- In 2021, the Agency recorded an additional \$668,594 and \$909,398 in construction costs related to the Pathfinder Intertie and Pomona Basin Project respectively, which are currently being constructed and are reflected in the Agency's construction-in-process account. The balance for these projects are \$705,330 and \$5,933,507, respectively.
- In 2018, the Agency entered a 20-year lease with the City of La Verne for land and a well site, which was recorded as a capital lease. The value of the lease liability is recorded at the value of the future minimum lease payments in the amount of \$1,711,257.

Fiscal Year 2020

- The Agency's net position as of June 30, 2020 was \$33,961,250, an increase of \$676,101, or 2.03% over the prior year.
- Operating revenues totaled \$17,332,577 for the year, an increase of \$840,804 from the prior year.

**Puente Basin Water Agency
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2021 and 2020**

Financial Highlights, continued

Fiscal Year 2020, continued

- Beginning in July 2014, in order to 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 Three Valleys Municipal Water District (TVMWD) was invoiced through the Agency. For fiscal year 2020, the total of these pass-through costs were reflected in both the revenues amounting to \$16,223,060 and expenses amounting to \$16,231,000 of the Agency.
- Operating expenses for the year totaled \$18,186,609 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 \$4,883, was incurred related to the maintenance and management of the project facilities.
- During the year, the Cal Domestic Project water reliability project produced 1,112 acre-feet of water. The costs related to the production of this water totaled \$1,348,636 for the year. These costs included the use of stored water in the amount of \$585,840, that was purchased and paid for in prior years.
- In 2020, the Agency recorded an additional \$284,947 and \$1,221,576 in construction costs related to the Pathfinder Project and Pomona Basin Project respectively, which are currently being constructed and are reflected in the Agency's construction-in-process account. The balance for these projects were \$36,736 and \$5,024,109, respectively.
- In 2018, the Agency entered a 20-year lease with the City of La Verne for land and a well site, which was recorded as a capital lease. The value of the lease liability is recorded at the value of the future minimum lease payments in the amount of \$1,747,797.

Required 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 Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, and the Statements 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.

Statements of Net Position

The Statements of Net Position present the Agency's financial position (assets, deferred outflows of resources, liabilities, and deferred inflows of resources) as of June 30, 2021 and 2020. The Statements of Net Position include all the Agency's investments in resources (assets) and the obligations to creditors (liabilities). They also provide the basis for evaluating the capital structure of the Agency and assessing the liquidity and financial flexibility of the Agency. As of June 30, 2021 and 2020, assets plus deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$41,474,180 and \$33,961,250, respectively.

**Puente Basin Water Agency
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2021 and 2020**

Required Financial Statements, continued

Statements of Revenues, Expenses & Changes in Net Position

All the current year's revenues and expenses are accounted for in the Statements of Revenues, Expenses and Changes in Net Position. These statements measure the success of the Agency's operations and can be used to determine whether the Agency has successfully recovered all of its costs through member assessments and other revenues. Revenues are recognized (recorded) when services are provided, and expenses are recognized when incurred. Operating revenues and expenses are related to the Agency's core activities. The changes in net position for the years ending June 30, 2021 and 2020, was \$7,512,930 and \$676,101, respectively.

Statements of Cash Flows

The final required financial statements are the Statements of Cash Flows. The primary purpose of these statements is to provide information about the Agency's cash receipts and cash payments during the fiscal years. The statements report 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 cash came from, what was cash used for, and what was the change in cash balance during the year.

As of June 30, 2021, cash and cash equivalents totaled \$1,583,486, a decrease of \$932,550 from the previous fiscal year.

As of June 30, 2020, cash and cash equivalents totaled \$2,516,036, an increase of \$882,924 from the previous fiscal year.

Financial Analysis of the Agency

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 Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position report information about the Agency's finances in a way that will help answer that question. Measuring the change in the Agency's *net position*, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources, is one way to measure financial health or financial position. Over time, increases or decreases in the Agency's net position are one indicator of whether its financial health is improving or deteriorating. However, you will need to consider other non-financial factors such as changes in economic conditions, population growth, and new or changed government legislation.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 14 through 29.

Puente Basin Water Agency
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2021 and 2020

Statements of Net Position

Condensed Statements of Net Position

	2021	2020	Change	2019	Change
Assets:					
Cash & investments	\$ 1,583,486	2,516,036	(932,550)	1,633,112	882,924
Accrued interest receivable	141,188	145,688	(4,500)	154,637	(8,949)
Accounts receivable	5,110,644	4,170,761	939,883	3,837,490	333,271
Grant receivable	278,029	836,965	(558,936)	1,876,000	(1,039,035)
Prepaid expenses	-	6,000	(6,000)	-	6,000
Prepaid water/stored water	12,980,026	5,949,147	7,030,879	6,080,786	(131,639)
Installment purchase receivable	30,350,000	31,335,000	(985,000)	32,285,000	(950,000)
Capital assets, net	28,351,651	27,188,627	1,163,024	26,059,054	1,129,573
Total assets	78,795,024	72,148,224	6,646,800	71,926,079	222,145
Liabilities:					
Accounts payable	5,118,399	4,952,489	165,910	4,425,982	526,507
Unearned revenue	-	6,000	(6,000)	-	6,000
Accrued interest payable	141,188	145,688	(4,500)	150,029	(4,341)
Long-term debt	32,061,257	33,082,797	(1,021,540)	34,064,919	(982,122)
Total liabilities	37,320,844	38,186,974	(866,130)	38,640,930	(453,956)
Net position:					
Net investment in capital assets	26,640,394	25,440,830	1,199,564	24,279,135	1,161,695
Unrestricted	14,833,786	8,520,420	6,313,366	9,006,014	(485,594)
Total net position	\$ 41,474,180	33,961,250	7,512,930	33,285,149	676,101

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As seen from the table above, the Agency's net position exceeded liabilities by \$41,474,180 and \$33,961,250 for the fiscal years ending June 30, 2021 and 2020, respectively.

By far, the largest component of net position is the Agency's net investment in capital assets. As of June 30, 2021 and 2020, net investment in capital assets increased by \$1,199,564 and \$1,161,695, from the prior year, respectively. These increases were due primarily to the recognition of capital costs, attributable to the water supply reliability projects. As of June 30, 2021 and 2020, the balance of construction-in-progress was \$6,638,837 and \$5,060,845, respectively.

In 2013, the Agency issued \$19,385,000 of 2012 Series A Water Revenue Bonds related to capital facilities of RWD. In addition, the Agency issued \$17,300,000 related to capital facilities of 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 was recorded. As of June 30, 2021 and 2020, the balance of the installment purchase receivable and related liability was \$30,350,000 and \$31,335,000, respectively.

Puente Basin Water Agency
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2021 and 2020

