

**ANTELOPE VALLEY-EAST KERN WATER AGENCY
 ANTELOPE VALLEY-EAST KERN WATER AGENCY FINANCING AUTHORITY
 REGULAR BOARD MEETING AGENDA & PUBLIC HEARING
 TUESDAY, NOVEMBER 8, 2022, AT 5:30 PM
 Teleconference: (669) 900-6833; ID No. 8 9 4 3 5 7 2 7 6 5 7; PASSCODE: 0**

Video Conference:

<https://us02web.zoom.us/j/89435727657?pwd=ak1XbmprdfBUQnRZOWszWU91VHdyUT09>

*****Please mute microphone at all times unless speaking*****

1. CALL TO ORDER

- 2. ROLL CALL:** Division 7 – **Gary Van Dam** _____; Division 6 – **Audrey T. Miller** _____; Division 5 – **Robert Parris** _____; Division 4 – **George M. Lane** _____; Division 1 – **Shelley Sorsabal** _____; Division 3 – **Frank Donato** _____; Division 2 – **Keith Dyas** _____

OFFICERS: General Manager – **Dwayne Chisam**; Attorney – **Jim Markman/Tilden Kim**;
 Board Secretary/Treasurer – **Holly Hughes**

- 3. VOLUNTARY PUBLIC ROLL-CALL** – If any member of the public wishes to introduce themselves, please feel free to do so now.
- 4. PUBLIC COMMENTS AND PERIOD OPEN TO THE PUBLIC** – If anyone wishes to address the board on any item not on the agenda, please feel free to do so now.

5. ADOPTION OF AGENDA

5(a-1)	Adoption of Agenda for Board Meeting of November 8, 2022	Board Order 5(a-1)
--------	--	--------------------

6. NEW BUSINESS None

- 7. CONSENT CALENDAR** – The public and board shall have an opportunity to comment on any action item(s) on the Consent Calendar as the Consent Calendar is considered collectively by the Board of Directors prior to action being taken.

			Page
7(a-1)	Approve Minutes of the Regular Board Meeting of October 11, 2022	Board Order 7(a-1)	5
7(a-2)	Accept and file the Check Register Lists from October 13, 2022, through October 26, 2022 (F/C Review 11/3/22)	Board Order 7(a-2)	11

7. ITEM(S) FOR CONSIDERATION AND POSSIBLE ACTION

a. Finance Committee (FD/SS/KD) 10/20/22 Page

8(a-1)	Audit results presentation for Fiscal Year July 1, 2021, through June 30, 2022 – Thomas Young / Brown Armstrong CPA’s		n/a
8(a-2)	Consideration and possible action to accept and file the Audit Report for the Fiscal Year Ending June 30, 2022	Board Order 8(a-2)	19

b. High Desert Water Bank Committee (FD/KD/SS) 9/1/22 & 10/27/22 Page

8(b-1)	Consideration and possible action on Change Order No. 1 for installation of DWR-required fiber optic cable – Project No. HDWB 21-01 – Blois Construction; \$541,336 (HDWB Capital Budget Funded by Metropolitan Water District (Engineering Manager Livesay)	Board Order 8(b-1)	81
8(b-2)	Consideration and possible action on No-Cost Amendment to extend Stantec’s Engineering, Design, and Hydrology Professional Services Agreement through June 30, 2026 (Engineering Manager Livesay)	Board Order 8(b-2)	85

8. GENERAL MANAGER’S REPORT ON WATER SUPPLY, PROJECTS, AND PROGRAM

9. DIRECTOR REPORTS

10. ATTORNEY REPORT

11. REQUEST FOR FUTURE AGENDA ITEMS

12. OLD BUSINESS

13. CLOSED SESSION

- a. *Possible* Closed Session – Conference with Legal Counsel – Existing Litigation, to which the local agency is a party pursuant to Government Code Section 54956.9(d)(1), one case, *CV Communities, LLC v. Antelope Valley-East Kern Water Agency*, Los Angeles County Superior Court Case No. 20STCV10953.
- b. *Possible* Closed Session – Board Officer Evaluations of the General Manager and Board Secretary-Treasurer Positions, pursuant to Government Code Section §54957
- c. Public Employee Appointment pursuant to California Government Code Section 54957; Title: General Manager

14. CLOSED SESSION ANNOUNCEMENTS

15. ADJOURN TO A REGULAR BOARD MEETING SCHEDULED FOR TUESDAY, NOVEMBER 22, 2022, AT 5:30 P.M.

Note: The Board reserves the right to discuss and/or act on all the above agenda items.

NOTICES

Any person may make a request for a disability-related modification or accommodation needed for that person to be able to participate in the public meeting by telephoning (661) 943-3201 or writing to Antelope Valley-East Kern Water Agency at 6450 West Avenue N, Palmdale, CA 93551. Requests must specify the nature of the disability and the type of accommodation requested. A telephone number or other contact information should be included so that Agency staff may discuss appropriate arrangements. Persons requesting a disability-related accommodation should make the request with adequate time before the meeting for the Agency to provide the requested accommodation.

A complete agenda packet containing all accompanying reports for this agenda is available by contacting the Board Secretary-Treasurer at hhughes@avek.org or (661) 943-3201. Board meetings are subject to audio recording.

Posted: November 3, 2022, at 7 p.m. by Holly Hughes, Board Secretary-Treasurer

RECOMMENDED BOARD ORDER 7(a-1)

To the Board of Directors

FOR BOARD ACTION

**APPROVE MINUTES OF THE REGULAR BOARD MEETING
OF OCTOBER 11, 2022**

The Board of Directors adopted the following board order on
November 8, 2022:

That the Minutes of the Regular Board Meeting of October 11, 2022,
be approved as presented.

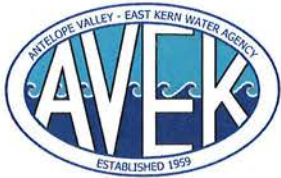
Motion by _____

Second by _____

Carried _____

BOARD ORDER 7(a-1)

11-08-22



Antelope Valley-East Kern Water Agency Antelope Valley-East Kern Financing Authority

The mission of AVEK is to deliver reliable, sustainable, and high-quality supplemental water to the region in a cost-effective and efficient manner

MINUTES

Regular Board Meeting & Public Hearing of October 11, 2022

1. Call to Order:		DRAFT	The regular meeting of the Board of Directors of the Antelope Valley-East Kern Water Agency and the Antelope Valley-East Kern Water Agency Financing Authority met via teleconference and video conference (not in-person in response to the COVID-19 directive). The meeting was called to order by President Dyas at 5:30 p.m.
Date: Tuesday, October 11, 2022 Time: 5:30 p.m. Location: Zoom Telephone: (669) 900-6833; ID No: 894 3572 7657; Passcode 0 Zoom Link: https://us02web.zoom.us/j/89435727657?pwd=ak1XbmprdfBUQnRZOWszWU91VHdyUT09			
2. Roll Call: Board Members present via teleconference unless noted		Present: 7 Not Present: 0	
Division 7, Gary Van Dam	Division 6, Audrey Miller		
Division 5, Robert Parris	Division 4, George Lane [present in-person]		
Division 1, Shelley Sorsabal	Division 3, Frank Donato (Vice President)		
Division 2, Keith Dyas (President)			
Board Officers present in-person unless noted		Present: 3 Not Present: 0	
General Manager Dwayne Chisam			
General Counsel/Attorney: Tilden Kim , Richards Watson Gershon Law (RWG) – present via teleconference			
Board Secretary-Treasurer: Holly Hughes			
NOTES: ALL VOTES CAST WERE TAKEN VIA ROLL CALL due to teleconference			
Staff Present: In-person: Matt Knudson , Assistant General Manager; Jon Bozigian , Operations Manager; Teresa Yates , Finance Manager; Justin Livesay , Engineering Manager; and Pam Clark , Executive Assistant.			
Others Present in-person: Matt Payne , WestWater			
Others Present via Teleconference: In addition to the names and numbers of AVEK Directors, several other names and telephone numbers appeared on the participant list for the Zoom conference call including the following: (661) 272-0015; (661) 433-1487; Belal Tabannaj ; Greg Wood ; Jim ; John Joyce ; NERD -Aerotech News – Alisha ; Jack's iPad ; and others. As many as 20 participants were noted and this number fluctuated throughout the meeting.			
3. Voluntary Public Roll Call			
Vince Dino , Palmdale Water District; John Joyce , Rosamond News; Jack Seefus , White Fence Farms 3; John Ukkestad			
4. Public Comments and Period Open to the Public			
There were no public comments.			
5. Adoption of Agenda:			1 Item
BOARD ORDER 5(a-1): Adoption of Agenda for Board Meeting of October 11, 2022			
5(a-1):	MOTION: Lane	SECOND: Miller	ROLL CALL: AYE = 7; NAY= 0; ABSTAIN = 0; ABSENT = 0
			PASSED
6. New Business:			1 Item
6(a-1) Consideration and Possible Action to approve Resolution No's R-22-26, R-22-27, R-22-28 and R-22-29; Providing for the Appointment of the only Person Nominated to the Office of Director of Divisions 1, 2, 4, and 5 and Ordering the Election for such Offices not to be held on November 8, 2022; General Counsel Markman			
BOARD ORDERS 6(a-1) To approve Resolutions Numbers R-22-26, R-22-27, R-22-28 and R-22-29; Providing for the Appointment of the only Person Nominated to the Office of Director of Divisions 1 (Shelley Sorsabal), 2 (Keith Dyas), 4 (George Lane), and 5 (Robert Parris) and Ordering the Election for such Offices not to be held on November 8, 2022, as presented and recommended.			
6(a-1)	MOTION: Lane	SECOND: Sorsabal	ROLL CALL: AYE = 7; NAY= 0; ABSTAIN = 0; ABSENT =0;
			PASSED

HEARING: In the Matter of the Adoption of Proposed Resolution No. R-22-34, amending the Antelope Valley-East Kern Water Agency's Conflict of Interest Code: President **Dyas** asked if there was a motion and second to open the public hearing

BOARD ORDERS 6a(SBO) The public hearing was called to order at 5:34 p.m.

6a(SBO)	<u>MOTION:</u> Miller	<u>SECOND:</u> Sorsabal	ROLL CALL: AYE = 7; NAY= 0; ABSTAIN = 0; ABSENT =0;	PASSED
---------	-----------------------	-------------------------	--	--------

GM **Chisam** stated that every two years the California Fair Political Practices Commission (FPPC) requires the AVEK Water Agency and the AVEK Water Agency Financing Authority to review their Conflict of Interest Code and notify the FPPC if the code needs to be amended. The only change to our code in the past two years involved the addition to staff of a Senior Engineer. The Codes were also reviewed for the AVEK Financing Authority and were found to not be needing an amendment at this time. There were no further comments made by staff, directors, or the public when prompted to respond.

BOARD ORDERS 6b(SBO) The public hearing was closed at 5:38 p.m.

6a(SBO)	<u>MOTION:</u> Sorsabal	<u>SECOND:</u> Miller	ROLL CALL: AYE = 7; NAY= 0; ABSTAIN = 0; ABSENT =0;	PASSED
---------	-------------------------	-----------------------	--	--------

Consideration and possible action on Resolution R-22-34, adopting an amended Conflict of Interest Code for AVEK Water Agency pursuant to the Political Reform Act of 1974

BOARD ORDERS 6c(SBO) To adopt Resolution No. R-22-34, amending the Conflict-of-Interest Code for the AVEK Water Agency, pursuant to the Political Reform Act of 1974 and rescinding Resolution R-17-13 as presented and recommended.

6b(SBO)	<u>MOTION:</u> Donato	<u>SECOND:</u> Sorsabal	ROLL CALL: AYE = 7; NAY= 0; ABSTAIN = 0; ABSENT =0;	PASSED
---------	-----------------------	-------------------------	--	--------

7. Consent Calendar 7 Items

7(a-1) Approve Minutes of the Regular Board Meeting of September 13, 2022

7(a-2) Accept and file the Check Register Lists from September 15, 2022, through September 28, 2022 (F/C Review 10/6/22)

7(a-3) Approval of Resolution No. R-22-25; Extending authorization for continuing meetings by teleconferencing pursuant to Government Code Section 54953(e)

7(a-4) Consideration and possible action on Resolution No. R-22-30; Joint Tax Sharing Resolution - Annexation No. 40-65 (04-135) LAFCO Designation No. 2022-01 (COLA-DPW/WW40/City of Lancaster) > (F/C Review 10/6/22)

7(a-5) Consideration and possible action on Resolution No. R-22-31; Joint Tax Sharing Resolution - LA County Sanitation Districts Annexation No. 14-439; 68 Proposed Single-Family Homes (F/C Review 10/6/22)

7(a-6) Consideration and possible action on Resolution No. R-22-32; Joint Tax Sharing Resolution - LA County Sanitation Districts Annexation No. 14-438; 1 Proposed Warehouse (F/C Review 10/6/22)

7(a-7) Consideration and possible action on Resolution No. R-22-33; Joint Tax Sharing Resolution - LA County Sanitation Districts Annexation No. 14-437; 1 Proposed Industrial Building (F/C Review 10/6/22)

BOARD ORDERS 7(a-1) to 7(a-7) Approval of all seven (7) Items on the Consent Calendar as presented.

7(a-1) to 7(a-7)	<u>MOTION:</u> Sorsabal	<u>SECOND:</u> Lane	ROLL CALL: AYE = 7; NAY= 0; ABSTAIN = 0; ABSENT =0;	PASSED
------------------	-------------------------	---------------------	--	--------

8. Items for Consideration and Possible Action 3 Items

a. Finance Committee (FD/SS/KD) 10/06/22

8(a-1) Consideration and possible action to approve a Purchase Order with D & T Fiberglass to repair a 4000-gallon FRP tank at the Rosamond Water Treatment Plant in the not-to-exceed amount of \$30,935.00 (Budgeted; Operations Manager Bozigian)

To approve the proposal submitted by D&T Fiberglass to repair a 4000-gallon FRP tank (to store Sodium Hypochlorite) at the Rosemond Treatment Plant, as presented and recommended by the Finance Committee and management staff.

8(a-1)	MOTION: Donato	SECOND: Lane	ROLL CALL: AYE = 7; NAY= 0; ABSTAIN = 0; ABSENT = 0	PASSED
--------	-----------------------	---------------------	---	---------------

8(a-2) Consideration and possible action to approve a Purchase Order with Miracle Machinery for the removal of spent coagulant at the three water treatment plants (Quartz Hill, Rosamond, and Eastside) for the not-to-exceed amount of \$115,030.00 (Budgeted; Operations Manager Bozigian)

To award a contract to Miracle Machinery in the not-to-exceed amount of \$115,030 for the removal and disposal of spent coagulant at three treatment plants (Quartz Hill, Rosamond, and Eastside) and authorizing the general manager to execute an agreement with Miracle Machinery for same, as presented and recommended by the Finance Committee and management staff.

8(a-2)	MOTION: Donato	SECOND: Lane	ROLL CALL: AYE = 7; NAY= 0; ABSTAIN = 0; ABSENT = 0	PASSED
--------	-----------------------	---------------------	---	---------------

b. Capital Improvement Committee (FD/KD/AM) 09/30/22

8(b-1) Consideration and possible action on acceptance of work and filing of Notice of Completion for the Westside Water Bank Recharge Pipelines Improvement Project – Nicholas Construction (Engineering Manager Livesay)

BOARD ORDER 8(b-1) To deem the Westside Water Bank Recharge Pipelines Project as complete and file a Notice of Completion on behalf of Nicholas Construction, as presented and recommended by the Capital Improvement Committee and management staff.

8(b-1)	MOTION: Donato	SECOND: Miller	ROLL CALL: AYE = 7; NAY= 0; ABSTAIN = 0; ABSENT = 0	PASSED
--------	-----------------------	-----------------------	---	---------------

9. General Manager's Report on Water Supply, Projects, and Program

An update was provided on the status of the Agency. The Northern California State Weather Forecast for the next 10 days was provided. No precipitation was anticipated.

Agency Operations Update: Groundwater recovery was reported to be 55% of capacity. LACWW Tour is scheduled for Wednesday 11/9/22.

Water Treatment Plant Water Flow - totals for both conventional and geopurification were reported at an average 7-day flow of 31.6 MGD with conventional treatment at 17.3 MGD and geopurification deliveries at 14.3 MGD. Westside banking recharge was OFF and the Eastside banking facility was OFF; Upper Amargosa Recharge was also OFF. Total current recharge rate was 0 AF/Day.

Agency Capital Projects Update: Westside Water Bank well EW-23 has been removed for repair; recharge at the Eastside Water Bank has been temporarily halted to allow pond remediation.

Upcoming Events and Schedule: Benefits Open Enrollment Period is from 10/10/22 through 10/31/22; California Fish and Game Commission meeting on 10/12/22-10/13/22 @ 9 am via Zoom regarding the Wester Joshua Tree CESA determination; AVSWCA Board Meeting on Thursday, 10/13/22 at 6 pm; AV Watermaster Board Meeting on Wednesday, 10/26/22 at 10 am via Zoom and in-person. The general manager's schedule was also stated.

10. Director Reports

There were no reports made by any of the Directors.

11. Attorney Report

There was no report made by Attorney Kim.

12. Request for Future Agenda Items

None.

13. Old Business

None.

14. Closed Session

- a. **(NO) Possible** Closed session pursuant to Government Code Section 54956.8
 Conference with Real Property Negotiators
 Property: APN's: 3275-021-008, 3275-021-027, 3275-021-030, 3275-021-035, and 3275-021-038.

 Agency Negotiator: General Manager Dwayne Chisam
 Negotiating parties: AVEK and Hector Lopez, Maura Lopez, Armando Funes, Ruth Funes; Raquel Sisayan LLC; Raquel Sisayan LLC, Steven G Johnson and Stephanie A Johnson; Danny C Vidamo and Aida S Vidamo.
 Under negotiation: Price and terms of payment for possible purchase
- b. **(NO) Possible** Closed Session – Conference with Legal Counsel – Existing Litigation, to which the local agency is a party pursuant to Government Code Section 54956.9(d)(1), one case, *CV Communities, LLC v. Antelope Valley-East Kern Water Agency*, Los Angeles County Superior Court Case No. 20STCV10953.
- c. **(NO) Possible** Closed Session – Board Officer Evaluations of the General Manager and Board Secretary-Treasurer Positions, pursuant to Government Code Section §54957
- d. **(YES)** Public Employee Appointment pursuant to California Government Code Section 54957; Title: General Manager
- e. **(NO)** Closed Session: CONFERENCE WITH LEGAL COUNSEL- ANTICIPATED LITIGATION; Initiation of litigation pursuant to paragraph (4) of subdivision (d) of Section 54956.9 (1 case)

It was stated that there was reason to go into Closed Session for Items 14(d) only.

BOARD ORDER 14.1: The meeting was adjourned to closed session at 6:12 p.m.

14.1	MOTION: Parris	SECOND: Sorsabal	ROLL CALL: AYE = 7; NAY= 0; ABSTAIN = 0; ABSENT = 0	PASSED
------	----------------	------------------	--	--------

BOARD ORDER 14.2: The meeting was reconvened to open session at 7:02 p.m.

14.2	MOTION: AVEK Director	SECOND: AVEK Director	ROLL CALL: AYE = 7; NAY= 0; ABSTAIN = 0; ABSENT = 0	PASSED
------	-----------------------	-----------------------	--	--------

15. Closed Session Announcement(s)

President **Dyas** announced that there was no reportable action taken as a result of closed session.

16. Adjourn to Board Meeting Scheduled for Tuesday, October 25, 2022, at 5:30 p.m.

BOARD ORDER 16: The meeting was adjourned at 7:05 p.m.

16	MOTION: Parris	SECOND: Donato	ROLL CALL: AYE = 7; NAY= 0; ABSTAIN = 0; ABSENT = 0	PASSED
----	----------------	----------------	--	--------

Approval:



Holly Hughes, Board Secretary-Treasurer

Board of Directors:

President or Vice-President's Signature Date

RECOMMENDED BOARD ORDER 7(a-2)

To the Board of Directors

FOR BOARD ACTION

CHECK REGISTER LISTS

The Board of Directors adopted the following board order on November 8, 2022:

That the check register lists for the period of October 13, 2022, through October 26, 2022, be approved and accepted for filing as presented.

Motion by _____

Second by _____

Carried _____

BOARD ORDER 7(a-2)

11-08-22

AVEK Water Agency
Check List
For the Period October 13, 2022 to October 26, 2022

REVIEWED
11/3/22
m.k.

Check #	Payee	Explanation	Approved By:	Amount
<u>DWR CONTRACT & WATER DELIVERIES</u>				
1	83015	Department of Water Resources	Variable O.M.P.&R Charges - September 2022	Monthly - GM Approved \$ 368,170.00
<u>MONTHLY</u>				
2	82979	Wells Fargo Bank - Bozigian	Agency Card Expenses	Monthly - GM Approved \$ 212.63
3	82980	Wells Fargo Bank - Chisam	Agency Card Expenses	Monthly - Board President Approved \$ 133.92
4	82981	Wells Fargo Bank - Holmes	Agency Card Expenses	Monthly - GM Approved \$ 2,050.45
5	82982	Wells Fargo Bank - Hughes	Agency Card Expenses	Monthly - Board President Approved \$ 1,278.16
6	82983	Wells Fargo Bank - Knudson	Agency Card Expenses	Monthly - GM Approved \$ 1,037.79
7	82984	Wells Fargo Bank - Livesay	Agency Card Expenses	Monthly - GM Approved \$ 3,175.01
8	82985	Wells Fargo Bank - Morris	Agency Card Expenses	Monthly - GM Approved \$ 44.99
10	82986	Wells Fargo Bank - Rose	Agency Card Expenses	Monthly - GM Approved \$ 629.63
11	82992	Southern CA Edison	Electricity/Pumping - ES2/EBB Ops. Building/EW16/EW17/EW18/EW19/W SSP2 Control Building	Monthly - GM Approved \$ 49,115.77
12	82993	T-Mobile	Director Communication Device	Monthly - GM Approved \$ 110.00
13	82994	Xerox Financial Services	Copier Lease Charges - Administration #2 Upstairs	Monthly - GM Approved \$ 486.13
14	83002	AT&T	Landline SCADA Alarm - AWTP	Monthly - GM Approved \$ 274.05
15	83004	The Bank of New York Mellon	Custody Services Fees - September 2022	Monthly - GM Approved \$ 250.00
16	83007	California Tool & Welding Supply	Welding Gases - QHWTP	Monthly - GM Approved \$ 215.45
17	83010	Cintas	Uniforms - All Sites	Monthly - GM Approved \$ 1,070.61
18	83011	Coffee Break Service, Inc.	Kitchen Supplies	Monthly - GM Approved \$ 352.10
19	83017	Eurofins Eaton Analytical, LLC	Outside Services - Lab	Monthly - GM Approved \$ 1,305.00
20	83019	Frontier Communications	Landline SCADA Alarm - WWB	Monthly - GM Approved \$ 75.26
21	83025	Health Equity	H.S.A. Fees - October 2022	Monthly - GM Approved \$ 79.65
22	83032	Wells Fargo Vendor Financial Services - Kyocera Lease	Copier Lease Charges - Administration #1 Maintenance Dept. / Administration #2 New Lab	Monthly - GM Approved \$ 545.54

AVEK Water Agency
Check List
For the Period October 13, 2022 to October 26, 2022

	Check #	Payee	Explanation	Approved By:	Amount
MONTHLY cont.					
23	83045	PFM Asset Management LLC	Managed Account Fees - September 2022	Monthly - GM Approved	\$ 2,129.31
24	83049	Sparkletts	Supplies - Lab	Monthly - GM Approved	\$ 444.31
BOARD APPROVED					
25	82988	Brownstein Hyatt Farber Schreck, LLP	Professional Services through September 2022 - AVEK and CV Communities Dispute	Finance Committee 10/20/2022	\$ 4,031.69
26	82989	Palmdale Water District	Payment for PWD Treatment Cost for Acton Service Area	Finance Committee 10/20/2022	\$ 47,446.53
27	82990	Richards, Watson & Gershon	Professional Services - Through September 2022	Finance Committee 10/20/2022	\$ 20,486.95
28	82996	ACWA	2023 Agency Dues	Annually - BoD Approved Membership List	\$ 24,655.00
29	82997	ACWA-JPIA - Workers' Compensation Program	Workers' Compensation - 1st Quarter	Quarterly - BoD Approved Agreement	\$ 23,136.76
30	82998	ACWA-JPIA - Liability Program	Auto & General Liability Program Renewal - October 01, 2022 to October 01, 2023	Annually - BoD Approved Policy	\$ 123,011.00
31	83000	Airgas USA, LLC	Chemicals - Liquid Oxygen	BoD Approved Chemical Budget	\$ 4,703.46
32	83001	Alisha L. Semchuck	Public Information Consultant - October 2022	BoD Approved Contract	\$ 1,500.00
33	83013	California Special District Assn.	2023 Membership Dues	Annually - BoD Approved Membership List	\$ 8,810.00
34	83016	Eco Services Operations Corp.	Chemicals - Alum	BoD Approved Chemical Budget	\$ 21,083.52
35	83024	HdL Coren & Cone	Professional Services - Property Tax Consultant - October to December 2022	Quarterly - BoD Approved Agreement	\$ 7,475.14
36	83029	JCI Jones Chemicals, Inc.	Chemicals - Sodium Hypochlorite	BoD Approved Chemical Budget	\$ 12,830.72
37	83039	Mojave Water Agency	FPL Agreement for Water Usage - August 2022	BoD Approved Agreement	\$ 10,269.00

AVEK Water Agency
Check List
For the Period October 13, 2022 to October 26, 2022

	Check #	Payee	Explanation	Approved By:	Amount
BOARD APPROVED cont.					
38	83040	National Auto Fleet Group	Fixed Asset VN22-02 New Maintenance Vehicle	P.O. #21-0269 - Board Meeting 11/09/2021	\$ 60,707.14
39	83050	Sterling Water Technologies, LLC	Chemicals - Hypochlorite	BoD Approved Chemical Budget	\$ 4,374.30
GM APPROVED					
Administration					
40	83008	Canon Financial Services, Inc.	Copier Charges	GM Approved	\$ 496.75
41	83042	Palmdale Trophy	Embroidered Hats	GM Approved	\$ 1,767.87
Finance					
42	83009	CCH	2023 Governmental GAAP Guide	GM Approved	\$ 643.20
43	83033	LA County Tax Collector	Property Tax - Assessor's ID 3053-028-273	GM Approved	\$ 76.82
44	83034	LA County Tax Collector	Property Tax - Assessor's ID 3053-032-273	GM Approved	\$ 107.18
45	83044	Sage Checks and Forms	Accounts Payable Checks	GM Approved	\$ 592.76
Human Resources					
46	83047	Proactive Work Health	Employee Physicals	GM Approved	\$ 94.00
Lab					
47	82995	Eurofins Abraxis Inc.	Chemicals - Lab	P.O. #22-0141 - GM Approved	\$ 593.42
48	83021	Hach Company	Glassware - Lab	P.O. #22-0211 - GM Approved	\$ 225.67
49	83052	VWR International	Chemicals - Lab	P.O. #22-0226 - GM Approved	\$ 151.66
50	83054	Jordan Wray	Educational Reimbursement - Water Quality Analyst Renewal - Per BoD Approved Policy	GM Approved	\$ 75.00
Operations & Maintenance					
51	82987	RSI Petroleum Products	Equipment Maintenance - RG3/RG4/RG6/RG7	GM Approved	\$ 1,468.03
52	82991	KJS Health and Safety	Safety Training	GM Approved	\$ 1,300.00
53	82999	Agro-Tech Landscape	Grounds Maintenance - AWTP/EWTP/EBB	P.O. #22-0203 - GM Approved	\$ 5,400.00
54	83003	AutoZone	Supplies - QHWTP	GM Approved	\$ 332.09

AVEK Water Agency
Check List
For the Period October 13, 2022 to October 26, 2022

	Check #	Payee	Explanation	Approved By:	Amount
GM APPROVED cont.					
Operations & Maintenance cont.					
55	83005	Bakersfield Electric Motor Repair Inc.	Equipment Maintenance - EW23	P.O. #22-0223 - GM Approved	\$ 12,283.92
56	83006	Bill's Landscaping, Inc.	Weed Abatement - RWTP	P.O. #21-0308 - GM Approved	\$ 6,800.00
57	83012	Charles P. Crowley Company, Inc.	Equipment Maintenance - RWTP	P.O. #22-0152 - GM Approved	\$ 1,523.60
58	83014	Linda Beggs dba Desert Lock Company	Building Maintenance - EWTP/RWTP	GM Approved	\$ 220.00
59	83018	Farm Pump and Irrigation Co.	Equipment Maintenance - EWTP/QHWTP/RWTP/WWB	GM Approved	\$ 1,349.72
60	83020	Grease Monkey 1066	Legacy Vehicle Maintenance - Vehicle #19 Admin and #29 Maintenance Dept.	GM Approved	\$ 254.00
61	83021	Hach Company	Equipment Maintenance - EWTP/QHWTP/RWTP	P.O. #22-0225 - GM Approved	\$ 2,758.93
62	83022	Harrington Industrial Plastics	Hypochlorite Storage Tanks - EWTP/RWTP/WWB	P.O. #22-0230 - GM Approved	\$ 1,803.48
63	83023	Core & Main LP	Fixed Asset BIR21-09 Desert Lakes Rebuild	P.O. #22-0209 - GM Approved	\$ 3,387.95
64	83026	Henry's Hardware	Supplies - EWTP	GM Approved	\$ 54.94
65	83027	Hercules Industries, Inc.	Supplies - All Sites	P.O. #22-0140 - GM Approved	\$ 657.79
66	83028	Johnstone Supply	Equipment Maintenance - ES2/ES3/ES4	GM Approved	\$ 71.42
67	83030	Erik Kane	Work Boots Reimbursement - Per BoD Approved Policy	GM Approved	\$ 150.00
68	83031	Karl's Hardware, Inc.	Supplies - RWTP	GM Approved	\$ 146.88
69	83035	Lancaster Plumbing Supplies, Inc.	Equipment Maintenance - QHWTP	GM Approved	\$ 289.20
70	83036	Leslie's Poolmart, Inc.	Supplies - RWTP	GM Approved	\$ 250.18
71	83037	McMaster-Carr Supply Company	Equipment Maintenance - EWTP	P.O. #22-0239 - GM Approved	\$ 359.44
72	83038	Motion Industries Inc.	Equipment Maintenance - RWTP	P.O. #22-0237 - GM Approved	\$ 402.49
73	83041	NJG Corporation	Fixed Asset BIR23-06 Rebuild RWR Moss Screen	P.O. #22-0243 - GM Approved	\$ 3,965.00
74	83041	NJG Corporation	Fixed Asset BIR23-06 Rebuild RWR Moss Screen	P.O. #22-0250 - GM Approved	\$ 24,752.82

AVEK Water Agency
 Check List
 For the Period October 13, 2022 to October 26, 2022

	Check #	Payee	Explanation	Approved By:	Amount
GM APPROVED cont.					
<u>Operations & Maintenance cont.</u>					
75	83043	Patton Sales Corp.	Building Maintenance - EWTP	GM Approved	\$ 323.16
76	83046	Powerflo Products Inc.	Equipment Maintenance - EWTP	P.O. #22-0228 - GM Approved	\$ 490.54
77	83048	Scott P. Baker	Mileage Reimbursement - Maintenance Dept.	GM Approved	\$ 100.00
78	83051	The Tire Store	Enterprise/Legacy Vehicle Maintenance - Vehicle #03 EWTP/Vehicle #06 Maintenance Dept.	GM Approved	\$ 30.00
79	83053	Wade Shorrock	Mileage Reimbursement - WWB	GM Approved	\$ 45.00
		Total			\$ 882,033.85

AVEK Water Agency
 Check List
 For the Period From October 13, 2022 to October 26, 2022
 High Desert Water Bank Capital Program Account - MET

REVIEWED
 10/31/22
 M.K.

Check #	Payee	Explanation	Approved By:	Amount
1212	Murphy & Evertz	HDWB Professional Services - September 2022	Finance Committee 10/20/2022	\$ 10,604.90
1213	Thompson & Thompson	Real Estate Valuation and Consulting Services - September 2022	Finance Committee 10/20/2022	\$ 2,050.00
Total				\$ 12,654.90

REVIEWED
10/31/22
M.K.