Statements of Revenues, Expenses and Changes in Net Position

Condensed Statements of Revenues, Expenses and Changes in Net Position

	<u>2021</u>	<u>2020</u>	<u>Change</u>	<u>2019</u>	<u>Change</u>
Operating revenues:					
Sale of water (TVMWD)	\$ 17,211,751	16,233,060	978,691	15,173,416	1,059,644
Sale of water (Project)	967,896	890,300	77,596	1,010,002	(119,702)
Member assessments	155,668	179,884	(24,216)	210,891	(31,007)
Other revenue	184,386	29,333	155,053	97,464	(68,131)
Total operating revenues	<u>18,519,701</u>	<u>17,332,577</u>	<u>1,187,124</u>	<u>16,491,773</u>	<u>840,804</u>
Non-operating revenues:					
Interest income	1,386,380	1,467,411	(81,031)	1,491,971	(24,560)
Total non-operating revenues	<u>1,386,380</u>	<u>1,467,411</u>	<u>(81,031)</u>	<u>1,491,971</u>	<u>(24,560)</u>
Total revenues	<u>19,906,081</u>	<u>18,799,988</u>	<u>1,106,093</u>	<u>17,983,744</u>	<u>816,244</u>
Operating expenses:					
Water supply (TVMWD)	17,209,691	16,231,000	978,691	15,171,357	1,059,643
Water supply (Project)	1,435,346	1,353,519	81,827	1,710,400	(356,881)
Engineering	1,460	1,396	64	1,543	(147)
Professional services	114,918	117,848	(2,930)	57,516	60,332
Legal	21,667	56,798	(35,131)	104,745	(47,947)
Administrative	54,858	40,008	14,850	42,774	(2,766)
Accounting	7,734	9,090	(1,356)	9,040	50
Depreciation	414,968	376,950	38,018	376,953	(3)
Total operating expenses	<u>19,260,642</u>	<u>18,186,609</u>	<u>1,074,033</u>	<u>17,474,328</u>	<u>712,281</u>
Non-operating expenses:					
Interest expense	1,457,960	1,505,936	(47,976)	1,546,758	(40,822)
Total non-operating expenses	<u>1,457,960</u>	<u>1,505,936</u>	<u>(47,976)</u>	<u>1,546,758</u>	<u>(40,822)</u>
Total expenses	<u>20,718,602</u>	<u>19,692,545</u>	<u>1,026,057</u>	<u>19,021,086</u>	<u>671,459</u>
Net loss before capital contributions	<u>(812,521)</u>	<u>(892,557)</u>	<u>80,036</u>	<u>(1,037,342)</u>	<u>144,785</u>
Capital contributions	<u>8,325,451</u>	<u>1,568,658</u>	<u>6,756,793</u>	<u>5,542,627</u>	<u>(3,973,969)</u>
Changes in net position	<u>7,512,930</u>	<u>676,101</u>	<u>6,836,829</u>	<u>4,505,285</u>	<u>(3,829,184)</u>
Net position, beginning of year	<u>33,961,250</u>	<u>33,285,149</u>	<u>676,101</u>	<u>28,779,864</u>	<u>4,505,285</u>
Net position, end of year	<u>\$ 41,474,180</u>	<u>33,961,250</u>	<u>7,512,930</u>	<u>33,285,149</u>	<u>676,101</u>

**Puente Basin Water Agency
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2021 and 2020**

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

Fiscal Year 2021 – Revenues and Expenses

For fiscal year 2021, the Agency had total operating revenues of \$18,519,698, an increase of \$1,187,122 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 \$17,209,691, an increase of \$978,691 from the prior year. In addition, the Cal Domestic project produced 1,105 acre-feet of water during the year. A total of \$851,326 was collected from the Districts to cover the costs related to the production of this water, an increase of \$82,972 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 \$155,668, a decrease of \$24,216 over the prior year. In addition, interest income and interest expense, related to the debt that was issued by the Agency and the corresponding installment purchase agreements, were recorded in the amount of \$1,457,960.

For fiscal year 2021, the Agency had total operating expenses of \$19,620,642, an increase of \$1,074,033 from the prior year. As discussed above, the most significant costs were attributable to the purchase and production of water, which totaled \$18,645,037 for the year, an increase of \$1,060,518 from the prior year.

Capital contributions for the year totaled \$8,325,451, an increase of \$6,756,793 from the prior year, which was primarily due to increases of \$7,163,560 in contributions sourcing from stored water from member agencies, \$244,187 in capital contributions from member agency assessments, which were offset by a decrease of \$650,954 in state capital contributions. Capital contributions included the money paid by each member agency and grant revenue for alternative water supply projects.

Fiscal Year 2020 – Revenues and Expenses

For fiscal year 2020, the Agency had total operating revenues of \$17,332,576, an increase of \$840,804 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 \$16,231,000, an increase of \$1,059,644 from the prior year. In addition, the Cal Domestic project produced 1,112 acre-feet of water during the year. A total of \$768,354 was collected from the Districts to cover the costs related to the production of this water, a decrease of \$123,789 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 \$179,884, a decrease of \$31,007 over the prior year. In addition, interest income and interest expense, related to the debt that was issued by the Agency and the corresponding installment purchase agreements, were recorded in the amount of \$1,467,411.

For fiscal year 2020, the Agency had total operating expenses of \$18,186,609, an increase of \$712,281 from the prior year. As discussed above, the most significant costs were attributable to the purchase and production of water, which totaled \$17,584,519 for the year, an increase of \$702,762 from the prior year.

Capital contributions for the year totaled \$1,568,658, a decrease of \$3,973,969 from the prior year, which was primarily due to decreases of \$3,230,641 in capital contributions sourcing from member agency assessments, \$1,197,528 in state capital contributions, which were offset by an increase of \$454,200 in contributions from stored water from member agencies. Capital contributions included the money paid by each member agency and grant revenue for alternative water supply projects.

Puente Basin Water Agency
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2021 and 2020

Capital Asset Administration

Changes in capital assets for 2021, were as follows:

	<u>Balance</u> <u>2020</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance</u> <u>2021</u>
Capital assets:				
Non-depreciable assets	\$ 15,463,799	1,577,992	-	17,041,791
Depreciable assets	12,995,610	-	-	12,995,610
Accumulated depreciation	<u>(1,270,782)</u>	<u>(414,968)</u>	-	<u>(1,685,750)</u>
Total capital assets, net	<u>\$ 27,188,627</u>	<u>1,163,024</u>	<u>-</u>	<u>28,351,651</u>

Changes in capital assets for 2020, were as follows:

	<u>Balance</u> <u>2019</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance</u> <u>2020</u>
Capital assets:				
Non-depreciable assets	\$ 16,238,348	1,506,523	(2,281,072)	15,463,799
Depreciable assets	10,714,538	2,281,072	-	12,995,610
Accumulated depreciation	<u>(893,832)</u>	<u>(376,950)</u>	-	<u>(1,270,782)</u>
Total capital assets, net	<u>\$ 26,059,054</u>	<u>3,410,645</u>	<u>(2,281,072)</u>	<u>27,188,627</u>

As of June 30, 2021 and 2020, the Agency had invested \$28,351,651 and \$27,188,627 in capital assets, a net increase from asset additions and deletions of \$1,163,024 and \$1,129,573 from the prior fiscal year, respectively. These assets were comprised of construction-in-process capital assets related to several alternative water supply projects.

Debt Administration

	<u>2021</u>	<u>2020</u>	<u>Change</u>	<u>2019</u>	<u>Change</u>
Long-term debt:					
2012 Series A Water Revenue Bonds (RWD Project)	\$ 16,460,000	16,935,000	(475,000)	17,395,000	(460,000)
2013 Series A Water Revenue Bonds (WVWD Project)	13,890,000	14,400,000	(510,000)	14,890,000	(490,000)
Capital lease payable	<u>1,711,257</u>	<u>1,747,797</u>	<u>(36,540)</u>	<u>1,779,919</u>	<u>(32,122)</u>
Total	<u>\$ 32,061,257</u>	<u>33,082,797</u>	<u>(1,021,540)</u>	<u>34,064,919</u>	<u>(982,122)</u>

As of June 30, 2021 and 2020, the Agency's long term debt amounted to \$32,061,257 and \$33,082,797, a decrease from debt service and lease payment of \$1,021,540 and \$982,122, from the prior fiscal year, respectively.

Puente Basin Water Agency
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2021 and 2020

Economic Factors and Next Year's Budget

	Budget 2022	Actual 2021	Change	Budget 2021	Actual 2020	Change
Revenues:						
Sale of water (TVMWD)	\$ 11,536,290	17,211,751	(5,675,461)	13,712,790	16,233,060	(2,520,270)
Sale of water (Project)	2,793,170	967,896	1,825,274	1,202,620	890,300	312,320
Member assessments	251,375	155,668	95,707	251,375	179,884	71,491
Other	100,500	184,386	(83,886)	42,000	50,399	(8,399)
Total operating revenues	14,681,335	18,519,701	(3,838,366)	15,208,785	17,353,643	(2,144,858)
Use of stored water	2,131,800	586,881	1,544,919	822,470	585,840	236,630
Total revenues	16,813,135	19,106,582	(2,293,447)	16,031,255	17,939,483	(1,908,228)
Expenses:						
Water supply (TVMWD)	11,536,290	17,211,751	(5,675,461)	13,712,790	16,233,060	(2,520,270)
Water supply (Project)	4,908,920	1,435,346	3,473,574	2,017,590	1,456,719	560,871
Engineering	5,000	1,460	3,540	5,000	1,396	3,604
Professional service	125,000	114,918	10,082	125,000	117,848	7,152
Legal	100,000	21,667	78,333	100,000	56,798	43,202
Administrative expenses	45,000	54,858	(9,858)	45,000	37,948	7,052
Accounting	8,375	7,734	641	8,375	9,090	(715)
Total operating expenses	16,728,585	18,847,734	(2,119,149)	16,013,755	17,912,859	(1,899,104)
Net income	\$ 84,550	258,848	(174,298)	17,500	26,624	(9,124)

Conditions Affecting Current Financial Position

Management is unaware of any conditions, which could have a significant impact on the Agency's current financial position, net position or operating results in terms of past, present and future.

Requests for Information

This financial report is designed to provide the Agency's present users, including funding sources, customers, stakeholders and other interested parties with a general overview of the Agency's finances and to demonstrate the Agency's accountability with an overview of the Agency's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the Agency's Treasurer, Josh Byerrum, 271 S. Brea Canyon Road, Walnut, California, 91789 or (909) 595-1268.

Basic Financial Statements

Working Draft Subject to Review

Puente Basin Water Agency
Statements of Net Position
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Current assets:		
Cash and cash equivalents (note 2)	\$ 1,583,486	2,516,036
Accrued interest receivable	141,188	145,688
Accounts receivable	5,110,644	4,170,761
Grants receivable	278,029	836,965
Prepaid expenses	-	6,000
Water-in-storage inventory	12,980,026	5,949,147
Long-term assets – due in one year:		
Installment purchase receivable (note 3)	1,030,000	985,000
Total current assets	<u>21,123,373</u>	<u>14,609,597</u>
Non-current assets:		
Long-term assets – due after one year:		
Installment purchase receivable (note 3)	29,320,000	30,350,000
Capital assets – not being depreciated (note 4)	17,041,791	15,463,799
Capital assets – being depreciated, net (note 4)	11,309,860	11,724,828
Total non-current assets	<u>57,671,651</u>	<u>57,538,627</u>
Total assets	<u>78,795,024</u>	<u>72,148,224</u>
Current liabilities:		
Accounts payable and accrued expenses	5,118,399	4,952,489
Unearned revenue	-	6,000
Accrued interest payable	141,188	145,688
Long-term liabilities – due in one year:		
Bond payable (note 5)	1,030,000	985,000
Capital lease payable (note 5)	41,231	36,540
Total current liabilities	<u>6,330,818</u>	<u>6,125,717</u>
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Bond payable (note 5)	29,320,000	30,350,000
Capital lease payable (note 5)	1,670,026	1,711,257
Total non-current liabilities	<u>30,990,026</u>	<u>32,061,257</u>
Total liabilities	<u>37,320,844</u>	<u>38,186,974</u>
Net position: (note 6)		
Net investment in capital assets	26,640,394	25,440,830
Unrestricted	14,833,786	8,520,420
Total net position	<u>\$ 41,474,180</u>	<u>33,961,250</u>

See accompanying notes to the basic financial statements

Puente Basin Water Agency
Statements of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating revenues:		
Sale of water to member agencies – TVMWD	\$ 17,211,751	16,233,060
Sale of water to member agencies – Project	967,896	890,300
Member assessments	155,668	179,884
Water leases	50,000	-
Other water service charges	134,383	29,332
Total operating revenues	<u>18,519,698</u>	<u>17,332,576</u>
Operating expenses:		
Water supply – TVMWD	17,209,691	16,231,000
Water supply – Project	1,435,344	1,353,518
Engineering	1,460	1,396
Professional services	114,918	117,848
Legal	21,667	56,798
Administrative	54,858	40,008
Accounting	7,734	9,090
Total operating expenses	<u>18,845,672</u>	<u>17,809,658</u>
Operating loss before depreciation expense	(325,974)	(477,082)
Depreciation expense	(414,968)	(376,950)
Operating loss	<u>(740,942)</u>	<u>(854,032)</u>
Non-operating revenue(expense):		
Investment income	1,386,381	1,467,411
Interest expense – long-term debt	(1,457,960)	(1,505,936)
Total non-operating revenue(expense), net	<u>(71,579)</u>	<u>(38,525)</u>
Net loss before capital contributions	<u>(812,521)</u>	<u>(892,557)</u>
Capital contributions:		
Capital contributions – state	-	650,954
Capital contributions – member agency assessments	707,691	463,504
Contributions – stored water purchases from member agencies	7,617,760	454,200
Total capital contributions	<u>8,325,451</u>	<u>1,568,658</u>
Changes in net position	7,512,930	676,101
Net position, beginning of the year	<u>33,961,250</u>	<u>33,285,149</u>
Net position, end of year	<u>\$ 41,474,180</u>	<u>33,961,250</u>

See accompanying notes to the basic financial statements

Puente Basin Water Agency
Statements of Cash Flows
For the Fiscal Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Cash received for water sales and assessments	\$ 18,132,751	18,044,340
Cash paid to vendors and suppliers for materials and services	<u>(25,704,641)</u>	<u>(17,157,512)</u>
Net cash (used in) provided by operating activities	<u>(7,571,890)</u>	<u>886,828</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(1,577,992)	(1,506,523)
Capital contributions	8,325,451	917,704
Payments received for loans receivable	985,000	950,000
Proceeds from capital grants	-	650,954
Principal paid on debt service	(1,021,540)	(982,122)
Interest paid on debt	<u>(1,462,460)</u>	<u>(1,510,277)</u>
Net cash provided by (used in) capital and related financing activities	<u>5,248,459</u>	<u>(1,480,264)</u>
Cash flows from investing activities:		
Interest and investment earnings	1,390,881	1,476,360
Net cash provided by investing activities	<u>1,390,881</u>	<u>1,476,360</u>
Net (decrease) increase in cash and cash equivalents	(932,550)	882,924
Cash and cash equivalents, beginning of year	<u>2,516,036</u>	<u>1,633,112</u>
Cash and cash equivalents, end of year	<u>\$ 1,583,486</u>	<u>2,516,036</u>
Reconciliation of operating loss to net cash (used in) provided by operating activities:		
Operating loss	\$ <u>(740,942)</u>	<u>(854,032)</u>
Adjustments to reconcile operating loss to net cash (used in) provided by operating activities:		
Depreciation expense	414,968	376,950
(Increase)Decrease in assets:		
Accounts receivable	(939,883)	(333,271)
Grants receivable	558,936	1,039,035
Prepaid expenses and other deposits	6,000	(6,000)
Inventory – water	(7,030,879)	131,639
Increase in liabilities:		
Accounts payable and accrued expenses	165,910	526,507
Unearned revenue	<u>(6,000)</u>	<u>6,000</u>
Total adjustments	<u>(6,830,948)</u>	<u>1,740,860</u>
Net cash (used in) provided by operating activities	<u>\$ (7,571,890)</u>	<u>886,828</u>

See accompanying notes to the basic financial statements

Puente Basin Water Agency
Notes to the Financial Statements
For the Fiscal Years Ended June 30, 2021 and 2020

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the 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's purpose is to achieve a sustainable and reliable local water supply through innovative planning and the development of regionally-beneficial projects. 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.

B. Basis of Accounting and Measurement Focus

The Agency reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the Agency is that the cost of providing water to its member agencies on a continuing basis be financed or recovered primarily through water sales, capital contributions and similar funding. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

Operating revenues and expenses, such as water sales and water purchases, result from exchange transactions associated with the principal activity of the Agency. Exchange transactions are those in which each party receives and gives up essentially equal value. Management, administration, and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses.

C. Financial Reporting

The Agency's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to enterprise funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Agency solely operates as a special-purpose government which means it is only engaged in business-type activities; accordingly, activities are reported in the Agency's proprietary fund.