**Wells Fargo Agency Credit Card Summary
Statements Dated September 22, 2022**

	T. Barnes	J. Bozigian	D. Chisam	D. Holmes	H. Hughes	M. Knudson	J. Livesay	A. Morris	P. Rose
Administration Supplies/Expenses	\$ -	\$ -	\$ 133.92	\$ -	\$ 1,278.16	\$ 1,037.79	\$ -	\$ -	\$ 629.63
HDWB	-	-	-	-	-	-	-	-	-
IT/Engineering Supplies/Expenses	-	-	-	-	-	-	3,175.01	-	-
Meeting Expenses	-	-	-	-	-	-	-	-	-
Operations Supplies/Expenses	-	212.63	-	2,050.45	-	-	-	44.99	-
Public Information	-	-	-	-	-	-	-	-	-
Travel/Conferences	-	-	-	-	-	-	-	-	-
	\$ -	\$ 212.63	\$ 133.92	\$ 2,050.45	\$ 1,278.16	\$ 1,037.79	\$ 3,175.01	\$ 44.99	\$ 629.63

RECOMMENDED BOARD ORDER 8 (a-2)

To the Board of Directors

FOR BOARD ACTION

**BROWN ARMSTRONG AUDIT RESULTS REPORT
FOR FISCAL PERIOD ENDING: JUNE 30, 2022**

The Board of Directors adopted the following board order on November 8, 2022:

That the Brown Armstrong Audit Results Report for the fiscal period ending June 30, 2022, for the Fiscal Year 2021/2022 be approved and accepted for filing.

Motion by _____

Second by _____

Carried _____

BOARD ORDER 8 (a-2)

11-08-22

**REQUIRED COMMUNICATION WITH THOSE CHARGED WITH
GOVERNANCE AT THE CONCLUSION OF THE AUDIT**

Board of Directors and
Finance and Budget Committee
Antelope Valley-East Kern Water Agency
Palmdale, California

We have audited the financial statements of Antelope Valley-East Kern Water Agency (the Agency) for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 12, 2022. 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. As described in Note 1 to the financial statements, the Agency implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, in the year ended June 30, 2022. 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 estimates affecting the Agency's financial statements were:

Management's estimate of the useful lives of its capital assets for the purpose of calculating annual depreciation expense in the Agency's Statement of Revenues, Expenses, and Changes in Net Position. Estimated useful lives range from 5 to 60 years. We evaluated the key factors and assumptions used to develop the estimate of the useful lives of its capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the banked water inventory is based on monthly recorded water activity. Water recovered is based on a first in first out basis. We evaluated the assumptions use by management to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Net Other Post Employment Benefits (OPEB) Liability (NOL) and related items are based on actuarial valuations, which involve estimates of the value of reported amounts and probabilities about the occurrence of future events far into the future. We evaluated the key factors and assumption used to develop the estimates of NOL and related items 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 disclosures affecting the financial statements were for the useful lives of the Agency's capital assets, the banked water inventory, and NOL and related items as described above.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. No misstatements were detected as a result of our audit procedures.

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 dated October 24, 2022.

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 auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis (MD&A) and the Schedule of Changes in the Net OPEB Liability and Related Ratios, which are required supplementary information (RSI) that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were not engaged to report on the Schedule of Revenues and Expenses – Proprietary Fund Type – Budget and Actual and the High Desert Water Bank Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

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

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

*Brown Armstrong
Accountancy Corporation*

Bakersfield, California
October 24, 2022

ANTELOPE VALLEY-EAST KERN WATER AGENCY

**COUNTY OF LOS ANGELES
PALMDALE, CALIFORNIA**

AUDITED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2022**

**ANTELOPE VALLEY-EAST KERN WATER AGENCY
HISTORY, ORGANIZATION, AND BOARD OF DIRECTORS
JUNE 30, 2022**

HISTORY AND ORGANIZATION

The Antelope Valley-East Kern Water Agency (the Agency) was granted its charter as a regional water agency by the California State Legislature in 1959. In 1962, the Agency signed a water supply contract with the State to assure delivery of imported water through the State Water Project which includes the California Aqueduct System.

The Agency covers a land area of nearly 2,300 square miles. In addition to Northern Los Angeles and Eastern Kern Counties, the Agency's boundaries include a small portion of Ventura County.

The Agency consists of seven divisions, each represented by a director. Directors are elected to four year staggered terms by voters in the divisions in which they live.

BOARD OF DIRECTORS

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Keith Dyas (Division 2)	President	January 2023
Frank S. Donato (Division 3)	Vice President	January 2023
Robert A. Parris (Division 5)	Director	January 2023
Audrey T. Miller (Division 6)	Director	January 2025
George Lane (Division 4)	Director	January 2023
Shelley Sorsabal (Division 1)	Director	January 2023
Gary Van Dam (Division 7)	Director	January 2025

GENERAL MANAGER

Dwayne Chisam

FINANCE MANAGER

Teresa Yates

**ANTELOPE VALLEY-EAST KERN WATER AGENCY
FOR THE YEAR ENDED JUNE 30, 2022**

TABLE OF CONTENTS

	<u>Page</u>
FINANCIAL INFORMATION	
Independent Auditor’s Report.....	1-3
Management’s Discussion and Analysis (Unaudited)	4-8
BASIC FINANCIAL STATEMENTS	
Statement of Net Position.....	9-10
Statement of Revenues, Expenses, and Changes in Net Position	11
Statement of Cash Flows	12-13
Notes to the Basic Financial Statements.....	14-44
REQUIRED SUPPLEMENTARY INFORMATION	
Other Post Employment Benefit (OPEB) Plan – Schedule of Changes in the Net OPEB Liability and Related Ratios.....	45
SUPPLEMENTARY INFORMATION	
Schedule of Revenues and Expenses – Proprietary Fund Type – Budget and Actual (Unaudited)	46
High Desert Water Bank Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position (Unaudited).....	47
OTHER INDEPENDENT AUDITOR’S REPORT	
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	48-49

FINANCIAL INFORMATION

INDEPENDENT AUDITOR'S REPORT

Board of Directors and
Finance and Budget Committee
Antelope Valley-East Kern Water Agency
Palmdale, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of the Antelope Valley-East Kern Water Agency (the Agency) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Agency, as of June 30, 2022, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A) on pages 4-8 and Other Post Employment Benefits (OPEB) Plan – Schedule of Changes in the Net OPEB Liability and Related Ratios on page 45 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

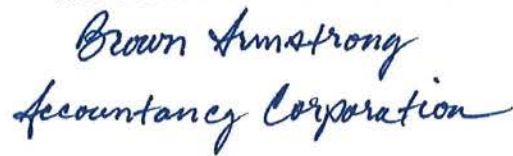
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The Schedule of Revenue and Expenses – Proprietary Fund Type – Budget and Actual of the Agency and the High Desert Water Bank Statement of Net Position and Statement of Revenue, Expenses, and Changes in Net Position are presented for additional analysis and are not a required part of the financial statements.

The Schedule of Revenue and Expenses – Proprietary Fund Type – Budget and Actual of the Agency and the High Desert Water Bank Statement of Net Position and Statement of Revenue, Expenses, and Changes in Net Position have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2022, 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 solely 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 the effectiveness of the Agency's 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.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive, flowing style.

Bakersfield, California
October 24, 2022

**ANTELOPE VALLEY-EAST KERN WATER AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2022**

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Antelope Valley-East Kern Water Agency (the Agency) provides an introduction and understanding of the financial statements of the Agency. This discussion has been prepared by Management. Readers are encouraged to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section.

The Financial Statements

The Agency's basic financial statements include (1) the Statement of Net Position; (2) the Statement of Revenues, Expenses, and Changes in Net Position; (3) the Statement of Cash Flows; and (4) the Notes to the Basic Financial Statements.

The Statement of Net Position includes the Agency's investment in resources (assets) and deferred outflows of resources, and the obligations to creditors (liabilities) and deferred inflows of resources, with the difference being reported as net position. This information provides for the evaluation of the capital structure of the Agency and assesses its liquidity and financial flexibility. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the results of the Agency's operations over the past year and can be used to determine if the Agency has successfully recovered all of its costs through its rates and other charges. The Statement of Cash Flows provides information about the Agency's cash receipts, cash payments, and net changes in cash resulting from operations, investing, non-capital and related financing, and capital and related financing activities and provides answers to such questions as where did the cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the basic financial statements can be found immediately following the basic financial statements.

Financial Analysis of the Agency

The main question asked about the Agency's finances is, "is the Agency better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the Agency in a way that helps answer this question. These statements are prepared using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. This accounting method reports all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report the Agency's net position and changes to it. The Agency's net position, the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources, is one way to measure its health and financial position. Over time, increases or decreases in the Agency's net position can be an indicator of whether its financial health is improving or deteriorating keeping in mind other factors such as economic conditions, population growth, and changes in government regulations. Information presented in these statements follows in a condensed format.

**Condensed Statements of Net Position
As of June 30, 2022 and 2021**

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Change</u>
Assets:			
Current Assets	\$ 186,428,700	\$ 190,327,402	\$ (3,898,702)
Restricted Assets	621,867	842,567	(220,700)
Capital Assets and Right-to-use Leased Assets, Net of Accumulated Depreciation and Amortization	<u>344,422,180</u>	<u>330,404,786</u>	<u>14,017,394</u>
Total Assets	<u>531,472,747</u>	<u>521,574,755</u>	<u>9,897,992</u>
Deferred Outflows of Resources			
Post Employment Benefits (OPEB)	<u>2,780,179</u>	<u>3,112,159</u>	<u>(331,980)</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 534,252,926</u>	<u>\$ 524,686,914</u>	<u>\$ 9,566,012</u>
Liabilities			
Current Liabilities	\$ 17,123,077	\$ 18,337,094	\$ (1,214,017)
Non-Current Liabilities	<u>119,198,160</u>	<u>130,086,252</u>	<u>(10,888,092)</u>
Total Liabilities	<u>136,321,237</u>	<u>148,423,346</u>	<u>(12,102,109)</u>
Deferred Inflows of Resources			
OPEB	<u>2,535,854</u>	<u>909,443</u>	<u>1,626,411</u>
Total Liabilities and Deferred Inflows of Resources	<u>138,857,091</u>	<u>149,332,789</u>	<u>(10,475,698)</u>
Net Position			
Net Investment in Capital Assets	229,355,483	209,620,576	19,734,907
Unrestricted	<u>166,040,352</u>	<u>165,733,549</u>	<u>306,803</u>
Total Net Position	<u>395,395,835</u>	<u>375,354,125</u>	<u>20,041,710</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 534,252,926</u>	<u>\$ 524,686,914</u>	<u>\$ 9,566,012</u>

- Total Assets and Deferred Outflows of Resources of the Agency exceeded Total Liabilities and Deferred Inflows of Resources by \$395,395,835 and \$375,354,125 as of June 30, 2022 and 2021, respectively.
- The Agency remains highly liquid as Current Assets represented 35% and 37% of Total Assets as of June 30, 2022 and 2021, respectively.
- Total Liabilities decreased by \$12,102,109 from \$148,423,346 as of June 30, 2021, to \$136,321,237 as of June 30, 2022.
- Total Net Position increased by \$20,041,710 from \$375,354,125 as of June 30, 2021, to \$395,395,835 as of June 30, 2022.

**Condensed Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2022 and 2021**

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Change</u>
Operations:			
Operating Revenues	\$ 29,463,537	\$ 34,855,799	\$ (5,392,262)
Operating Expenses (Excluding Depreciation and Amortization)	<u>(25,796,075)</u>	<u>(25,048,024)</u>	<u>(748,051)</u>
Net Income from Operations	<u>3,667,462</u>	<u>9,807,775</u>	<u>(6,140,313)</u>
Depreciation and Amortization Expense	<u>(8,371,786)</u>	<u>(8,050,050)</u>	<u>(321,736)</u>
Operating Income (Loss)	<u>(4,704,324)</u>	<u>1,757,725</u>	<u>(6,462,049)</u>
Non-Operations:			
Tax Revenues	38,608,990	36,615,597	1,993,393
Net Investment Earnings (Loss)	(616,731)	544,770	(1,161,501)
Other Non-Operating Revenues	14,309,758	10,389,475	3,920,283
State Water Contract Expense	(24,976,730)	(23,118,401)	(1,858,329)
Interest Expense	<u>(2,579,253)</u>	<u>(2,654,975)</u>	<u>75,722</u>
Net Income from Non-Operations	<u>24,746,034</u>	<u>21,776,466</u>	<u>2,969,568</u>
Change in Net Position	20,041,710	23,534,191	(3,492,481)
Net Position, Beginning of Year, as Restated	<u>375,354,125</u>	<u>351,819,934</u>	<u>23,534,191</u>
Net Position, End of Year	<u>\$ 395,395,835</u>	<u>\$ 375,354,125</u>	<u>\$ 20,041,710</u>

- Operating Revenues decreased by \$5,392,262 from \$34,855,799 as of June 30, 2021, to \$29,463,537 as of June 30, 2022. The decrease was mainly a result of Water Exchanges and Transfers revenue decreasing \$2,275,000 for the year ending June 30, 2022.
- Tax Revenue for the year ending June 30, 2022, increased from the previous year by 5% or \$1,993,393.
- Investment rates increased causing prices to decrease on Agency holdings and as a result Net Investment Loss for the year ending June 30, 2022, decreased by 200.1% or \$1,161,501 from the prior year.
- Total Expenses (operating and non-operating), except for depreciation and amortization, for the year ending June 30, 2022, increased by 3.0% from the prior year. Total Expenses (operating and non-operating), excluding depreciation and amortization, were \$25,796,075 for the year ending June 30, 2022, and \$25,048,024 for the year ending June 30, 2021.
- Depreciation and Amortization Expense for the year ending June 30, 2022, increased by 4% from the prior year. Depreciation and Amortization Expense for the year ending June 30, 2022, was \$8,371,786 and \$8,050,050 for the prior year.
- The State Water Contract Expense increased by \$1,858,329 from a total of \$23,118,401 for the year ending June 30, 2021, to \$24,976,730 for the year ending June 30, 2022.

Budget Analysis

Operating Revenues were under budget for the year ending June 30, 2022, by \$2,345,463 and Non-Operating Revenues were over budget by \$15,224,727.

For the year ending June 30, 2022, Operating Expenses were over budget by \$435,901, while Non-Operating Expenses were under budget by \$3,435,617. These differences were mainly due to the Cost of Water expense on water purchased from the State Water Project being less than budgeted by \$3,014,270.

Capital Asset Administration

Total Agency Capital Assets as of June 30, 2022, were \$394,637,635 before the consideration of depreciation and amortization. The Agency's additions to Capital Assets for the year ending June 30, 2022, were \$28,893,732. Of these additions, new construction in progress for the year totaled \$13,045,851, additions to equipment and leases totaled \$2,331,595, and new land acquisitions totaled \$11,656,286. Total Capital Assets net of Accumulated Depreciation and Amortization was \$344,422,180 as of June 30, 2022.

Debt Administration

Changes in long-term debt and liabilities amounts as of June 30, 2022, were as follows:

Long-Term Debt	Balance June 30, 2021	Additions	Reductions	Balance June 30, 2022
<u>Bonded Debt:</u>				
COP Series 2008 A-2	\$ 45,000,000	\$ -	\$ -	\$ 45,000,000
WR Refunding Bonds 2016	57,400,000	-	4,365,000	53,035,000
Premium WR Refunding Bonds 2016	5,574,210	-	697,513	4,876,697
CREBs Revenue Bonds 2017	12,810,000	-	655,000	12,155,000
Sub-Total of Bonded Debt	120,784,210	-	5,717,513	115,066,697
<u>Long-Term Liabilities:</u>				
Lease Liabilities	-	545,871	105,673	440,198
Compensated Absences	1,424,508	539,460	198,147	1,765,821
Post Employment Benefits	12,408,453	-	5,139,051	7,269,402
Sub-Total Long-Term Liabilities	13,832,961	1,085,331	5,442,871	9,475,421
Total Long-Term Debt and Liabilities	\$ 134,617,171	\$ 1,085,331	\$ 11,160,384	\$ 124,542,118

Changes in long-term debt and liabilities amounts as of June 30, 2021, were as follows:

Long-Term Debt	Balance June 30, 2020	Additions	Reductions	Balance June 30, 2021
<u>Bonded Debt:</u>				
COP Series 2008 A-2	\$ 45,000,000	\$ -	\$ -	\$ 45,000,000
WR Refunding Bonds 2016	61,595,000	-	4,195,000	57,400,000
Premium WR Refunding Bonds 2016	6,312,505	-	738,295	5,574,210
CREBs Revenue Bonds 2017	13,450,000	-	640,000	12,810,000
Sub-Total of Bonded Debt	126,357,505	-	5,573,295	120,784,210
<u>Long-Term Liabilities:</u>				
Compensated Absences	1,348,417	384,178	308,087	1,424,508
Post Employment Benefits	11,438,917	969,536	-	12,408,453
Sub-Total Long-Term Liabilities	12,787,334	1,353,714	308,087	13,832,961
Total Long-Term Debt and Liabilities	\$ 139,144,839	\$ 1,353,714	\$ 5,881,382	\$ 134,617,171

Principal payments for the year ending June 30, 2022, decreased the Agency's Long-Term Debt and Liabilities by \$5,717,513 and by \$5,573,295 for the year ending June 30, 2021. In addition to the debt listed above, the Agency has also accrued Long-Term Liabilities to meet its Post Employment Benefit Obligation (OPEB) and compensated absences liability for accrued vacation and sick leave and lease liability. As of June 30, 2022, the OPEB obligation was \$7,269,402, which was a decrease from June 30, 2021, by \$5,139,051 when the balance was \$12,408,453. Compensated absences increased by \$341,313 from \$1,424,508 to \$1,765,821.

Conditions Affecting Current Financial Position

Management is unaware of any conditions that would have a significant impact on the Agency's financial position, net position, or operating results in future periods.

Requests for Information

This financial report is designed to provide the Agency's funding sources, customers, and other interested parties 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 Finance Manager at 6500 W. Avenue N, Palmdale, California 93551.

BASIC FINANCIAL STATEMENTS

**ANTELOPE VALLEY-EAST KERN WATER AGENCY
STATEMENT OF NET POSITION
AS OF JUNE 30, 2022**

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

CURRENT ASSETS:

Cash and Cash Equivalents	\$ 10,385,523
Investments	150,387,153
Receivables:	
Taxes	3,714,395
Interest	336,470
Services	6,272,613
Other	1,586,972
Inventory - Banked Water	13,688,320
Deposits and Prepaid Expenses	<u>57,254</u>
 Total Current Assets	 <u>186,428,700</u>

NON-CURRENT ASSETS:

Land and Other Capital Assets Not Being Depreciated	74,961,206
Capital Assets, Net	269,023,073
Right-to-use Leased Assets, Net	<u>437,901</u>
 Total Non-Current Assets	 <u>344,422,180</u>

RESTRICTED ASSETS:

Restricted Investments	<u>621,867</u>
 Total Assets	 <u>531,472,747</u>

DEFERRED OUTFLOWS OF RESOURCES:

Post Employment Benefits (OPEB)	<u>2,780,179</u>
 Total Assets and Deferred Outflows of Resources	 <u><u>\$ 534,252,926</u></u>

The accompanying notes are an integral part of these financial statements.

**ANTELOPE VALLEY-EAST KERN WATER AGENCY
STATEMENT OF NET POSITION (Continued)
AS OF JUNE 30, 2022**

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

CURRENT LIABILITIES:

Accounts Payable	\$ 6,312,960
Accrued Liabilities	4,391,744
Collections in Advance on Projects	174,857
Current Portion of Compensated Absences	176,582
Current Portion of Lease Liability	120,309
Current Portion of Long-Term Debt	5,904,470
Escheated Funds	42,155
	17,123,077
Total Current Liabilities	17,123,077

NON-CURRENT LIABILITIES:

Payable from Restricted Assets	621,867
Deferred Water Delivery	235,536
Net OPEB Liability	7,269,402
Long-Term Portion of Compensated Absences	1,589,239
Long-Term Portion of Lease Liability	319,889
Long-Term Debt	109,162,227
	119,198,160
Total Non-Current Liabilities	119,198,160

Total Liabilities	136,321,237
-------------------	-------------

DEFERRED INFLOWS OF RESOURCES:

OPEB	2,535,854
Total Liabilities and Deferred Inflows of Resources	138,857,091

NET POSITION:

Net Investment in Capital Assets	229,355,483
Unrestricted	166,040,352
Total Net Position	395,395,835
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 534,252,926

The accompanying notes are an integral part of these financial statements.

**ANTELOPE VALLEY-EAST KERN WATER AGENCY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2022**

OPERATING REVENUES	
Water Sales	\$ 25,030,472
Irrigation Sales	1,882,212
Nickel Water Agreements	<u>2,550,853</u>
Total Operating Revenues	<u>29,463,537</u>
OPERATING EXPENSES	
Water Purchases	13,215,737
Pumping	1,878,384
Water Treatment	6,010,321
Transmission and Distribution	679,028
Administration and General	3,934,085
Groundwater Survey and Sites Reservoir and Other	75,520
Conservation	3,000
Depreciation	8,263,816
Amortization	<u>107,970</u>
Total Operating Expenses	<u>34,167,861</u>
Operating Loss	<u>(4,704,324)</u>
NON-OPERATING REVENUES	
Tax Revenues	38,608,990
Net Investment Loss	(616,731)
Other Revenues	10,869,166
Capacity Charges	<u>3,440,592</u>
Total Non-Operating Revenues	<u>52,302,017</u>
NON-OPERATING EXPENSES	
State Water Contract	24,976,730
Interest Expense	<u>2,579,253</u>
Total Non-Operating Expenses	<u>27,555,983</u>
Change in Net Position	20,041,710
NET POSITION, BEGINNING OF YEAR	<u>375,354,125</u>
NET POSITION, END OF YEAR	<u><u>\$ 395,395,835</u></u>

The accompanying notes are an integral part of these financial statements.

**ANTELOPE VALLEY-EAST KERN WATER AGENCY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022**

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Customers	\$ 27,739,467
Cash Paid for Supplies to Suppliers	(39,506,454)
Cash Paid to Employees	<u>5,644,402</u>
Net Cash Provided by Operating Activities	<u>2,141,231</u>
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:	
Receipt of Property Taxes	38,325,172
Receipt of Capacity Charges and Other Revenue	14,309,758
Payment of State Water Contract	<u>(24,976,730)</u>
Net Cash Provided by Non-Capital and Related Financing Activities	<u>27,658,200</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisitions of Property and Equipment	(28,718,802)
Acquisitions of Right-to-use Leased Asset	(105,673)
Proceeds from Disposal of Property and Equipment	6,504,551
Principal Repayment of Bonds Payable	<u>(5,717,513)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(28,037,437)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Losses of Interest and Investment Income	(748,033)
Payment of Interest Expense	(2,579,253)
Disposition (Acquisition) of Investments	<u>4,761,898</u>
Net Cash Provided by Investing Activities	<u>1,434,612</u>
Net Increase in Cash and Cash Equivalents	3,196,606
Cash and Cash Equivalents - Beginning of Year	<u>7,188,917</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 10,385,523</u></u>

The accompanying notes are an integral part of these financial statements.

**ANTELOPE VALLEY-EAST KERN WATER AGENCY
STATEMENT OF CASH FLOWS (Continued)
FOR THE YEAR ENDED JUNE 30, 2022**

**RECONCILIATION OF OPERATING LOSS
TO NET CASH PROVIDED BY OPERATING ACTIVITIES**

Operating Loss	\$ (4,704,324)
Adjustments to Reconcile Operating Loss to Net Cash	
Provided by Operating Activities	
Depreciation	8,263,816
Amortization	107,970
Change in Assets - (Increase)/Decrease in:	
Services Receivable	(396,552)
Other Receivables	(1,325,535)
Inventory - Banked Water	4,472,600
Deposits and Prepaid Expenses	(1,983)
Changes in Liabilities - Increase/(Decrease) in:	
Accounts Payable	2,967,603
Accrued Liabilities	(4,403,017)
Compensated Absences	341,313
Net OPEB Liability and Related Items	<u>(3,180,660)</u>
Net Cash Provided by Operating Activities	<u>\$ 2,141,231</u>

The accompanying notes are an integral part of these financial statements.

**ANTELOPE VALLEY-EAST KERN WATER AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Antelope Valley-East Kern Water Agency's (the Agency) financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body of establishing governmental accounting and financial reporting principles. The more significant of the Agency's accounting policies are described below.

A. Description of the Reporting Entity

The Agency was formed by the California Legislature in 1959 to supply local water users, as a wholesaler, with water from the State Water Project. The Agency derives its powers from the Agency Law, as set forth in Section 49-96 inclusive of Act 9095 of Water-Uncodified Acts of the State of California. The Agency serves portions of Los Angeles, Kern, and Ventura Counties.

In evaluating how to define the Agency, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 14, *The Financial Reporting Entity*, and applicable amendments including GASB Statement No. 61. The basic - but not the only - criterion for including a potential component unit within the reporting entity is the governing body's financial accountability. The most significant manifestation of this ability is the ability of the Board of Directors to appoint a voting majority of the organization's governing body and the ability to impose its will on the organization, or that there is a potential for the organization to provide specific financial benefit to, or impose specific financial burden on, the Agency. Based upon the application of these criteria, the Agency has no potential component units.

The Board of Directors (the Board) has governance responsibilities over all activities related to the Agency. The Agency receives funding from local, county, state, and federal government sources and must comply with the requirements of these funding source entities. However, the Agency is not included in any other governmental "reporting entity," since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters.

As the Agency has no oversight responsibility for any other governmental entity, nor is the Agency's operations a component unit of any other government entity, the reporting entity consists only of the Agency's operations.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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 costs of providing water to its customers on a continuing basis be financed or recovered primarily through user charges from water sales and services. 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 cash flows take place.

Operating revenues, such as water sales and service fees, result from exchange transactions associated with the principal activities of the Agency. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as grant funds and investment income, result from non-exchange transactions, in which the Agency gives or receives value without directly receiving or giving value in exchange.

**ANTELOPE VALLEY-EAST KERN WATER AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting

The accounts of the Agency are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance or net position, revenues, and expenditures or expenses, as appropriate. Agency resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The Agency's accounts are organized into a major fund as follows:

- Proprietary fund - reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service. The Agency has only one enterprise fund which accounts for all of the Agency's activity.

D. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for its enterprise fund. By state law, the Agency's Board must adopt a final budget no later than September 1. A public hearing must be conducted to receive comments prior to adoption. The Agency's Board satisfied these requirements.

These budgets are subject to revisions by the Agency's Board during the year to give consideration to unanticipated income and expenses. There were no revisions to the fiscal year 2022 budget. The final budget is presented in the financial statements.

E. 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.

F. Deposits and Investments

All deposits of the Agency are made in Board-designated official depositories and are secured as required by State Law. The Agency may designate as an official depository any bank or savings and loan association. Also, the Agency may establish time deposit accounts such as money market accounts and certificates of deposit.

Investment purchases and sales are recorded as of the trade date. Dividend income is recognized on the ex-dividend date. Other investment income is recognized when earned.

The Agency applies GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. This statement generally requires that investments be reported at their fair value and that all changes in fair value be reflected as income the period in which they occur. The State of California Local Agency Investment Fund (LAIF) is stated at amortized cost, which approximates fair value.

The Agency categorizes its investments at fair value within the hierarchy established by accounting principles generally accepted in the United States of America as modified in GASB Statement No. 72, *Fair Value Measurement and Application*.

**ANTELOPE VALLEY-EAST KERN WATER AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Deposits and Investments (Continued)

Net appreciation (depreciation) is determined by calculating the change in the fair value of investments between the beginning of the year and the end of the year, less purchases of investments at cost, plus sales of investments at fair value. Investment expenses consist of external expenses directly related to the Agency's investment operations, as well as the internal administrative expenses associated with the Agency's investment program.

G. Accounts Receivable

The Agency extends credit to customers in the normal course of operations. No allowance for doubtful accounts has been established since management believes that substantially all amounts are collectible.

H. Inventories

The Agency maintains an inventory of banked water. Inventory is stated at the lower of cost or net realizable value.

The banked water is recorded at the cost of water deliveries based on the monthly activity. A first in, first out schedule is utilized to record the water recovered and banked water balance. During the year, the Agency banked 7,676 Acre-Feet (AF) of water, recovered 19,686 AF and transferred 6,995 AF for a total of 26,681 AF of water, for a recovered net of 25,915 AF. The balance in the banked water inventory was \$13,688,320 at June 30, 2022.

I. 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.

J. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. The Agency's policy has set the capitalization threshold for reporting capital assets at \$5,000. Donated assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add value of the asset or materially extend the assets lives are not capitalized. Betterments and major improvements, which significantly increase the value, change capacities, or extend the useful lives, are capitalized.

Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation and amortization are removed from the respective balances and any gains or losses are recognized. Depreciation and amortization are recorded on a straight-line basis over the estimated useful lives of the assets as follows:

<u>Description</u>	<u>Estimated Useful Lives</u>
Utility Plant	30-60 years
Site Improvements	20-30 years
Buildings and Improvements	25-50 years
Furniture and Equipment	5-15 years
Vehicles	5 years
Leases	3-10 years

**ANTELOPE VALLEY-EAST KERN WATER AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Lease Assets

Right-to-use leased assets are recorded at the moment of the initial measurement of the lease liabilities and modified by any lease payment made to the lessor at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term along with any initial direct costs that are ancillary charges necessary to place the lease assets into service.

Right-to-use leased assets are amortizing using the straight-line method over the shorter of the lease term or the useful life on the underlying asset, unless the lease contains a purchase option that the Agency has determined is reasonably certain of being exercised.

L. Restricted Assets

Restricted assets are classified as non-current assets in the Statement of Net Position because they are tracked separately in the Agency's accounts. These consist of investments in the State Treasurer's Investment Pool (Refer to Note 2 – Cash and Investments) for customer deposits related to the Community Facilities District (CFD) 90-1 debt which is not considered an obligation of the Agency. The earnings from the assets are credited respectively to the customer deposits, deferred compensation, and the CFD accounts.

M. Compensated Absences

The Agency's personnel policies provide for accumulation of vacation and sick leave. Liabilities for vacation and portions of sick leave are recorded when benefits are earned. Cash payment of unused vacation and sick leave is available to those qualified employees when retired or terminated. The dollar value of such accumulations was determined to be \$1,765,821 as of June 30, 2022.

N. Deferred Outflows of Resources and Deferred Inflows of Resources

The Statement of Net Position reports a separate section for deferred outflows of resources, defined as a consumption of net position that is applicable to a future funding period, and deferred inflows of resources, defined as an acquisition of net position that is applicable to a future funding period. The Agency reports deferred outflows of resources and deferred inflows of resources related to the Agency's Other Post Employment Benefits (OPEB) plan. More information regarding these items are detailed in a separate note disclosure – Note 11 – Post Employment Benefits Other Than Pension Benefits.

O. Post Employment Benefits Other Than Pension Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Agency's OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the plan, which is the accrual basis of accounting. Benefit payments are recorded in the period the related salaries are earned and become measurable. Investment income is recognized when it is earned.

P. Water Sales

Most water sales are billed on a monthly cyclical basis. Estimated unbilled water revenue through year-end has not been accrued as it was determined by management to have an insignificant impact on the financial statements as a whole.

**ANTELOPE VALLEY-EAST KERN WATER AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Tax Revenues

Property tax revenue is recorded when earned but not yet collected. The Agency receives property tax apportionments from the County of Los Angeles, County of Kern, and County of Ventura.

R. Special Assessment District

The Agency maintains a Community Facilities District (CFD) 90-1 assessment district. CFD 90-1 was established under the Mello-Roos Community Facilities Act of 1982 and financed with Mello-Roos Community Facilities Act bonds. Accounting for CFD 90-1 follows the Governmental Accounting Standards for Accounting and Financial Reporting for Special Assessments, which states that Enterprise Funds, such as that of the Agency, are to account for special assessment financing debt on the books of the Agency only if one of the following conditions exists:

- 1) The Agency is not directly liable for the special assessment debt, but the debt is expected to be repaid from revenues of the Agency.
- 2) The Agency is directly liable for the special assessment debt.