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

Governmental Accounting Standards Board Statement No. 84

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

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

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

Puente Basin Water Agency
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

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

C. Financial Reporting, continued

Governmental Accounting Standards Board Statement No. 90

In August 2018, the GASB issued Statement No. 90 – *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government’s holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

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

1. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in net position during the reporting period. Actual results could differ from those estimates.

2. Uncertainty

The COVID-19 outbreak in the United States has caused business disruption through labor shortages and closings of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the disruption. However, the related financial impact on the Agency and the duration cannot be estimated at this time.

3. Cash and Cash Equivalents

Substantially all of the Agency’s cash is invested in interest bearing accounts. The Agency considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

4. Investments and Investment Policy

The Agency’s investment policy authorizes investments in certificates-of-deposit and the California Local Agency Investment Fund (LAIF). The Agency’s investment policy does contain specific provisions intended to limit its exposure to interest rate risk, credit risk, custodial risk, and concentration of credit risk.

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

Puente Basin Water Agency
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

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

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

5. Accounts Receivable and Allowance for Uncollectible Accounts

The Agency extends credit to customers in the normal course of operations. When management deems customer accounts uncollectible, the Agency uses the allowance method for the reservation and write-off of those accounts. As of June 30, 2021 and 2020, the Agency had no allowance for uncollectible accounts as management believes all accounts will be collected.

6. Water-In-Storage Inventory

Water-in-storage inventory consists primarily of water purchased, contributed, and held in storage with the Main San Gabriel Basin Watermaster, the Agency's water wholesaler.

In 2021, the Agency received 6,000 acre-feet of water from Rowland Water District and Walnut Valley Water District and is held in storage with the Main San Gabriel Basin Watermaster. As of June 30, 2021, the Agency had a total of 21,661 acre-feet of water-in-storage valued using an average cost of \$599 per acre-foot.

In 2020, the Agency received 600 acre-feet of water through Three Valleys Municipal Water District. The water was purchased by Rowland Water District and Walnut Valley Water District and is held in storage with the Main San Gabriel Basin Watermaster. As of June 30, 2020, the Agency had a total of 10,166 acre-feet of water-in-storage valued using an average cost of \$585 per acre-foot.

7. Prepaid Expenses

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

8. 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. Donated assets are recorded at acquisition value at the date of the donation. Capital assets received in service concession arrangements are reported at acquisition value. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

- Water mains – 60 years
- Pipelines and improvements – 20 years

9. Unearned Revenue

Unearned revenue consists of cash received prior to services being performed. A liability will be recognized on the financial statements until the services are rendered and completed.

Puente Basin Water Agency
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

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

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

10. Net Position

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

- **Net Investment in Capital Assets** – Consists of capital assets, net of accumulated depreciation and amortization, and reduced by outstanding balances of any debt, or other long-term borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- **Restricted** – Consists of assets that have restrictions placed upon their use by external constraints imposed either by creditors (debt covenants), grantors, contributors, or laws and regulations of other governments, or constraints imposed by law through enabling legislation.
- **Unrestricted** – Consists of the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the net investment in capital assets or restricted components of net position.

11. Water Sales and Services

Water sales are billed on a monthly cyclical basis and recognize the respective revenues when they are earned.

12. Capital Contributions

Capital contributions represent cash contributed to the Agency by member agencies and by the State.

13. Budgetary Policies

The Agency adopts an annual non-appropriated budget for planning, control, and evaluation purposes. Budgetary control and evaluation are affected by comparisons of actual revenues and expenses with planned revenues and expenses for the period. Encumbrance accounting is not used to account for commitments related to unperformed contracts for construction and services.

(2) Cash and Cash Equivalents

Cash and cash equivalents as of June 30 consist of the following:

	<u>2021</u>	<u>2020</u>
Cash and investments		
Deposits with financial institutions	\$ 446,530	166,496
Deposits in Local Agency Investment Fund (LAIF)	<u>1,136,956</u>	<u>2,349,540</u>
Total cash and investments	<u>\$ 1,583,486</u>	<u>2,516,036</u>

As of June 30, the Agency's authorized deposits had the following maturities:

	<u>2021</u>	<u>2020</u>
Deposits in Local Agency Investment Fund (LAIF)	<u>291 days</u>	<u>191 days</u>

Puente Basin Water Agency
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

(2) Cash and Cash Equivalents, continued

Investments Authorized by the California Government Code and the Agency's Investment Policy

The table below identifies the investment types that are authorized by the Agency in accordance with the California Government Code (or the Agency's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the Agency's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State Obligations - CA and Others	5 years	None	None
CA Local Agency Obligations	5 years	None	None
U.S. Agency Obligations	5 years	None	None
Negotiable Certificates of Deposit	5 years	30%	None
Collateralize Bank Deposits	5 years	None	None
Corporate debt – Short and Long Term	5 years	None	None
Commercial Paper – Pooled Funds	270 days	40% of the Agency's	10%
Commercial Paper – Non-Pooled Funds	270 days	money	
Repurchase agreements	1 year	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

Investment in State Investment Pool

The Agency is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code Section 16429 and is under the management of the Treasurer of the State of California with oversight provided by the Local Agency Investment Advisory Board. The fair value of the Agency's investment in this pool is reported in the accompanying financial statements at amounts based upon the Agency's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Bank balances are secured by the pledging of a pool of eligible securities to collateralize the Agency's deposits with the bank in accordance with the Code.

The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by GASB 79 for external investment pools that elect to measure, for financial reporting purposes, investments at amortized cost. LAIF does not have any legally binding guarantees of share values. LAIF does not impose liquidity fees or redemption gates on participant withdrawals.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits, or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

Puente Basin Water Agency
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

(2) Cash and Cash Equivalents, continued

Custodial Credit Risk, continued

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 Agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Of the bank balances, up to \$250,000 is federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the Agency's name.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Agency manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio matures, or comes close to maturity evenly over time, as necessary to provide requirements for cash flow and liquidity needed for operations.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Concentration of Credit Risk

The Agency's investment policy contains various limitations on the amounts that can be invested in any one governmental agency or non-governmental issuer as stipulated by the California Government Code. As of June 30, 2021 and 2020, the Agency's deposit portfolio with a government-sponsored agency, LAIF, is 72% and 93%, respectively, of the Agency's total depository and investment portfolio. There were no investments in any one non-governmental issuer that represent 5% or more of the Agency's total investments.

(3) Installment Purchase Receivable

The Agency entered into an 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 semi-annual installment purchase payments that are equal in amount and timing to the principal and interest payments that are paid on a semi-annual basis by the Agency to the holders of the Bonds. Of the total current portion of \$1,030,000, current amounts required to be paid by RWD and WVWD are \$495,000 and \$535,000, respectively, as of June 30, 2021. Of the total long term portion of \$29,320,000, total amounts required to be paid by RWD and WVWD are \$15,965,000 and \$13,355,000, respectively, as of June 30, 2021. As of June 30, 2020, the total current portion was \$985,000. Of this total amount, the amounts required to be paid by RWD and WVWD were \$475,000 and \$510,000, respectively. As of June 30, 2020, the total long term portion amounted to \$30,350,000. Of this total amount, the long term amounts required to be paid by RWD and WVWD were \$16,460,000 and \$13,890,000, respectively. Please also see note 5 for further detail.