Since the Agency is not directly liable for the CFD 90-1 debt and it is expected all such debt will be repaid from landowner assessments and not Agency revenues, the CFD 90-1 debt is not included in the Agency's financial statements. The Agency acts solely as an agent for the bondholders in collecting and forwarding the special assessments. CFD 90-1 Bonds outstanding at June 30, 2022, totaled \$1,520,000.

S. Net Position

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

- Net Investment in Capital Assets - This component of net position consists of capital assets, net of accumulated depreciation and reduced by any debt outstanding against the acquisition, construction, or improvement of those assets.
- Restricted Net Position - This component of net position consists of amounts with external constraints placed on its use by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position - This component of net position consists of net position that does not meet the definition of restricted or net investment in capital assets.

Certain assets of the Agency are restricted for use by ordinance or debt covenant and, accordingly, are shown as restricted assets on the accompanying Statement of Net Position. The Agency uses restricted resources, prior to using unrestricted resources, to pay expenditures meeting the criteria imposed on the use of restricted resources by a third party.

**ANTELOPE VALLEY-EAST KERN WATER AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

T. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

U. Recent Governmental Accounting Standards Board Statements

Implemented Accounting Pronouncements – During the year ended June 30, 2022, the Agency implemented the following standards.

GASB Statement No. 87 – Leases. The requirements of this statement are effective for fiscal years beginning after June 15, 2021. The Agency implemented the standard as of June 30, 2022.

Future Accounting Pronouncements – Recently released standards by GASB affecting future fiscal years are as follows:

GASB Statement No. 89 – Accounting for Interest Cost Incurred Before the End of a Construction Period. The requirements of this statement are effective for fiscal years beginning after December 15, 2021. The Agency will implement this statement when and where applicable.

GASB Statement No. 91 – Conduit Debt Obligations. The requirements of this statement are effective for fiscal years beginning after December 15, 2021. The Agency will implement this statement when and where applicable.

GASB Statement No. 92 – Omnibus 2020. The requirements of this statement related to Statement No. 87, implementation guide 2019-3, and reinsurance recoveries are to be implemented with GASB Statement No. 87; all other requirements are effective for fiscal years beginning after June 15, 2022. The Agency will implement this statement when and where applicable.

GASB Statement No. 93 – Replacement of Interbank Offered Rates. The requirements of this statement are effective for fiscal years beginning after June 15, 2022. Early application is encouraged. The Agency will implement this statement when and where applicable.

GASB Statement No. 96 – Subscription-Based Information Technology Arrangements. The requirements of this statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The Agency will implement this statement when and where applicable.

GASB Statement No. 97 – Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code (IRC) Section 457 Deferred Compensation Plans. The requirements in paragraph 4 as it applies to defined contribution plans, defined contribution OPEB plans, and other employee benefit plans, and paragraph 5 are effective immediately. All other requirements are applicable for fiscal years beginning after June 15, 2021. The Agency will implement this statement when and where applicable.

**ANTELOPE VALLEY-EAST KERN WATER AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

U. Recent Governmental Accounting Standards Board Statements (Continued)

GASB Statement No. 99 – *Omnibus 2022*. The requirements of this statement are effective as follows:

- The requirements related to the extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in GASB Statement No. 34, as amended, and terminology updates related to GASB Statement No. 53 and GASB Statement No. 63 are effective upon issuance.
- The requirements related to leases, public-private and public-public partnerships (PPPs), and subscription-based information technology arrangements (SBITAs) are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of GASB Statement No. 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

The Agency will implement GASB Statement No. 99 when and where applicable.

GASB Statement No. 100 – *Accounting Changes and Error Corrections*. The requirements of this statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all fiscal years thereafter. Earlier application is encouraged. The Agency will implement GASB Statement No. 100 when and where applicable.

GASB Statement No. 101 – *Compensated Absences*. The requirements of this statement are effective for fiscal years beginning after December 15, 2023, and all fiscal years thereafter. Earlier application is encouraged. The Agency will implement GASB Statement No. 101 when and where applicable.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2022, are classified in the accompanying financial statements as follows:

	June 30, 2022
Cash and Cash Equivalents	\$ 10,385,523
Investments	150,387,153
Restricted Investments	621,867
Total Cash, Cash Equivalents, and Investments	\$ 161,394,543

**ANTELOPE VALLEY-EAST KERN WATER AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 2 – CASH AND INVESTMENTS (Continued)

The restricted and unrestricted cash and investments consisted of the following at June 30, 2022:

	Unrestricted	Restricted	Totals
Cash on Hand	\$ 50	\$ -	\$ 50
Cash in Banks	10,385,473	-	10,385,473
Investments	150,387,153	621,867	151,009,020
Total Cash and Investments	\$ 160,772,676	\$ 621,867	\$ 161,394,543

The Agency categorizes its investments within the fair value hierarchy established by accounting principles generally accepted in the United States of America. These principles recognize a three-tiered fair value hierarchy as follows:

- Level 1: Investments reflect prices quoted (unadjusted) for identical assets or liabilities in active markets.
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for an asset or liability, either directly or indirectly. Inputs to the valuation includes prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered active.
- Level 3: Inputs are unobservable for an asset or liability where there is little market activities. The inputs into the determination of fair value are based upon unobservable sources and may require estimation.

The following is a summary of the fair value of the Agency's investments using the hierarchy previously discussed:

<u>Investments by Fair Value Level</u>	<u>June 30, 2022</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Debt Securities				
U.S. Treasury Notes	\$ 15,878,078	\$ -	\$ 15,878,078	\$ -
U.S. Government Agency Bonds	33,232,788	-	33,232,788	-
Certificates of Deposit	6,836,878	-	6,836,878	-
Commercial Paper	1,994,815	-	1,994,815	-
Corporate Bonds	28,520,669	-	28,520,669	-
Total Debt Securities	86,463,228	-	86,463,228	-
Total Investments by Fair Value Level	86,463,228	\$ -	\$ 86,463,228	\$ -
Investments at Amortized Cost				
State of California Pool	64,545,792			
Total Investments	\$ 151,009,020			

Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

**ANTELOPE VALLEY-EAST KERN WATER AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 2 – CASH AND INVESTMENTS (Continued)

Investments in State Pool

The California State Treasurer's Office operates the Local Agency Investment Fund (LAIF). The LAIF is available for investment of funds administered by California local governments and special districts and is not registered with the Securities and Exchange Commission (SEC) as an investment company.

The Agency is a voluntary participant in LAIF that is regulated by the California Government Code under the oversight of the State of California. The fair value of the Agency's investment in this pool is reported in the accompanying financial statements at amounts based upon the Agency's pro-rata share of the fair value provided by the State of California for the entire 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 a fair value cost basis.

There are no limitations or restrictions on withdrawals and the LAIF's authority does not impose liquidity fees or redemption gates.

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

The following table 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 that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the Agency, rather than the general provisions of the California Government Code or the Agency's investment policy (where more restrictive).

Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Minimum Quality Requirements
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Obligations	5 years	None	None
Bankers' Acceptances	180 days	40%	None
Commercial Paper	270 days	25%	Highest letter and number rating by at least one NRSRO
Negotiable Certificates of Deposit	5 years	20%	A/A-1 by at least one NRSRO
Repurchase Agreements	1 year	50%	Collateral requirements
Reverse Repurchase Agreements	92 days	None	None
Medium-Term Notes	5 years	30%	A by at least one NRSRO
Mutual Funds and Money Market Mutual Funds	N/A	20%	Advisor requirements
Time Certificates of Deposit	5 years	40%	FDIC insured or collateralized
Joint Powers Authority Pool	N/A	None	Advisor requirements
State of California Pool - Local Agency Investment Fund (LAIF)	N/A	Statutory Limits (Currently \$75 Million)	None

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

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial

**ANTELOPE VALLEY-EAST KERN WATER AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 2 – CASH AND INVESTMENTS (Continued)

Custodial Credit Risk (Continued)

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.

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 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 California Government Code; however, the collateralized securities are not held in the Agency's name. As of June 30, 2022, the Agency's deposits with institutions in excess of federal depository insurance limits were \$9,885,523.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways the 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. Information about the sensitivity of the fair values of the Agency's investments to market rate fluctuations is provided by the following table that shows the distribution of the Agency's investments by maturity date.

Investments at June 30, 2022, consisted of the following:

Investment Type	Amount	Remaining Maturity (in Months)		
		12 months or less	13 to 36 months	37 to 60 months
U.S. Treasury Notes	\$ 15,878,078	\$ 10,074,578	\$ 5,803,500	\$ -
U.S. Government Agency Bonds	33,232,788	15,683,018	17,549,770	-
Certificates of Deposit	6,836,878	3,167,002	3,669,876	-
Commercial Paper	1,994,815	1,994,815	-	-
Corporate Bonds	28,520,669	10,966,364	17,554,305	-
Investments - State Pool	63,923,925	63,923,925	-	-
Investments - State Pool Restricted	621,867	621,867	-	-
Total	\$ 151,009,020	\$ 106,431,569	\$ 44,577,451	\$ -
Investments	\$ 150,387,153			
Investments - Restricted	621,867			
Total	\$ 151,009,020			

**ANTELOPE VALLEY-EAST KERN WATER AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 2 – CASH AND INVESTMENTS (Continued)

Concentration of Credit Risk

The investment policy of the Agency contains limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total Agency investments are as follows:

Issuer	Investment Type	Amount
Federal Home Loan Bank Bond (FHLBB)	U.S. Government Mortgage - Backed Securities	\$ 15,027,656
Federal Farm Credit Bank Bond (FFCBB)	U.S. Government Mortgage - Backed Securities	18,205,132

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization (NRSRO). Presented below is the minimum rating required by, where applicable, the California Government Code, the Agency's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

Credit ratings as of June 30, 2022, consisted of the following:

Investment Type	Amount	Minimum Legal Rating	Exempt from Disclosure	Ratings							
				Aaa	Aa2	Aa3	A1	A2	P-1	A3	Not Rated
U.S. Treasury Notes	\$ 15,878,078	N/A	\$ -	\$ 15,878,078	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. Government Agency Bonds	33,232,788	N/A	-	33,232,788	-	-	-	-	-	-	-
Certificates of Deposit	6,836,878	N/A	-	-	-	-	-	-	446,052	-	6,390,826
Commercial Paper	1,994,815	N/A	-	-	-	-	-	-	1,994,815	-	-
Corporate Bonds	28,520,669	N/A	-	817,156	1,370,244	-	7,910,164	7,023,193	-	11,399,912	-
Investments - State Pool	63,923,925	N/A	63,923,925	-	-	-	-	-	-	-	-
Investments - State Pool Restricted	621,867	N/A	621,867	-	-	-	-	-	-	-	-
Total	\$ 151,009,020		\$ 64,545,792	\$ 49,928,022	\$ 1,370,244	\$ -	\$ 7,910,164	\$ 7,023,193	\$ 2,440,867	\$ 11,399,912	\$ 6,390,826

NOTE 3 – ACCOUNTS RECEIVABLE

As of June 30, 2022, the Agency had the following receivables:

Taxes Receivable	\$ 3,714,395
Interest Receivable	336,470
Accounts Receivables - Services	6,272,613
Accounts Receivables - Other	1,586,972
Total	\$ 11,910,450

**ANTELOPE VALLEY-EAST KERN WATER AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 4 – CAPITAL ASSETS

Changes in capital assets for the year were as follows:

	Balance July 1, 2021	Additions	Transfers	Deletions	Balance June 30, 2022
Capital Assets Not Being Depreciated or Amortized:					
Land	\$ 36,870,235	\$ 11,656,286	\$ -	\$ (6,470,370)	\$ 42,056,151
Water Rights	3,522,879	1,860,000	-	-	5,382,879
Intangible Plant	269,983	-	-	-	269,983
Construction on Progress	14,206,342	13,045,851	-	-	27,252,193
Total Capital Assets Not Being Depreciated or Amortized	54,869,439	26,562,137	-	(6,470,370)	74,961,206
Capital Assets and Right-to-use Leased Assets Being Depreciated and Amortized:					
Utility Plant	377,256,520	-	-	-	377,256,520
Right-to-use Leased Assets	370,943	174,928	-	-	545,871
Furniture and Equipment	14,816,748	2,156,667	-	(138,171)	16,835,244
Total Capital Assets and Right-to-use Leased Assets Being Depreciated and Amortized	392,444,211	2,331,595	-	(138,171)	394,637,635
Less Accumulated Depreciation	116,908,864	8,263,816	-	(103,989)	125,068,691
Less Accumulated Amortization	-	107,970	-	-	107,970
Capital Assets and Right-to-use Leased Assets Being Depreciated and Amortized, Net	275,535,347	(6,040,191)	-	(34,182)	269,460,974
Capital Assets and Right-to-Use Leased Assets - Net	\$ 330,404,786	\$ 20,521,946	\$ -	\$ (6,504,552)	\$ 344,422,180

Depreciation and amortization expense for the year ended June 30, 2022, was \$8,371,786.

NOTE 5 – SCHEDULE OF LONG-TERM DEBT AND LIABILITIES

A summary of changes in long-term debt and liabilities for the year ended June 30, 2022, is presented below:

	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Current Portion
Bonded Debt:					
COP Series 2008 A-2	\$ 45,000,000	\$ -	\$ -	\$ 45,000,000	\$ -
WR Refunding Bonds 2016	57,400,000	-	4,365,000	53,035,000	4,585,000
Premium WR Refunding Bonds	5,574,210	-	697,513	4,876,697	644,470
CREBs Revenue Bonds 2017	12,810,000	-	655,000	12,155,000	675,000
Sub-Total Bonded Debt	120,784,210	-	5,717,513	115,066,697	5,904,470
Long-Term Liabilities:					
Lease Liability	-	545,871	105,673	440,198	120,309
Compensated Absences	1,424,508	539,460	198,147	1,765,821	176,582
Post Employment Benefits	12,408,453	-	5,139,051	7,269,402	-
Sub-Total Long-Term Liabilities	13,832,961	1,085,331	5,442,871	9,475,421	296,891
Total Long-Term Debt and Liabilities	\$ 134,617,171	\$ 1,085,331	\$ 11,160,384	\$ 124,542,118	\$ 6,201,361

**ANTELOPE VALLEY-EAST KERN WATER AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 5 – SCHEDULE OF LONG-TERM DEBT AND LIABILITIES (Continued)

The current and long-term portions of bonded debt for the year ended June 30, 2022, are presented below:

	<u>Current Portion</u>	<u>Long-Term Portion</u>	<u>Total Amount</u>
Original issue of \$45,000,000 Certificates of Participation 2008 A-2 bearing variable interest at a rate of 0.07% (calculated using an estimated weekly rate) as of June 30, 2022	\$ -	\$ 45,000,000	\$ 45,000,000
Original issue of \$71,090,000 Water Refunding Bonds WR Revenue Refunding 2016 bearing interest at a rate of 4.0% to 5.0%	4,585,000	48,450,000	53,035,000
Original issue of \$9,675,000 Water Refunding Premium WR Revenue Refunding 2016 bearing interest at a rate of 5.0%	644,470	4,232,227	4,876,697
Original issue of \$15,600,000 Clean Renewable Energy Bonds CREBs 2017 bearing interest at a rate of 2.315% to 4.326%	675,000	11,480,000	12,155,000
Totals	<u>\$ 5,904,470</u>	<u>\$ 109,162,227</u>	<u>\$ 115,066,697</u>

Annual requirements to amortize bonded long-term debt including premium and interest are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Premium</u>	<u>Subtotal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 5,260,000	\$ 644,470	\$ 5,904,470	\$ 3,371,885	\$ 9,276,355
2024	5,510,000	588,754	6,098,754	3,122,547	9,221,301
2025	5,765,000	530,244	6,295,244	2,859,723	9,154,967
2026	6,055,000	468,876	6,523,876	2,583,514	9,107,390
2027	6,340,000	407,693	6,747,693	2,304,716	9,052,409
2028-2032	36,480,000	1,578,396	38,058,396	9,030,513	47,088,909
2033-2037	44,780,000	658,264	45,438,264	4,385,921	49,824,185
	<u>\$ 110,190,000</u>	<u>\$ 4,876,697</u>	<u>\$ 115,066,697</u>	<u>\$ 27,658,819</u>	<u>\$ 142,725,516</u>

Certificates of Participation Series 2008 A-2

In May of 2008, the Agency issued Certificates of Participation in the amount of \$45,000,000 with the interest rate initially calculated using a weekly rate (variable rate). At June 30, 2022, the principal balance outstanding of the Certificates of Participation was \$45,000,000. The schedule below assumes a variable interest rate.

**ANTELOPE VALLEY-EAST KERN WATER AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 5 – SCHEDULE OF LONG-TERM DEBT AND LIABILITIES (Continued)

Certificates of Participation Series 2008 A-2 (Continued)

The annual requirements to amortize the Certificates of Participation Series 2008 A-2 outstanding as of June 30, 2022, are as follows:

2008 A-2 Year Ending June 30	Principal	Interest	Total
2023	\$ -	\$ 225,000	\$ 225,000
2024	-	225,000	225,000
2025	-	225,000	225,000
2026	280,000	225,000	505,000
2027	3,215,000	223,600	3,438,600
2028-2032	18,425,000	1,044,625	19,469,625
2033-2037	23,080,000	1,212,375	24,292,375
	<u>\$ 45,000,000</u>	<u>\$ 3,380,600</u>	<u>\$ 48,380,600</u>

Water Revenue Refunding Bond 2016

In April of 2016, the Agency issued Refunding Bonds in the amount of \$71,090,000 with the interest rate of 4.0 percent to 5.0 percent, depending on maturity, as part of the Agency's advance refunding. At June 30, 2022, the principal balance outstanding of the Refunding Bonds was \$53,035,000.

The annual requirements to amortize the Refunding Bonds outstanding as of June 30, 2022, are as follows:

Water Refunding Bond Year Ending June 30	Principal	Interest	Total
2023	\$ 4,585,000	\$ 2,651,750	\$ 7,236,750
2024	4,815,000	2,422,500	7,237,500
2025	5,050,000	2,181,750	7,231,750
2026	5,035,000	1,929,250	6,964,250
2027	2,360,000	1,677,500	4,037,500
2028-2032	13,700,000	6,494,500	20,194,500
2033-2037	17,490,000	2,708,500	20,198,500
	<u>\$ 53,035,000</u>	<u>\$ 20,065,750</u>	<u>\$ 73,100,750</u>

**ANTELOPE VALLEY-EAST KERN WATER AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 5 – SCHEDULE OF LONG-TERM DEBT AND LIABILITIES (Continued)

Water Revenue Refunding Bond 2016 (Continued)

As part of the debt refunding, the Water Revenue Bonds were issued with a Premium. At June 30, 2022, the premium balance outstanding of the Refunding Bonds was \$4,876,697. The annual requirements to amortize the premium outstanding as of June 30, 2022, are as follows:

<u>Water Refunding Bond</u> <u>Year Ending June 30</u>	<u>Premium</u>	<u>Total</u>
2023	\$ 644,470	\$ 644,470
2024	588,754	588,754
2025	530,244	530,244
2026	468,877	468,877
2027	407,693	407,693
2028-2032	1,578,396	1,578,396
2033-2037	658,263	658,263
	<u>\$ 4,876,697</u>	<u>\$ 4,876,697</u>

CREBs 2017

In January of 2017, the Agency issued Clean Renewable Energy Bonds (CREBs) in the amount of \$15,600,000. At June 30, 2022, the principal balance outstanding of the CREBs was \$12,155,000. The schedule below uses the term bond interest rates ranging from 2.315 percent to 4.326 percent.

The annual requirements to amortize the CREBS outstanding as of June 30, 2022, are as follows:

<u>CREBs</u> <u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 675,000	\$ 495,135	\$ 1,170,135
2024	695,000	475,047	1,170,047
2025	715,000	452,973	1,167,973
2026	740,000	429,264	1,169,264
2027	765,000	403,616	1,168,616
2028-2032	4,355,000	1,491,388	5,846,388
2033-2036	4,210,000	465,046	4,675,046
	<u>\$ 12,155,000</u>	<u>\$ 4,212,469</u>	<u>\$ 16,367,469</u>

**ANTELOPE VALLEY-EAST KERN WATER AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 6 – CONTRIBUTED CAPITAL

Donated Utility Plant

The Agency has consistently maintained a policy which requires the user to contribute (dedicate) plant/equipment to the Agency. Under this policy an individual or developer bears the cost of installing all lines needed to service the individual or developer facility with water. The individual or developer then dedicates the plant/equipment to the Agency and from that time on, it is the Agency's responsibility to maintain this plant/equipment. The total contributed plant/equipment during the 2022 fiscal year was \$0.

The Agency recognizes capital contributions to proprietary funds as revenues and not contributed capital.

NOTE 7 – LIABILITIES PAYABLE FROM RESTRICTED ASSETS

Certain assets of the Agency have been restricted for customer deposits and CFD 90-1 debt which is not considered an obligation of the Agency. The earnings from the assets are credited to the customer deposits, deferred compensation, and the CFD 90-1 accounts. These assets consist of cash and investment in State Treasurer's Investment Pool (See Note 2) restricted as of June 30, 2022, as follows:

Condemnation Fund Payable	\$	616,444
CFD 90-1 Funds Held for Debt Repayment		5,423
Total	\$	621,867

NOTE 8 – LEASES

For the year ended June 30, 2022, the financial statements include the adoption of GASB Statement No. 87, Leases. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the 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. For additional information, refer to the disclosures below.

On July 1, 2021, Antelope Valley-East Kern Water District, CA entered into a 32 month lease as Lessee for the use of Xerox Copier Lease. An initial lease liability was recorded in the amount of \$13,656.18. As of June 30, 2022, the value of the lease liability is \$8,565.41. Antelope Valley-East Kern Water District, CA is required to make monthly fixed payments of \$431.00. The lease has an interest rate of 0.7270%. The value of the right to use asset as of June 30, 2022, of \$13,656.18 with accumulated amortization of \$4,991.09 is included with Equipment on the Lease Class activities table found below.

On July 1, 2021, Antelope Valley-East Kern Water District, CA entered into a 19 month lease as Lessee for the use of Kyocera Copier Lease. An initial lease liability was recorded in the amount of \$6,384.74. As of June 30, 2022, the value of the lease liability is \$2,694.64. Antelope Valley-East Kern Water District, CA is required to make monthly fixed payments of \$337.48. The lease has an interest rate of 0.5140%. The value of the right to use asset as of June 30, 2022, of \$6,384.74 with accumulated amortization of \$3,935.80 is included with Equipment on the Lease Class activities table found below.

**ANTELOPE VALLEY-EAST KERN WATER AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 8 – LEASES (Continued)

On July 1, 2021, Antelope Valley-East Kern Water District, CA entered into a 52 month lease as Lessee for the use of Enterprise Vehicle 23KLXM. An initial lease liability was recorded in the amount of \$21,599.02. As of June 30, 2022, the value of the lease liability is \$16,792.32. Antelope Valley-East Kern Water District, CA is required to make monthly fixed payments of \$511.49. The lease has an interest rate of 0.8930%. The value of the right to use asset as of June 30, 2022, of \$21,599.02 with accumulated amortization of \$4,968.46 is included with Vehicles on the Lease Class activities table found below.

On July 1, 2021, Antelope Valley-East Kern Water District, CA entered into a 52 month lease as Lessee for the use of Enterprise Vehicle 23KLXR. An initial lease liability was recorded in the amount of \$27,079.48. As of June 30, 2022, the value of the lease liability is \$21,050.95. Antelope Valley-East Kern Water District, CA is required to make monthly fixed payments of \$631.63. The lease has an interest rate of 0.8930%. The value of the right to use asset as of June 30, 2022, of \$27,079.48 with accumulated amortization of \$6,229.15 is included with Vehicles on the Lease Class activities table found below.

On July 1, 2021, Antelope Valley-East Kern Water District, CA entered into a 52 month lease as Lessee for the use of Enterprise Vehicle 23KLXT. An initial lease liability was recorded in the amount of \$27,079.48. As of June 30, 2022, the value of the lease liability is \$21,050.95. Antelope Valley-East Kern Water District, CA is required to make monthly fixed payments of \$631.63. The lease has an interest rate of 0.8930%. The value of the right to use asset as of June 30, 2022, of \$27,079.48 with accumulated amortization of \$6,229.15 is included with Vehicles on the Lease Class activities table found below.

On July 1, 2021, Antelope Valley-East Kern Water District, CA entered into a 52 month lease as Lessee for the use of Enterprise Vehicle 23KLXV. An initial lease liability was recorded in the amount of \$29,501.97. As of June 30, 2022, the value of the lease liability is \$22,931.97. Antelope Valley-East Kern Water District, CA is required to make monthly fixed payments of \$678.59. The lease has an interest rate of 0.8930%. The value of the right to use asset as of June 30, 2022, of \$29,501.97 with accumulated amortization of \$6,786.39 is included with Vehicles on the Lease Class activities table found below.

On July 1, 2021, Antelope Valley-East Kern Water District, CA entered into a 52 month lease as Lessee for the use of Enterprise Vehicle 23KLXW. An initial lease liability was recorded in the amount of \$21,599.02. As of June 30, 2022, the value of the lease liability is \$16,792.32. Antelope Valley-East Kern Water District, CA is required to make monthly fixed payments of \$511.49. The lease has an interest rate of 0.8930%. The value of the right to use asset as of June 30, 2022, of \$21,599.02 with accumulated amortization of \$4,968.46 is included with Vehicles on the Lease Class activities table found below.

On July 1, 2021, Antelope Valley-East Kern Water District, CA entered into a 52 month lease as Lessee for the use of Enterprise Vehicle 23KLXX. An initial lease liability was recorded in the amount of \$27,079.48. As of June 30, 2022, the value of the lease liability is \$21,050.95. Antelope Valley-East Kern Water District, CA is required to make monthly fixed payments of \$631.63. The lease has an interest rate of 0.8930%. The value of the right to use asset as of June 30, 2022, of \$27,079.48 with accumulated amortization of \$6,229.15 is included with Vehicles on the Lease Class activities table found below.

On July 1, 2021, Antelope Valley-East Kern Water District, CA entered into a 52 month lease as Lessee for the use of Enterprise Vehicle 23KLZ2. An initial lease liability was recorded in the amount of \$21,599.02. As of June 30, 2022, the value of the lease liability is \$16,792.32. Antelope Valley-East Kern Water District, CA is required to make monthly fixed payments of \$511.49. The lease has an interest rate of 0.8930%. The value of the right to use asset as of June 30, 2022, of \$21,599.02 with accumulated amortization of \$4,968.46 is included with Vehicles on the Lease Class activities table found below.

**ANTELOPE VALLEY-EAST KERN WATER AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 8 – LEASES (Continued)

On July 1, 2021, Antelope Valley-East Kern Water District, CA entered into a 52 month lease as Lessee for the use of Enterprise Vehicle 23KLZ3. An initial lease liability was recorded in the amount of \$27,079.48. As of June 30, 2022, the value of the lease liability is \$21,050.95. Antelope Valley-East Kern Water District, CA is required to make monthly fixed payments of \$631.63. The lease has an interest rate of 0.8930%. The value of the right to use asset as of June 30, 2022, of \$27,079.48 with accumulated amortization of \$6,229.15 is included with Vehicles on the Lease Class activities table found below.

On July 1, 2021, Antelope Valley-East Kern Water District, CA entered into a 52 month lease as Lessee for the use of Enterprise Vehicle 23KLZ6. An initial lease liability was recorded in the amount of \$20,256.93. As of June 30, 2022, the value of the lease liability is \$15,749.71. Antelope Valley-East Kern Water District, CA is required to make monthly fixed payments of \$483.27. The lease has an interest rate of 0.8930%. The value of the right to use asset as of June 30, 2022, of \$20,256.93 with accumulated amortization of \$4,659.74 is included with Vehicles on the Lease Class activities table found below.

On July 1, 2021, Antelope Valley-East Kern Water District, CA entered into a 52 month lease as Lessee for the use of Enterprise Vehicle 23KLZ8. An initial lease liability was recorded in the amount of \$21,599.02. As of June 30, 2022, the value of the lease liability is \$16,792.32. Antelope Valley-East Kern Water District, CA is required to make monthly fixed payments of \$511.49. The lease has an interest rate of 0.8930%. The value of the right to use asset as of June 30, 2022, of \$21,599.02 with accumulated amortization of \$4,968.46 is included with Vehicles on the Lease Class activities table found below.

On July 1, 2021, Antelope Valley-East Kern Water District, CA entered into a 52 month lease as Lessee for the use of Enterprise Vehicle 23KLZB. An initial lease liability was recorded in the amount of \$21,599.02. As of June 30, 2022, the value of the lease liability is \$16,792.32. Antelope Valley-East Kern Water District, CA is required to make monthly fixed payments of \$511.49. The lease has an interest rate of 0.8930%. The value of the right to use asset as of June 30, 2022, of \$21,599.02 with accumulated amortization of \$4,968.46 is included with Vehicles on the Lease Class activities table found below.

On July 1, 2021, Antelope Valley-East Kern Water District, CA entered into a 52 month lease as Lessee for the use of Enterprise Vehicle 23LJQC. An initial lease liability was recorded in the amount of \$29,258.83. As of June 30, 2022, the value of the lease liability is \$22,744.07. Antelope Valley-East Kern Water District, CA is required to make monthly fixed payments of \$677.80. The lease has an interest rate of 0.8930%. The value of the right to use asset as of June 30, 2022, of \$29,258.83 with accumulated amortization of \$6,730.47 is included with Vehicles on the Lease Class activities table found below.

On July 1, 2021, Antelope Valley-East Kern Water District, CA entered into a 53 month lease as Lessee for the use of Enterprise Vehicle 23LPJ9. An initial lease liability was recorded in the amount of \$27,555.11. As of June 30, 2022, the value of the lease liability is \$21,535.67. Antelope Valley-East Kern Water District, CA is required to make monthly fixed payments of \$630.93. The lease has an interest rate of 0.8930%. The value of the right to use asset as of June 30, 2022, of \$27,555.11 with accumulated amortization of \$6,165.22 is included with Vehicles on the Lease Class activities table found below.

On July 1, 2021, Antelope Valley-East Kern Water District, CA entered into a 56 month lease as Lessee for the use of Enterprise Vehicle 23MSRF. An initial lease liability was recorded in the amount of \$23,988.84. As of June 30, 2022, the value of the lease liability is \$19,041.12. Antelope Valley-East Kern Water District, CA is required to make monthly fixed payments of \$524.70. The lease has an interest rate of 1.0590%. The value of the right to use asset as of June 30, 2022, of \$23,988.84 with accumulated amortization of \$5,085.97 is included with Vehicles on the Lease Class activities table found below.

**ANTELOPE VALLEY-EAST KERN WATER AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 8 – LEASES (Continued)

On December 6, 2021, Antelope Valley-East Kern Water District, CA entered into a 60 month lease as Lessee for the use of Enterprise Vehicle 23RX24. An initial lease liability was recorded in the amount of \$31,557.40. As of June 30, 2022, the value of the lease liability is \$27,994.45. Antelope Valley-East Kern Water District, CA is required to make monthly fixed payments of \$641.86. The lease has an interest rate of 1.1770%. The value of the right to use asset as of June 30, 2022, of \$31,557.40 with accumulated amortization of \$3,544.80 is included with Vehicles on the Lease Class activities table found below.

On July 15, 2021, Antelope Valley-East Kern Water District, CA entered into a 60 month lease as Lessee for the use of Enterprise Vehicle 23RX26. An initial lease liability was recorded in the amount of \$26,003.64. As of June 30, 2022, the value of the lease liability is \$21,076.26. Antelope Valley-East Kern Water District, CA is required to make monthly fixed payments of \$533.72. The lease has an interest rate of 0.9010%. The value of the right to use asset as of June 30, 2022, of \$26,003.64 with accumulated amortization of \$4,954.44 is included with Vehicles on the Lease Class activities table found below.

On July 8, 2021, Antelope Valley-East Kern Water District, CA entered into a 60 month lease as Lessee for the use of Enterprise Vehicle 23SXX2. An initial lease liability was recorded in the amount of \$32,769.76. As of June 30, 2022, the value of the lease liability is \$26,451.00. Antelope Valley-East Kern Water District, CA is required to make monthly fixed payments of \$656.10. The lease has an interest rate of 0.9010%. The value of the right to use asset as of June 30, 2022, of \$32,769.76 with accumulated amortization of \$6,345.43 is included with Vehicles on the Lease Class activities table found below.