Puente Basin Water Agency
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

(4) Capital Assets

Changes in capital assets for the year ended June 30, 2021, are as follows:

	Balance 2020	Additions/ Transfers	Deletions/ Transfers	Balance 2021
Non-depreciable assets:				
Water rights	\$ 10,402,954	-	-	10,402,954
Construction-in-Process	5,060,845	1,577,992	-	6,638,837
Total non-depreciable assets	15,463,799	1,577,992	-	17,041,791
Depreciable assets:				
Old Baldy well	1,841,213	-	-	1,841,213
Pumping plant and equipment	11,154,397	-	-	11,154,397
Total depreciable assets	12,995,610	-	-	12,995,610
Accumulated depreciation:				
Old Baldy well	(206,215)	(88,378)	-	(294,593)
Pumping plant and equipment	(1,064,567)	(326,590)	-	(1,391,157)
Total accumulated depreciation	(1,270,782)	(414,968)	-	(1,685,750)
Total depreciable assets, net	11,724,828	(414,968)	-	11,309,860
Total capital assets, net	\$ 27,188,627	1,163,024	-	28,351,651

Changes in capital assets for the year ended June 30, 2020, are as follows:

	Balance 2019	Additions/ Transfers	Deletions/ Transfers	Balance 2020
Non-depreciable assets:				
Water rights	\$ 10,402,954	-	-	10,402,954
Construction-in-process	5,835,394	1,506,523	(2,281,072)	5,060,845
Total non-depreciable assets	16,238,348	1,506,523	(2,281,072)	15,463,799
Depreciable assets:				
Old Baldy well	1,841,213	-	-	1,841,213
Pumping plant and equipment	8,873,325	2,281,072	-	11,154,397
Total depreciable assets	10,714,538	2,281,072	-	12,995,610
Accumulated depreciation:				
Old Baldy well	(117,837)	(88,378)	-	(206,215)
Pumping plant and equipment	(775,995)	(288,572)	-	(1,064,567)
Total accumulated depreciation	(893,832)	(376,950)	-	(1,270,782)
Total depreciable assets, net	9,820,706	1,904,122	-	11,724,828
Total capital assets, net	\$ 26,059,054	3,410,645	(2,281,072)	27,188,627

Puente Basin Water Agency
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

(4) Capital Assets, continued

For the fiscal year ending June 30, 2021, the Agency had additions of \$1,577,992 in construction-in-process. For the fiscal year ending June 30, 2020, the Agency transferred \$2,281,072 of construction-in-process to pumping plant and equipment.

Construction-in-Process

The Agency has been involved in various construction projects throughout the year. The projects that comprise the construction-in-process balances at June 30 are as follows:

	<u>2021</u>	<u>2020</u>
Pathfinder Intertie Project	\$ 705,330	36,736
Pomona Basin Project	<u>5,933,507</u>	<u>5,024,109</u>
Total construction-in-process	<u>\$ 6,638,837</u>	<u>5,060,845</u>

(5) Long-Term Debt

Changes in long-term debt for the year ended June 30, 2021, are as follows:

	<u>Balance 2020</u>	<u>Additions/ Deletions</u>	<u>Principal Payments</u>	<u>Balance 2021</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
Bonds payable:						
2012 Series A Water Revenue Bonds:						
Rowland Water District	\$ 16,935,000	-	(475,000)	16,460,000	495,000	15,965,000
2013 Series A Water Revenue Bonds:						
West Valley Water District	<u>14,400,000</u>	<u>-</u>	<u>(510,000)</u>	<u>13,890,000</u>	<u>535,000</u>	<u>13,355,000</u>
Total bonds payable	31,335,000	-	(985,000)	30,350,000	1,030,000	29,320,000
Capital lease payable	<u>1,747,797</u>	<u>-</u>	<u>(36,540)</u>	<u>1,711,257</u>	<u>41,231</u>	<u>1,670,026</u>
Total	<u>\$ 33,082,797</u>	<u>-</u>	<u>(1,021,540)</u>	<u>32,061,257</u>	<u>1,071,231</u>	<u>30,990,026</u>

Changes in long-term debt for the year ended June 30, 2020, are as follows:

	<u>Balance 2019</u>	<u>Additions/ Deletions</u>	<u>Principal Payments</u>	<u>Balance 2020</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
Bonds payable:						
2012 Series A Water Revenue Bonds:						
Rowland Water District	\$ 17,395,000	-	(460,000)	16,935,000	475,000	16,460,000
2013 Series A Water Revenue Bonds:						
West Valley Water District	<u>14,890,000</u>	<u>-</u>	<u>(490,000)</u>	<u>14,400,000</u>	<u>510,000</u>	<u>13,890,000</u>
Total bonds payable	32,285,000	-	(950,000)	31,335,000	985,000	30,350,000
Capital lease payable	<u>1,779,919</u>	<u>-</u>	<u>(32,122)</u>	<u>1,747,797</u>	<u>36,540</u>	<u>1,711,257</u>
Total	<u>\$ 34,064,919</u>	<u>-</u>	<u>(982,122)</u>	<u>33,082,797</u>	<u>1,021,540</u>	<u>32,061,257</u>

Puente Basin Water Agency
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

(5) Long-Term Debt, continued

2012 Series A Water Revenue Bonds – Rowland Water District

On November 1, 2012, the Agency issued \$19,835,000 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% to 5%. 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.

Future annual debt service payments are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 495,000	666,500	1,161,500
2023	515,000	646,700	1,161,700
2024	540,000	626,100	1,166,100
2025	560,000	604,500	1,164,500
2026	580,000	582,100	1,162,100
2027-2031	3,205,000	2,607,900	5,812,900
2032-2036	3,750,000	2,081,625	5,831,625
2037-2041	4,620,000	1,265,000	5,885,000
2042-2043	2,195,000	166,000	2,361,000
Total	16,460,000	9,246,425	25,706,425
Current	(495,000)		
Non-current	\$ 15,965,000		

2013 Series A Water Revenue Bonds – Walnut Valley Water District

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% to 5%. Principal is due December 1st each year beginning December 1, 2013. The Bonds are scheduled to mature on December 1, 2037. 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 the Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

(5) Long-Term Debt, continued

2013 Series A Water Revenue Bonds – Walnut Valley Water District, continued

Future annual debt service payments are as follows:

<u>Year</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$	535,000	694,500	1,229,500
2023		565,000	667,750	1,232,750
2024		595,000	639,500	1,234,500
2025		620,000	609,750	1,229,750
2026		655,000	578,750	1,233,750
2027-2031		3,790,000	2,369,750	6,159,750
2032-2036		4,840,000	1,322,250	6,162,250
2037-2038		2,290,000	173,250	2,463,250
Total		13,890,000	7,055,500	20,945,500
Current		(535,000)		
Non-current	\$	<u>13,355,000</u>		

Capital Lease

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 semi-annual 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, 2038, at an annual interest rate of 4%.

Future annual lease payments are as follows:

<u>Year</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$	41,231	68,042	109,273
2023		46,207	66,344	112,551
2024		51,484	64,443	115,927
2025		57,076	62,329	119,405
2026		63,001	59,986	122,987
2027-2031		416,660	255,885	672,545
2032-2036		624,924	154,740	779,664
2037-2039		410,674	25,227	435,901
Total		1,711,257	756,996	2,468,253
Current		(41,231)		
Non-current	\$	<u>1,670,026</u>		

Puente Basin Water Agency
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

(6) Net Position

Calculation of net position as of June 30, were as follows:

	<u>2021</u>	<u>2020</u>
Net investment in capital assets:		
Capital assets, net	\$ 28,351,651	27,188,627
Capital lease, current	(41,231)	(33,122)
Capital lease, non-current	<u>(1,670,026)</u>	<u>(1,714,675)</u>
Total investment in capital assets	<u>26,640,394</u>	<u>25,440,830</u>
Unrestricted net position	<u>14,833,786</u>	<u>8,520,420</u>
Total net position	<u><u>\$ 41,474,180</u></u>	<u><u>33,961,250</u></u>

(7) Risk Management

The Agency is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Agency is a member of the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California water agencies. The purpose of the ACWA/JPIA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage.

On June 30, 2021, the Agency participated in the ACWA/JPIA pooled programs for liability, property, programs as follows:

- General and auto liability, public officials and employees' errors and omissions: The ACWA/JPIAs total risk financing self-insurance limits of \$5,000,000 per occurrence. The ACWA/JPIA purchased additional excess coverage layers: \$55 million for general, auto and public officials' liability, which increases the limits on the insurance coverage noted above.
- Property loss is paid at the replacement cost for property on file, if replaced within two years after the loss, otherwise paid on an actual cash value basis, to a combined total of \$500 million per loss, subject to a \$1,000 deductible per loss.
- Boiler and machinery coverage for the replacement cost up to \$100 million per occurrence, subject to various deductibles depending on the type of equipment, on file.
- Crime coverage up to \$100,000 per loss includes public employee dishonesty, depositor's forgery or alteration, theft, computer, and funds transfer fraud coverages. subject to \$1,000 deductible per loss.