On March 16, 2022, Antelope Valley-East Kern Water District, CA entered into a 60 month lease as Lessee for the use of Enterprise Vehicle 25NXC8. An initial lease liability was recorded in the amount of \$52,907.86. As of June 30, 2022, the value of the lease liability is \$49,766.71. Antelope Valley-East Kern Water District, CA is required to make monthly fixed payments of \$1,031.16. The lease has an interest rate of 0.2370%. The value of the right to use asset as of June 30, 2022, \$52,907.86 with accumulated amortization of \$3,060.79 is included with Vehicles on the Lease Class activities table found below.

On June 1, 2022, Antelope Valley-East Kern Water District, CA entered into a 60 month lease as Lessee for the use of Enterprise Vehicle 25SBM2. An initial lease liability was recorded in the amount of \$31,689.06. As of June 30, 2022, the value of the lease liability is \$31,125.43. Antelope Valley-East Kern Water District, CA is required to make monthly fixed payments of \$677.61. The lease has an interest rate of 2.6780%. The value of the right to use asset as of June 30, 2022, of \$31,689.06 with accumulated amortization of \$528.15 is included with Vehicles on the Lease Class activities table found below.

On July 1, 2021, Antelope Valley-East Kern Water District, CA entered into a 33 month lease as Lessee for the use of Pitney Bowes Postage Machine. An initial lease liability was recorded in the amount of \$4,027.73. As of June 30, 2022, the value of the lease liability is \$2,355.84. Antelope Valley-East Kern Water District, CA is required to make quarterly fixed payments of \$339.00. The lease has an interest rate of 0.7270%. The value of the right to use asset as of June 30, 2022, of \$4,027.73 with accumulated amortization of \$1,422.95 is included with Equipment on the Lease Class activities table found below.

**ANTELOPE VALLEY-EAST KERN WATER AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 8 – LEASES (Continued)

The commitment, stated below, is for a lease that has a commencement date subsequent to the reporting date. On July 12, 2022, the Agency entered into a 60 month lease as Lessee for the use of a Canon Copier. An initial lease liability was recorded in the amount of \$14,733.46. As of June 30, 2022, the value of the lease liability is \$14,733.46. The Agency is required to make monthly fixed payments of \$269.00. The lease has an interest rate of 2.4570%. The equipment's estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of June 30, 2022, of \$0.00 with accumulated amortization of \$0.00 is included with Equipment on the Lease Class activities table.

Asset Class	As of Fiscal Year-End	
	Lease Asset Value	Accumulated Amortization
Equipment	\$ 24,069	\$ 10,350
Vehicles	521,802	97,620
Total Leases	\$ 545,871	\$ 107,970

Principal and Interest Requirements to Maturity

Fiscal Year	Business-Type Activities		
	Principal Payments	Interest Payments	Total Payments
2023	\$ 120,309	\$ 3,734	124,043
2024	116,661	2,619	119,280
2025	113,285	1,530	114,815
2026	71,759	529	72,288
2027	18,184	102	18,286
	\$ 440,198	\$ 8,514	\$ 448,712
	\$ 440,198	\$ 8,514	\$ 448,712

BUSINESS-TYPE ACTIVITIES:

	Balance as of July 1, 2021	Additions	Reductions	Balance as of June 30, 2022
Lease Liability				
Equipment				
Xerox Copier Lease	\$ -	\$ 13,656	\$ 5,091	\$ 8,565
Kyocera Copier Lease	-	6,385	3,690	2,695
Pitney Bowes Postage Machine	-	4,028	1,672	2,356
Total Equipment Lease Liability	-	24,069	10,453	13,616

**ANTELOPE VALLEY-EAST KERN WATER AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 8 – LEASES (Continued)

BUSINESS-TYPE ACTIVITIES:	Balance as of July 1, 2021	Additions	Reductions	Balance as of June 30, 2022
Lease Liability (Continued)				
Vehicles				
Enterprise Vehicle 23KLXM	-	21,599	4,807	16,792
Enterprise Vehicle 23KLXR	-	27,080	6,029	21,051
Enterprise Vehicle 23KLXT	-	27,080	6,029	21,051
Enterprise Vehicle 23KLXV	-	29,502	6,570	22,932
Enterprise Vehicle 23KLXW	-	21,599	4,807	16,792
Enterprise Vehicle 23KLXX	-	27,080	6,029	21,051
Enterprise Vehicle 23KLZ2	-	21,599	4,807	16,792
Enterprise Vehicle 23KLZ3	-	27,080	6,029	21,051
Enterprise Vehicle 23KLZ6	-	20,256	4,507	15,749
Enterprise Vehicle 23KLZ8	-	21,599	4,807	16,792
Enterprise Vehicle 23KLZB	-	21,599	4,807	16,792
Enterprise Vehicle 23LJQC	-	29,259	6,515	22,744
Enterprise Vehicle 23LPJ9	-	27,555	6,019	21,536
Enterprise Vehicle 23MSRF	-	23,989	4,947	19,042
Enterprise Vehicle 23RX24	-	31,557	3,562	27,995
Enterprise Vehicle 23RX26	-	26,003	4,927	21,076
Enterprise Vehicle 23SXX2	-	32,770	6,319	26,451
Enterprise Vehicle 25NXC8	-	52,908	3,141	49,767
Enterprise Vehicle 25SBM2	-	31,689	563	31,126
Total Vehicle Lease Liability	-	521,803	95,221	426,582
Total Lease Liability	\$ -	\$ 545,872	\$ 105,674	\$ 440,198

BUSINESS-TYPE ACTIVITIES:	Balance as of July 1, 2021	Additions	Reductions	Balance as of June 30, 2022
Lease Assets				
Equipment				
Xerox Copier Lease	\$ -	\$ 13,656	\$ -	\$ 13,656
Kyocera Copier Lease	-	6,385	-	6,385
Pitney Bowes Postage Machine	-	4,028	-	4,028
Total Equipment Lease Assets	-	24,069	-	24,069

**ANTELOPE VALLEY-EAST KERN WATER AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 8 – LEASES (Continued)

BUSINESS-TYPE ACTIVITIES:	<u>Balance as of July 1, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance as of June 30, 2022</u>
Lease Assets (Continued)				
Vehicles				
Enterprise Vehicle 23KLXM	-	21,599	-	21,599
Enterprise Vehicle 23KLXR	-	27,079	-	27,079
Enterprise Vehicle 23KLXT	-	27,079	-	27,079
Enterprise Vehicle 23KLXV	-	29,502	-	29,502
Enterprise Vehicle 23KLXW	-	21,599	-	21,599
Enterprise Vehicle 23KLXX	-	27,080	-	27,080
Enterprise Vehicle 23KLZ2	-	21,599	-	21,599
Enterprise Vehicle 23KLZ3	-	27,079	-	27,079
Enterprise Vehicle 23KLZ6	-	20,257	-	20,257
Enterprise Vehicle 23KLZ8	-	21,599	-	21,599
Enterprise Vehicle 23KLZB	-	21,599	-	21,599
Enterprise Vehicle 23LJQC	-	29,259	-	29,259
Enterprise Vehicle 23LPJ9	-	27,555	-	27,555
Enterprise Vehicle 23MSRF	-	23,989	-	23,989
Enterprise Vehicle 23RX24	-	31,557	-	31,557
Enterprise Vehicle 23RX26	-	26,004	-	26,004
Enterprise Vehicle 23SXX2	-	32,770	-	32,770
Enterprise Vehicle 25NXC8	-	52,908	-	52,908
Enterprise Vehicle 25SBM2	-	31,689	-	31,689
Total Vehicle Lease Assets	-	521,802	-	521,802
Total Lease Assets	-	545,871	-	545,871
Lease Accumulated Amortization				
Equipment				
Xerox Copier Lease	-	4,991	-	4,991
Kyocera Copier Lease	-	3,936	-	3,936
Pitney Bowes Postage Machine	-	1,423	-	1,423
Total Equipment Lease Accumulated Amortization	-	10,350	-	10,350

**ANTELOPE VALLEY-EAST KERN WATER AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 8 – LEASES (Continued)

BUSINESS-TYPE ACTIVITIES:	Balance as of July 1, 2021	Additions	Reductions	Balance as of June 30, 2022
Lease Assets (Continued)				
Vehicles				
Enterprise Vehicle 23KLXM	-	4,968	-	4,968
Enterprise Vehicle 23KLXR	-	6,229	-	6,229
Enterprise Vehicle 23KLXT	-	6,229	-	6,229
Enterprise Vehicle 23KLXV	-	6,789	-	6,789
Enterprise Vehicle 23KLXW	-	4,968	-	4,968
Enterprise Vehicle 23KLXX	-	6,229	-	6,229
Enterprise Vehicle 23KLZ2	-	4,968	-	4,968
Enterprise Vehicle 23KLZ3	-	6,229	-	6,229
Enterprise Vehicle 23KLZ6	-	4,660	-	4,660
Enterprise Vehicle 23KLZ8	-	4,968	-	4,968
Enterprise Vehicle 23KLZB	-	4,968	-	4,968
Enterprise Vehicle 23LJQC	-	6,730	-	6,730
Enterprise Vehicle 23LPJ9	-	6,165	-	6,165
Enterprise Vehicle 23MSRF	-	5,086	-	5,086
Enterprise Vehicle 23RX24	-	3,545	-	3,545
Enterprise Vehicle 23RX26	-	4,955	-	4,955
Enterprise Vehicle 23SXX2	-	6,345	-	6,345
Enterprise Vehicle 25NXC8	-	3,061	-	3,061
Enterprise Vehicle 25SBM2	-	528	-	528
Total Vehicle Lease				
Accumulated Amortization	-	97,620	-	97,620
Total Lease Accumulated Amortization	-	107,970	-	107,970
Total Business-Type Lease Assets, Net	\$ -	\$ 437,901	\$ -	\$ 437,901

NOTE 9 – COMMUNITY FACILITIES DISTRICT BOND ISSUES (CFD 90-1)

	Original Issue	Outstanding June 30, 2022
Special Tax Bonds		
Community Facilities District No. 90-1	<u>\$ 13,800,000</u>	<u>\$ 1,520,000</u>

There are two outstanding CFD 90-1 bond issues - Special Tax Bonds - 1990 Series A and 1991 Series A. The Special Tax Bonds were issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, to finance the acquisition and construction of certain public waterworks improvements, together with appurtenant work, to serve property located within the CFD 90-1 (Acton area). The bonds are payable from the proceeds of an annual special tax to be levied and collected from property within CFD 90-1. Under terms of the CFD 90-1 bonds, the Agency has custody of certain property tax funds, to be used for CFD 90-1 interest and principal bond payments. The Agency is only acting as agent for the property owners in collecting special tax assessments, forwarding the collections to bondholders and initiating foreclosure proceedings, if appropriate.

**ANTELOPE VALLEY-EAST KERN WATER AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 9 – COMMUNITY FACILITIES DISTRICT BOND ISSUES (CFD 90-1) (Continued)

As discussed in Note 1, the Agency has no obligation beyond the balances in the designated agency fund for any delinquent assessment district bond payments. If delinquencies occur beyond the amounts held in the reserve funds created from bond proceeds, the Agency has no duty to pay the delinquency out of any available funds of the Agency. Neither the faith, credit, nor taxing power of the Agency is pledged to the payment of the bonds and, therefore, the bonded indebtedness is not shown in the financial statements of the Agency.

Additionally, because the Agency is not obligated in any manner on the outstanding bonds and because the Agency is not benefiting from any of the new construction, the special tax bonds have been accounted for on a trust accounting basis. In applying the provisions of GASB Statement No. 84, it was determined that disclosure was appropriate as the CFD No. 90-1 did not meet the definition to be presented as a Fiduciary Fund.

CFD 90-1 Special Tax Bond – 1990 Series A

On January 1, 1991, the Agency issued \$8,340,000 of CFD 90-1 Special Tax Bonds. The principal balance matures annually each September 1 through 2021 and bears interest at variable rates which range from 6.85% to 8.60%. As of June 30, 2022, \$940,000 of the bonds remained outstanding, of which \$940,000 is delinquent.

CFD 90-1 Special Tax Bond – 1991 Series A

On April 1, 1991, the Agency issued an additional \$5,460,000 of CFD 90-1 Special Tax Bonds. The principal balance matures annually each September 1 through 2021 and bears interest at variable rates which range from 6.10% to 8.60%. As of June 30, 2022, (i) \$580,000 of the bonds remained outstanding, of which \$580,000 is delinquent and (ii) \$0 of the bonds have been tendered (see Note 13).

NOTE 10 – RETIREMENT PLAN

Profit Sharing/401(K) Pension Plan

The Agency provides pension benefits for all its full-time employees by sponsoring a 401(k) and Thrift Defined Contribution Plan maintained by the trustee, Fidelity Management Trust Company. The employees may elect to have a portion of their compensation, not to exceed 50%, contributed to the plan on a before-tax basis pursuant to Internal Revenue Code Section 401(k). The Agency's contribution rate is fixed at 10% of the employee's base compensation.

Current Year Information

The Agency's total payroll in the 2021/2022 fiscal year was \$6,392,330. The total contribution to the plan was based on a compensation of \$5,270,646 for the year ended June 30, 2022. Total contributions made by the Agency to the plan and reflected as expense for the year ended June 30, 2022, were \$527,247. Elective employee contributions for the year ended June 30, 2022, were \$472,716.

**ANTELOPE VALLEY-EAST KERN WATER AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 11 – POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB)

Plan Description

In addition to the pension benefits described in Note 10, the Agency provides a single-employer post employment retiree health care benefits plan, which provides medical, dental, and vision benefits, in accordance with Agency policy, to all employees who retire from the Agency and meet certain eligibility requirements.

Plan Membership

As of June 30, 2022, the plan membership is as follows:

	Number of Participants
Inactive employees receiving benefits	16
Inactive employees entitled but not yet receiving benefits	-
Participating active employees	49
 Total Participants Covered by the OPEB Plan	 65

Eligibility for Agency-Paid Benefits

To be eligible for retiree health benefits, an employee must retire from the Agency on or after the age 55 and have completed at least 10 years of service; employees who complete 10 or more years of service and separate from the Agency due to permanent disability; or former directors who served in office after January 1, 1981, who were first elected prior to January 1, 1995, and who have completed at least 12 years of service. Currently sixteen retirees meet these eligibility requirements. Expenses for post-retirement health care benefits are expensed as paid, and during the year ended June 30, 2022, a total of \$128,682 was paid on behalf of eleven retired employees and \$43,911 was paid on behalf of four former directors for these benefits.

Actuarial Method and Assumptions

Valuation and Measurement Date: The valuation date is June 30, 2022, and the measurement date is June 30, 2022.

Actuarial Cost Method: As required by GASB Statement No. 74/75, the Entry Age Normal method must be used. The allocation of OPEB cost is based on years of service. The level percentage of payroll method is used to allocate OPEB cost over years of service.

Entry age is based on the average age at hire for eligible employees. The attribution period is determined as the difference between the average retirement age and the average age at hire. The present value of future benefits and present value of future normal costs are determined on an employee by employee basis and then aggregated.

To the extent that different benefit formulas apply to different employees of the same class, the normal cost is based on the benefit plan applicable to the most recently hired employees (including future hires if a new benefit formula has been agreed to and communicated to employees).

**ANTELOPE VALLEY-EAST KERN WATER AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 11 – POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB) (Continued)

Actuarial Method and Assumptions (Continued)

Substantive Plan: As required under GASB Statements No. 74 and No. 75, the valuation is based on the substantive plan. The formulation of the substantive plan was based on a review of written plan documents as well as historical information provided by the Agency regarding practices with respect to employer and employee contributions and other relevant factors as described below:

Economic assumptions are set under the guidance of Actuarial Standard of Practice 27 (ASOP 27). Among other things, ASOP 27 provides that economic assumptions should reflect a consistent underlying rate of general inflation. For that reason, we show our assumed long-term inflation rate below.

Inflation: Assumed 2.50% per year. Actuarial standards require using the same rate for OPEB that is used for pensions.

Investment Return/Discount Rate: Assumed 3.54% per year. This is based on the Bond Buyer 20 Bond Index.