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

- Cyber liability including cyber security up to \$5,000,000 per occurrence and \$5,000,000 aggregate limit. Cyber liability deductible varies from \$10,000 to \$50,000 depending on Agency scheduled total values.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the Agency's insurance coverage during the fiscal years ended June 30, 2021, 2020 and 2019. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There was no IBNR claims payable as of June 30, 2021, 2020 and 2019.

Puente Basin Water Agency
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

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

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2021, that have effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 87

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

The requirements of this Statement were effective for reporting periods beginning after December 15, 2019; however, in light of the COVID-19 pandemic, the effective date has been postponed by 18 months. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 89

In June 2018, the GASB issued Statement No. 89 – *Accounting for Interest Cost incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2019; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

Governmental Accounting Standards Board Statement No. 91

In May 2019, the GASB issued Statement No. 91 – *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

Puente Basin Water Agency
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

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

Governmental Accounting Standards Board Statement No. 91, continued

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2020; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 92

In January 2020, the GASB issued Statement No. 92 – *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

The requirements of this Statement were as follows: (1) The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance; (2) The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2020; (3) The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2020; and (4) The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2020; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged and is permitted by topic.

Governmental Accounting Standards Board Statement No. 93

In March 2020, the GASB issued Statement No. 93 – *Replacement of Interbank Offered Rates*. The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an IBOR.

Puente Basin Water Agency
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

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

Governmental Accounting Standards Board Statement No. 93, continued

This Statement achieves that objective by: (1) Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment; (2) Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; (3) Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable; (4) Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap; (5) Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap; (6) Clarifying the definition of reference rate, as it is used in Statement 53, as amended; and (7) Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

The requirements of this Statement were effective as follows: (1) The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021; and (2) All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020; however, in light of the COVID-19 pandemic, the effective dates have been postponed by one year. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 94

In March 2020, the GASB issued Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

Puente Basin Water Agency
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

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

Governmental Accounting Standards Board Statement No. 96

In May 2020, the GASB issued Statement No. 96 – *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 97

In June 2020, the GASB issued Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 41 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement. The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance.

Puente Basin Water Agency
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2021 and 2020

(9) Commitments and Contingencies

Grant Awards

Grant funds received by the Agency are subject to audit by the grantor agencies. Such audit could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. Management of the Agency believes that such disallowances, if any, would not be significant.

Construction Contracts

The Agency has a variety of agreements with private parties relating to the installation, improvement or modification of water and wastewater facilities and distribution systems within its service area. The financing of such construction contracts is being provided primarily from the Agency's member capital contributions.

Litigation

In the ordinary course of operations, the Agency is subject to claims and litigation from outside parties. After consultation with legal counsel, the Agency believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

(10) Subsequent Events

Events occurring after June 30, 2021, have been evaluated for possible adjustment to the financial statements or disclosure as of December 2, 2021, which is the date the financial statements were available to be issued.

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Working Draft Subject to Review

Report on Internal Controls and Compliance

Working Draft Subject to Review

Working Draft Subject to Review

**Independent Auditor's Report on Internal Controls Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

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 fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprises the Agency's basic financial statements, and have issued our report thereon dated December 2, 2021.

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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

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

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

Compliance and Other Matters

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

**Independent Auditor's Report on Internal Controls Over Financial Reporting
And on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*, (continued)**

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Fedak & Brown LLP

Cypress, California

December 2, 2021

Working Draft Subject to Review

Puente Basin Water Agency

Management Report

June 30, 2021

Working Draft - Subject to Review

Puente Basin Water Agency

Management Report

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CONFIDENTIAL

Board of Commissioners
Puente Basin Water Agency
Walnut, California

Dear Members of the Board:

In planning and performing our audit of the financial statements of the Puente Basin Water Agency (Agency) as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered Agency internal control over financial reporting (internal control) as a basis for designing 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.

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

This communication is intended solely for the information and use of management, Board of Commissioners, and others within the Agency, and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate the courtesy and cooperation extended to us during our examination. We would be pleased to discuss the contents of this letter with you at your convenience. Please do not hesitate to contact us.

Fedak & Brown LLP
Cypress, California
December 2, 2021

APPENDIX

Puente Basin Water Agency

Audit/Finance Committee Letter

June 30, 2021

Working Draft - Subject to Review

Board of Commissioners
Puente Basin Water Agency
Walnut, California

We have audited the financial statements of the business-type activities of the Puente Basin Water Agency (Agency) for the year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, Government Auditing Standards and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated February 26, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

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. No new accounting policies were adopted, and the application of existing policies was not changed during 2021. We noted no transactions entered into by the Agency during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Agency's financial statements was:

Management's estimate of the fair value of cash and cash equivalents is based on information provided by financial institutions. We evaluated the key factors and assumptions used to develop the fair value of cash and cash equivalents in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of capital assets depreciation is based on historical estimates of each capitalized item's useful life expectancy or cost recovery period. We evaluated the key factors and assumptions used to develop the capital asset depreciation calculations in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements were:

The disclosure of fair value of cash and cash equivalents in Note 2 to the financial statements represents amounts susceptible to market fluctuations.

The disclosure of capital assets, net in Note 4 to the basic financial statements is based on historical information which could differ from actual useful lives of each capitalized item.

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

Significant Audit Matters, continued

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit processes and testwork.

Corrected and Uncorrected Misstatements

Generally Accepted Auditing Standards require us to accumulate all known and likely misstatements identified during the audit, except those that are considered trivial, and communicate them to the appropriate level of management as follows:

There were no audit adjustments and/or reclassification entries made to the original trial balance presented to us to begin our audit.

Disagreements with Management

For purposes of this letter, a disagreement with management is 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 requested certain representations from management that are included in the Management Representation Letter to the auditor dated December 2, 2021.

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 Agency'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 retention as the Agency's auditor. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Restriction on Use

This information is intended solely for the information and use of the Board of Commissioners and management of the Agency and is not intended to be, and should not be, used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this letter, which is a matter of public record.

Conclusion

We appreciate the cooperation extended to us by Erik Hitchman, Administrative Officer, Josh Byerrum, Treasurer, and the Agency's staff in the performance of our audit testwork.

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to the Agency.

Fedak & Brown LLP
Cypress, California
December 2, 2021

Working Draft - Subject to Review

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

October 7, 2021

Rowland Water District hosted the Zoom Teleconference Meeting

COMMISSIONERS PRESENT:

Theresa Lee, Commissioner
Anthony Lima, Commissioner
Robert Lewis, Commissioner
Jerry Tang, Commissioner

STAFF PRESENT:

Erik Hitchman, Administrative Officer
Tom Coleman, Assistant Administrative Officer
Josh Byerrum, Treasurer
Myra Malner, Assistant Treasurer
Carmen Fleming, Secretary

Staff, guests and others in attendance: Ms. Rose Perea, Ms. Gabby Sanchez, Mr. Dusty Moisio, Mr. Dave Warren, Rowland Water District; and Ms. Sherry Shaw, Mr. Tai Diep, Mr. Tom Monk, Walnut Valley Water District.

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

Item IV: Public Comment

None.

Item V: Consider Adoption of Resolution No. 10-21-018 – Implementation of AB 361

Upon consideration thereof, it was moved by Commissioner Lee, seconded by Commissioner Lima, and carried (4-0) to adopt Resolution No. 10-21-018 implementing AB 316. A roll call vote was then taken:

Yes: Lee, Lewis, Lima, Tang

Noes: None

Motion Passed (4-0)

Chair Tang indicated that the motion was approved by a 4-0 roll call vote

Item VI: Approval of Minutes for August 5, 2021

Upon consideration thereof, it was moved by Commissioner Lima, seconded by Commissioner Lee, and carried (4-0) to approve the minutes of the Commission meeting held August 5, 2021. A roll call vote was then taken:

Yes: Lee, Lewis, Lima, Tang

Noes: None

Motion Passed (4-0)

Chair Tang indicated that the motion was approved by a 4-0 roll call vote

Item VII: Consider Adoption of Resolution No. 10-21-019 – Designating Check Signers for PBWA Bank Account

- ♦ Mr. Hitchman requested that the Commission approve updated positions and signers to the PBWA account due to staff and title changes.

Upon consideration thereof, it was moved by Commissioner Lewis, seconded by Commissioner Lima, and carried (4-0) to adopt Resolution No. 10-21-019, designating the Chairman, Vice-Chairman, Administrative Officer, Assistant Administrative Officer, Treasurer, and Assistant Treasurer. A roll call vote was then taken:

***Yes: Lee, Lewis, Lima, Tang
Noes: None
Motion Passed (4-0)***

Chair Tang indicated that the motion was approved by a 4-0 roll call vote

Item VIII: Review of Financial Statements: Fourth Quarter FY 20-21

- ♦ Mr. Byerrum reviewed the Fourth Quarter Fiscal Year 2020-21 financials.

Upon consideration thereof, it was moved by Commissioner Lee seconded by Commissioner Lima, and unanimously carried (4-0), to approve, receive and file the financials for the Fourth Quarter Fiscal Year 2020-21.

***Yes: Lee, Lewis, Lima, Tang
Noes: None
Motion Passed (4-0)***

Chair Lewis indicated that the motion was approved by a 4-0 roll call vote

Item IX: PBWA Legislative Activities

- ♦ Mr. Hitchman stated that the Lobbying Firm Retention Contract and Cost Sharing Agreement with Reeb Government Relations, LLC (RGR), is expiring effective December 31, 2021. The parties to the cost sharing agreement desire to renew the agreement with RGR for lobbying services. The term of the renewed agreement will be from January 1, 2022 through December 31, 2022 with a monthly fee of \$6,000.

Upon consideration thereof, it was moved by Commissioner Lewis, seconded by Commissioner Tang, and unanimously carried (4-0), to authorize the Administrative Officer to enter into an agreement with Reeb Government Relations, LLC for lobbying services at the cost of \$6,000 per month. A roll call vote was then taken:

***Yes: Lee, Lewis, Lima, Tang
Noes: None
Motion Passed (4-0)***

Chair Tang indicated that the motion was approved by a 4-0 roll call vote

Item X: Regional Water Supply Reliability Program Updates/Status:

(1) California Domestic Water Company

- ♦ Mr. Coleman reported that the line is ready and waiting for Cal Domestic approval in early November.

(2) Pathfinder Road-Colima Interties

- a. ***Consider Acceptance of Work and Notice of Completion for the Colima Interties at Banida Avenue, Hallgreen Drive, and Gona Court (P.N. PB17-0004):*** Mr. Hitchman reported that the contractors have substantially completed the work on the project and has been performed in accordance with the contract documents. Staff requested the

Commission accept the work as installed and authorize the filing of Notice of Completion.

Upon consideration thereof, it was moved by Commissioner Lima, seconded by Commissioner Lee, and carried (4-0) to accept the work as installed and authorize the filing of Notice of Completion for the Colima Interties at Banida Avenue, Hallgreen Drive, and Gona Court (P.N. PB17-0004). A roll call vote was then taken:

Yes: Lee, Lewis, Lima, Tang

Noes: None

Motion Passed (4-0)

Chair Tang indicated that the motion was approved by a 4-0 roll call vote

(3) Pomona Basin Regional Groundwater Project

- a. ***Consider Acceptance of Work and Notice of Completion for the Six Basins Groundwater Project (P.N. PB18-0005):*** Mr. Hitchman reported that the contractors have substantially completed the work on the project and has been performed in accordance with the contract documents for the Six Basins Groundwater Project – Phase 1B. Staff requested the Commission accept the work as installed and authorize the filing of Notice of Completion.

Upon consideration thereof, it was moved by Commissioner Lewis, seconded by Commissioner Lee, and carried (4-0) to accept the work as installed and authorize the filing of Notice of Completion for the Six Basins Groundwater Project – Phase 1B (P.N. PB18-0005). A roll call vote was then taken:

Yes: Lee, Lewis, Lima, Tang

Noes: None

Motion Passed (4-0)

Chair Tang indicated that the motion was approved by a 4-0 roll call vote

- b. ***Six Basins Groundwater Project Update:*** Mr. Hitchman reported that staff is working on bid documents for the Durward Well replacement, phase two of the project.
- c. ***Proposition 84:*** Mr. Hitchman reported that the latest project quarterly report was submitted and the requested extension was approved through December 2022.
- d. ***Proposition 1 Integrated Regional Water Management Grant:*** Mr. Hitchman reported that staff receives regular updates from Wendy La, of LASER, Inc. She is currently tracking the progress of grant-funded projects.

Item VII: Commission Follow-Up

None.

Item VIII: Commissioner Comments

None.

Item XI: Items for Future Discussion/Review

None.

Item XII: Attorney's Report

- ◆ No report on this item.

Item XIII: Public Comment on Closed Session

- ◆ There were no requests to comment on closed session.

Item XIV: Closed Session

- ◆ No closed session was held

Adjournment at 7:29 a.m.

There being no further business to discuss, by common consensus the Commission meeting was adjourned. The next Commission meeting to be held December 2, 2021.

Puente Basin Water Agency

FY 2021-22 Operating Results By Quarter

		9/30/2021	TOTAL	Budget
1	Income			
2	Administrative Assessment	\$ 54,527	\$ 54,527	\$ 283,375
3	Water Sales - Project	62,223	62,223	2,777,120
4	Water Sales - TVMWD	6,235,111	6,235,111	11,536,290
5	Project Maintenance Reserve	-	-	18,750
6	Used of Stored/Leased Water	-	-	2,131,800
7	Total Income	6,351,861	6,351,861	16,747,335
8	Expense			
9	Source of Supply			
10	Purchased Water - TVMWD	6,069,705	6,069,705	10,832,730
11	Purchased Water - CDWC	-	-	1,465,280
12	Purchased Water - Stored Water	-	-	2,131,800
13	Assessments - MSGBWM	-	-	750,000
14	Total Source of Supply	6,069,705	6,069,705	15,179,810
15	Fixed Charges			
16	TVMWD Equivalent Small Meters	17,309	17,309	72,070
17	TVMWD Water Use Charge	17,745	17,745	68,790
18	TVMWD Connected Capacity	16,621	16,621	69,410
19	MWD Capacity Reservation Charge	111,671	111,671	491,190
20	CDWC Ready To Serve	2,026	2,026	7,440
21	Total Fixed Charges	165,372	165,372	708,900
22	Other Costs			
23	Energy - Pumping and Treatment	2,592	2,592	333,750
24	Materials & Supplies - Chemical	-	-	56,250
25	Materials & Supplies - Others	102	102	19,600
26	Other Costs (RWD Labor etc.)	5,178	5,178	38,700
27	Baldy Lease Agreement	53,045	53,045	106,100
28	Permits & Fees	2,060	2,060	2,100
29	Total Other Costs	62,977	62,977	556,500
30	Administrative & General			
31	Legal	1,658	1,658	100,000
32	Engineering	-	-	5,000
33	Professional Services- Other	34,600	34,600	125,000
34	Insurance - Property & Liability	2,440	2,440	5,000
35	Accounting	630	630	8,375
36	Administrative Expenses - Other	14,479	14,479	40,000
37	Total Administrative & General	53,806	53,806	283,375
38	Total Expense	6,351,861	6,351,861	16,728,585
39	Other Income/Expense			
40	Stored Water Transfer\Purchase	-	-	-
41	Leased Water Income	62,500	62,500	62,500
42	LAIF Interest	928	928	6,000
43	Grant Revenue	-	-	-
44	Other Income	-	-	-
45	Stored Water Expense	-	-	-
46	Net Other Income	63,428	63,428	68,500
47	Net Income (Loss) Before Transfers	63,428	63,428	87,250
48	Transfer In: Maint. Reserve Funds Used	-	-	-
49	Transfer Out: Maint. Reserve Funds Collected	-	-	(18,750)
50	Net Income (Loss) After Transfers	\$ 63,428	\$ 63,428	\$ 68,500

	PBWA Maintenance Reserve	9/30/2021	Year to Date	Budget
51	Beginning Balance	\$ 146,157	\$ 146,157	\$ 146,157
52	Transfers In	-	-	18,750
53	Transfers Out	-	-	-
54	Ending Balance September 30, 2021	\$ 146,157	\$ 146,157	\$ 164,907

Puente Basin Water Agency

FY 2021-22 Operating Results By Quarter

Capital Projects		9/30/2021	Year to Date	Life to Date
55	Revenues			
56	Member Assessment - RWD	\$ 2,273	\$ 2,273	\$ 3,151,723
57	Member Assessment - WVWD	2,273	2,273	\$ 3,151,723
58	Grant Proceeds Use	61,816	61,816	\$ 1,104,835
59	Total Revenues	66,363	66,363	\$ 7,408,280
60	Expenses			
61	Pathfinder	4,547	4,547	\$ 2,322,354
62	Pomona Basin	61,816	61,816	\$ 5,085,926
63	Total Expenses	\$ 66,363	66,363	\$ 7,408,280

PBWA Stored Water		9/30/2021	Year to Date
64	Stored Water (\$\$):		
65	Beginning Balance	\$ 12,980,026	\$ 12,980,026
66	Add: Transferred Water	-	-
67	Less: Water Produced	-	-
68	Ending Balance	\$ 12,980,026	\$ 12,980,025
69	Stored Water (AF):		
70	Beginning Balance	21,661	21,661
71	Add: Transferred Water	-	-
72	Less: Water Produced	-	-
73	Ending Balance	21,661	21,661

**PUENTE BASIN WATER AGENCY
STATEMENT OF CASH FLOWS
FY 2021-22**

		BEGINNING BALANCE JULY 1, 2021		\$ 1,583,485.34
<u>Deposits:</u>				
		Rowland	1,433,987.73	
		WVWD	5,792,328.95	
		DWR	0.00	
		La Habra Heights Water Company	0.00	
		Palmdale Water District	4,999.98	
		Valley County Water District	3,000.00	
		Montebello Land & Water Company	62,500.00	
		LAIF-Interest	928.29	
		Subtotal Deposits		7,297,744.95
		Total Deposits		8,881,230.29
<u>Disbursements</u>				
<u>Date</u>	<u>Check #</u>	<u>Payee</u>		
07/16/21	EFT	TVMWD	(2,089,103.33)	
07/15/21	EFT	Bank of America	(1,856.07)	
08/16/21	EFT	TVMWD	(2,574,738.73)	
09/17/21	EFT	TVMWD	(2,337,274.13)	
07/01/21	1682	City of La Verne	(53,045.00)	
07/01/21	1683	Reeb Government Relations, LLC	(6,000.00)	
07/01/21	1684	Water Replenishment District of Southern	(482.50)	
07/27/21	1685	ACWA/JPIA	(2,439.67)	
07/27/21	1686	City of La Verne	(83.35)	
07/27/21	1687	Civiltec Engineering	(10,823.75)	
07/27/21	1688	Doty Bros. Equipment	(3,338.38)	
07/27/21	1689	LASER LLC	(2,300.00)	
07/27/21	1690	Rowland Water District	(11,688.70)	
07/27/21	1691	Woodard & Curran - RMC	(1,631.00)	
08/17/21	1692	City of La Verne	-	
08/17/21	1693	Fedak & Brown	(630.00)	
08/17/21	1694	Lagerlof, LLP	(520.00)	
08/17/21	1695	LASER LLC	(3,300.00)	
08/17/21	1696	Reeb Government Relations, LLC	(12,000.00)	
08/17/21	1697	Rowland Water District	(337.72)	
08/17/21	1698	Walnut Valley Water District	(12,262.61)	
08/17/21	1699	City of La Verne	(98.65)	
09/07/21	1700	Civiltec Engineering	(740.00)	
09/07/21	1701	Lagerlof, LLP	(260.00)	

PUENTE BASIN WATER AGENCY
STATEMENT OF CASH FLOWS
FY 2021-22

09/07/21	1702	Rowland Water District	(3,431.79)	
09/07/21	1703	San Gabriel Valley Watermaster	-	
09/16/21	1704	San Gabriel Valley Watermaster	(220,976.00)	
09/23/21	1705	City of La Verne	(51.00)	
09/23/21	1706	Civiltec Engineering	(2,720.00)	
09/23/21	1707	Doty Bros. Equipment	(27,747.67)	
09/23/21	1708	Lagerlof, LLP	(747.50)	
09/23/21	1709	LASER LLC	(2,100.00)	
09/23/21	1710	Reeb Government Relations, LLC	(6,000.00)	
09/23/21	1711	Rowland Water District	(2,418.23)	
09/23/21	1712	Woodard & Curran - RMC	(13,082.50)	
		Total Disbursements		<u>(7,404,228.28)</u>
		ENDING BALANCE SEPTEMBER 30, 2021		\$ 1,477,002.01
		LAIF		\$ 1,137,884.05
		Checking		\$ 339,117.96
		Total Cash Balance		\$ 1,477,002.01

RESOLUTION NO. 12-21-021

**A RESOLUTION OF THE PUENTE BASIN WATER AGENCY ESTABLISHING
CALENDAR YEAR 2022 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 2022:

Date	Time	Location
February 3, 2022*	7:00 a.m.	Rowland Water District
April 7, 2022**	7:00 a.m.	Walnut Valley Water District
June 2, 2022	7:00 a.m.	Rowland Water District
August 4, 2022	7:00 a.m.	Walnut Valley Water District
October 6, 2022	7:00 a.m.	Rowland Water District
December 1, 2022	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 2nd day of December, 2021.

Attest:

Chair, Puente Basin Water Agency

Secretary, Puente Basin Water Agency

PBWA MEETINGS

2022 Calendar

JANUARY						
S	M	T	W	TH	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

FEBRUARY						
S	M	T	W	TH	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28					

MARCH						
S	M	T	W	TH	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

Holidays

January

- 1 New Year's Day
- 17 Martin Luther King, Jr. Day

February

- 21 President's Day

APRIL						
S	M	T	W	TH	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

MAY						
S	M	T	W	TH	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

JUNE						
S	M	T	W	TH	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

May

- 30 Memorial Day

July

- 4 Independence Day

September

- 5 Labor Day

JULY						
S	M	T	W	TH	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

AUGUST						
S	M	T	W	TH	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

SEPTEMBER						
S	M	T	W	TH	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	

November

- 11 Veterans' Day
- 24 Thanksgiving Day

December

- 25 Christmas Day

OCTOBER						
S	M	T	W	TH	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

NOVEMBER						
S	M	T	W	TH	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

DECEMBER						
S	M	T	W	TH	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

PBWA Commission meetings scheduled to begin at 4:00 p.m.



December 2, 2021

TO: Board of Commissioners
FROM: Erik Hitchman, Administrative Officer
RE: Commission Follow-Up

Recommendation

For information only.

Background

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

Item	Meeting Date	Commission Activity	Completed	Follow-Up
Adoption of Resolution No. 10-21-018 – Implementation of AB 361	10/07/21	Approved Resolution	10/07/21: Executed Resolution	Completed
Consider Adoption of Resolution No. 10-21-019 – Designating Check Signers for PBWA Bank Account	10/07/21	Approved Resolution	10/07/21: Executed Resolution	Completed
PBWA Legislative Activities: Engagement of Lobbyist	10/07/21	Approved renewal agreement		Pending
Consider Acceptance of Work and Notice of Completion for the Colima Interties at Banida Avenue, Hallgreen Drive, and Gona Court (P.N. PB17-0004)	10/07/21	Notice of Completion approved	10/11/21: Notice of Completion filed	Completed
Consider Acceptance of Work and Notice of Completion for the Six Basins Groundwater Project (P.N. PB18-0005)	10/07/21	Notice of Completion approved	10/11/21: Notice of Completion filed	Completed