Trend: Assumed 4.00% per year. The long-term trend assumption is based on the conclusion that, while medical trends will continue to be cyclical, the average increase over time cannot continue to outstrip general inflation by a wide margin. Trend increases in excess of general inflation result in dramatic increases in unemployment, the number of uninsured, and the number of underinsured. These effects are nearing a tipping point which will inevitably result in fundamental changes in health care finance and/or delivery which will bring increases in health care costs more closely in line with general inflation. It is not reasonable to project historical trend vs. inflation differences several decades into the future.

Payroll Increase: Assumed 2.75% per year. Since benefits do not depend on salary (as they do for pensions), using an aggregate payroll assumption for the purpose of calculating the service cost results in a negligible error.

Fiduciary Net Position (FNP): To the extent that benefits are funded through a qualified trust, the FNP is subtracted to get to the Net OPEB Liability. As the plan is unfunded, the FNP for the year ended June 30, 2022, is \$0. The FNP is the value of assets adjusted for any applicable payables and receivables.

Actuarial Asset Valuation: There were no plan assets on the valuation date.

**ANTELOPE VALLEY-EAST KERN WATER AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 11 – POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB) (Continued)

Actuarial Method and Assumptions (Continued)

Non-economic assumptions are set under the guidance of Actuarial Standard of Practice 35 (ASOP 35).

Mortality Assumptions: Mortality assumptions are based upon the 2017 California Public Employees Retirement System (CalPERS) Mortality for Active Miscellaneous Employees Table and the 2017 CalPERS Mortality for Retired Miscellaneous Employees Table. CalPERS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. These tables incorporate mortality projection as deemed appropriate based on CalPERS analysis.

Experiences Studies: Following are the tables that the retirement and turnover assumptions are based upon:

Retirement Rates: Retirement Rates are based upon the 2017 CalPERS 2.0%@55 Rates Active Miscellaneous Employees Table and the 2017 CalPERS 2.0%@62 Rates Retired Miscellaneous Employees Table, adjusted to reflect a minimum retirement age of 55. CalPERS periodically studies the experience for participating agencies and establishes tables that are appropriate for each pool.

Turnover Rates: Turnover Rates are based upon the 2017 CalPERS Turnover for Miscellaneous Employees Table. CalPERS periodically studies the experience for participating agencies and establishes tables that are appropriate for each pool.

Changes in the Total OPEB Liability

The Agency's total OPEB liability of \$7,269,402 was measured as of June 30, 2022, and determined by an actuarial valuation as of June 30, 2022. The changes in the total OPEB liability are as follows:

	<u>Total OPEB Liability</u>	<u>Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Beginning Balance at June 30, 2021	\$ 12,408,453	\$ -	\$ 12,408,453
Changes During the Year:			
Service Cost	873,485	-	873,485
Interest on the Total OPEB Liability	275,124	-	275,124
Employer Contributions	(215,984)	215,984	(431,968)
Assumption Changes and Differences			
Between Actual and Expected Experience	(6,071,676)	(215,984)	(5,855,692)
Benefit Payments	-	-	-
Net Changes	<u>(5,139,051)</u>	<u>-</u>	<u>(5,139,051)</u>
Ending Balance at June 30, 2022	<u>\$ 7,269,402</u>	<u>\$ -</u>	<u>\$ 7,269,402</u>

**ANTELOPE VALLEY-EAST KERN WATER AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 11 – POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB) (Continued)

Sensitivity of the Net OPEB Liability

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following table shows the Net OPEB Liability with a discount rate that is 1% higher and 1% lower than assumed in the valuation.

	Discount Rate 1% Lower (2.54%)	Valuation Discount Rate (3.54%)	Discount Rate 1% Higher (4.54%)
Net OPEB Liability	\$ 8,470,123	\$ 7,269,402	\$ 6,298,489

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following table shows the Net OPEB Liability with a healthcare cost trend rate that is 1% higher and 1% lower than assumed in the valuation.

	Trend Rate 1% Lower (3%)	Valuation Trend Rate (4%)	Trend Rate 1% Higher (5%)
Net OPEB Liability	\$ 6,079,225	\$ 7,269,402	\$ 8,814,756

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2022, the Agency recognized an OPEB expense of \$2,964,676 (the sum of the Service Cost, Interest on the Total OPEB Liability, and Recognized Assumption Changes noted above). At June 30, 2022, the Agency reported \$2,780,179 deferred outflows of resources and \$2,535,854 deferred inflows of resources related to the OPEB.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contributions Subsequent to Measurement Date	\$ -	\$ -
Differences Between Expected and Actual Experience	-	(954,465)
Changes in Assumptions	2,780,179	(1,581,389)
Total	\$ 2,780,179	\$ (2,535,854)

**ANTELOPE VALLEY-EAST KERN WATER AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 11 – POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB) (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

To Be Recognized in Future Years	Deferred Outflows of Resources	Deferred Inflows of Resources
2023	\$ 331,980	\$ (259,313)
2024	331,980	(259,313)
2025	331,980	(259,313)
2026	331,980	(259,313)
2027	331,980	(259,313)
Thereafter	1,120,279	(1,239,289)
Total	\$ 2,780,179	\$ (2,535,854)

NOTE 12 – STATE WATER SUPPLY CONTRACT

On August 3, 1962, the Agency entered into a water supply contract with the State of California Department of Water Resources (DWR) to pay for a share of the State's construction, operation, and maintenance of facilities for the storage and conveyance of water (facilities commonly referred to as the California Aqueduct). This agreement provides for yearly payments to the DWR for 75 years. Cumulative payments made pursuant to the contract through June 30, 2022, are as follows:

Total amounts paid on State water supply contract through June 30, 2021	\$ 566,229,245
Amount paid during the year ended June 30, 2022	24,976,730
Total amounts paid on State water supply contract through June 30, 2022	\$ 591,205,975

NOTE 13 – COMMITMENTS AND CONTINGENCIES

There are various claims and legal actions pending against the Agency for which no provision has been made in the financial statements. In the opinion of the Agency attorneys and other Agency officials, liabilities arising from these claims and legal actions, if any, will not be significant.

Self-Insurance

The Agency's insurance coverage consists of both self-insured programs and policies maintained with the ACWA/Joint Powers Insurance Authority (see Note 14).

**ANTELOPE VALLEY-EAST KERN WATER AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 13 – COMMITMENTS AND CONTINGENCIES (Continued)

Mello-Roos Negotiations/Litigation

As discussed in Note 9, the Agency maintains CFD 90-1, which was financed with Mello-Roos Bonds. Since the Agency is not directly liable for the CFD 90-1 debt and it is expected all such debt will be repaid from landowner assessments and not Agency revenues, the CFD 90-1 debt is not included in the Agency's financial statements. The Agency acts solely as an agent for the bondholders in collecting and forwarding the special assessments.

Economic conditions surrounding the Agency's service area have changed significantly since the issue of the Mello-Roos Bonds in 1990-91. Appraised property values have declined and residential and commercial construction are substantially below levels originally projected. These factors have contributed to a condition where the CFD 90-1 negotiated an agreement in fiscal year 2001 with the bondholders (three separate bondholders hold 100% of the total outstanding bonds) to defease \$390,000 of the September 1, 2000 and September 1, 2001 outstanding bonds. In addition, the bondholders agreed to waive principal and interest payments due to them in exchange for the CFD 90-1 not to levy a tax on a portion of the parcels until September 1, 2003. Waiver of principal and interest payments due in exchange for the CFD 90-1 not levying a special tax on a portion of the parcels has occurred in each subsequent year by agreement of the affected bondholders and the CFD 90-1.

The total outstanding bonds subject to this agreement is \$3,185,000. On July 1, 2016, an agreement was made and entered into by the Agency and the affected bondholders to discontinue the moratorium extension and cancel any future levy of special taxes for the tender of associated bonds in the amount of \$3,185,000.

While, as discussed above, the Agency is not directly liable for the Mello-Roos Bonds, the nonpayment of this debt and the potential foreclosure by the bondholders on the landowners will have a detrimental impact on the CFD 90-1 finances. In addition, resolution of this situation could draw the Agency into significant litigation. Any potential adverse impact on the Agency's future financial statements as a result of these conditions cannot be estimated at this time.

Letter of Credit

On May 29, 2008, the Agency obtained an irrevocable letter of credit from Wells Fargo Bank, National Association that was originally issued in the amount of \$45,754,521 in connection with the Agency issuance of the Certificates of Participation Series 2008 A-2 (variable rate certificates). The agreement with the bank has been amended several times, with the last amendment (fourth) signed on May 19, 2020, to extend the letter of credit.

NOTE 14 – JOINT POWERS AGREEMENT (ACWA/JPIA)

The Agency participates in a Joint Powers Agreement (JPA): The Association of California Water Agencies Joint Powers Insurance Authority (ACWA/JPIA). The relationship between the Agency and the JPA is such that the JPA is not a component unit of the Agency for financial reporting purposes.

The JPA is governed by a board, consisting of a representative from each water district. The JPA board controls the operations, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the governing board. The insurance group arranges for and provides property and liability insurance for its members. The Agency pays a premium commensurate with the level of coverage requested.

**ANTELOPE VALLEY-EAST KERN WATER AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 14 – JOINT POWERS AGREEMENT (ACWA/JPIA) (Continued)

Members of the JPA share surpluses and deficits proportionate to their participation in the JPA.

The JPA is independently accountable for its fiscal matters. The insurance group maintains its own accounting records. Budgets are not subject to any approval other than that of the governing board.

Below is the condensed financial information of the JPA for the years ended September 30:

	<u>AWCA/JPIA</u>
	<u>2021</u>
Total Assets	\$ 271,770,359
Deferred Outflows of Resources	\$ 1,189,142
Total Liabilities	\$ 123,558,690
Deferred Inflows of Resources	\$ (409,721)
Net Position	\$ 149,810,532
Total Revenues	\$ 200,883,781
Total Expenses	174,760,456
Change in Net Position	\$ 26,123,325

The Agency's share of year-end assets, liabilities, or net position has not been calculated. Complete separate financial statements for the ACW A/JPIA may be obtained at 2100 Professional Drive, Roseville, California 95661.

NOTE 15 – ECONOMIC DEPENDENCY

As discussed in Note 12, the Agency has a water supply contract with the State of California DWR. The Agency purchases the majority of its water supplies pursuant to this contract.

NOTE 16 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 24, 2022, which is the date the financial statements were issued. There were no subsequent events to disclose.

REQUIRED SUPPLEMENTARY INFORMATION

**ANTELOPE VALLEY-EAST KERN WATER AGENCY
OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS ENDED JUNE 30, 2022**

Total OPEB Liability (TOL)	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
TOL - Beginning of the Year	\$ 12,408,453	\$ 11,438,917	\$ 8,640,678	\$ 7,793,328	\$ 6,845,399
Changes for the Year:					
Service Cost	873,485	841,160	475,408	427,050	415,620
Interest on the TOL	275,124	258,546	306,903	275,156	281,595
Assumptions Changes and Differences between Actual and Expected Experience	(6,071,676)	84,633	2,235,350	377,492	475,087
Benefit Payments	(215,984)	(214,803)	(219,422)	(232,348)	(224,373)
Net Changes in the TOL	<u>(5,139,051)</u>	<u>969,536</u>	<u>2,798,239</u>	<u>847,350</u>	<u>947,929</u>
TOL - End of the Year (a)	<u>\$ 7,269,402</u>	<u>\$ 12,408,453</u>	<u>\$ 11,438,917</u>	<u>\$ 8,640,678</u>	<u>\$ 7,793,328</u>
Plan Fiduciary Net Position					
Contributions - Employer	\$ 215,984	\$ 214,803	\$ 219,422	\$ 232,348	\$ 224,373
Net Investment Income	-	-	-	-	-
Benefit Payments	(215,984)	(214,803)	(219,422)	(232,348)	(224,373)
Administrative Expenses	-	-	-	-	-
Net Changes in Plan Fiduciary Net Position	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Plan Fiduciary Net Position - Beginning of the Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Plan Fiduciary Net Position - End of the Year (b)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net OPEB Liability (NOL) - End of the Year [(a)-(b)]	<u>\$ 7,269,402</u>	<u>\$ 12,408,453</u>	<u>\$ 11,438,917</u>	<u>\$ 8,640,678</u>	<u>\$ 7,793,328</u>
Plan Fiduciary Net Position as a Percentage of the TOL	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Covered Payroll	<u>\$ 5,633,654</u>	<u>\$ 4,677,977</u>	<u>\$ 4,552,776</u>	<u>\$ 4,149,710</u>	<u>\$ 4,038,647</u>
NOL as a % of Covered Payroll	<u>129.04%</u>	<u>265.25%</u>	<u>251.25%</u>	<u>208.22%</u>	<u>192.97%</u>

Notes to the Schedule:

- (1) Fiscal year 2018 was the first year of implementation, therefore only five years are shown. Additional years will be displayed as information becomes available.
- (2) Change in assumptions: The discount rate was reduced from 2.20% to 2.16% in fiscal year 2021. There were no changes in benefit terms since the prior measurement date.
- (3) The discount rate increased from 2.16% to 3.54% in fiscal year 2022.
- (4) The inflation rate decreased from 2.75% to 2.50% in fiscal year 2022.

SUPPLEMENTARY INFORMATION

**ANTELOPE VALLEY-EAST KERN WATER AGENCY
SCHEDULE OF REVENUES AND EXPENSES – PROPRIETARY FUND TYPE
BUDGET AND ACTUAL
(UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2022**

	BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
OPERATING REVENUES			
Water Sales	\$ 29,331,000	\$ 25,030,472	\$ (4,300,528)
Irrigation Sales	-	1,882,212	1,882,212
Nickel Water Agreements	2,478,000	2,550,853	72,853
Total Operating Revenues	<u>31,809,000</u>	<u>29,463,537</u>	<u>(2,345,463)</u>
OPERATING EXPENSES			
Water Purchases	9,668,300	13,215,737	3,547,437
Pumping	1,935,500	1,878,384	(57,116)
Water Treatment	6,028,750	6,010,321	(18,429)
Transmission and Distribution	520,350	679,028	158,678
Administration and General	7,375,760	3,934,085	(3,441,675)
Groundwater Survey and Sites Reservoir Conservation	153,300	75,520	(77,780)
Depreciation and Amortization	50,000	3,000	(47,000)
	8,000,000	8,371,786	371,786
Total Operating Expenses	<u>33,731,960</u>	<u>34,167,861</u>	<u>435,901</u>
Operating Loss	<u>(1,922,960)</u>	<u>(4,704,324)</u>	<u>(2,781,364)</u>
NON-OPERATING REVENUES			
Tax Revenues	34,700,290	38,608,990	3,908,700
Net Investment Earnings (Loss)	1,105,000	(616,731)	(1,721,731)
Other Revenues	1,272,000	10,869,166	9,597,166
Capacity Charges	-	3,440,592	3,440,592
Total Non-Operating Revenues	<u>37,077,290</u>	<u>52,302,017</u>	<u>15,224,727</u>
NON-OPERATING EXPENSES			
State Water Contract	27,991,000	24,976,730	(3,014,270)
Interest Expense	3,000,600	2,579,253	(421,347)
Total Non-Operating Expenses	<u>30,991,600</u>	<u>27,555,983</u>	<u>(3,435,617)</u>
Change in Net Position	<u>\$ 4,162,730</u>	<u>\$ 20,041,710</u>	<u>\$ 15,878,980</u>

**ANTELOPE VALLEY-EAST KERN WATER AGENCY
HIGH DESERT WATER BANK
STATEMENT OF NET POSITION AS OF JUNE 30, 2022 AND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2022
(UNAUDITED)**

STATEMENT OF NET POSITION

<u>Assets</u>	
Wells Fargo - HDWB Capital	\$ 3,875,659
Land	8,414,297
CIP - High Desert Water Bank	<u>16,448,388</u>
Total Assets	<u><u>\$ 28,738,344</u></u>
 <u>Liabilities</u>	
Deposit for Capital Costs - Met	\$ 3,827,283
Due to Water Enterprise Fund	<u>76,527</u>
Total Liabilities	<u>3,903,810</u>
 <u>Net Position</u>	
Unrestricted	<u>24,834,534</u>
Total Net Position	<u>24,834,534</u>
Total Liabilities and Net Position	<u><u>\$ 28,738,344</u></u>

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

<u>Revenues</u>	
Revenue - Met Funds Used for Capital	\$ 8,822,642
 <u>Expenses</u>	
Operating Expenses	<u>(5,197)</u>
Change in Net Position	<u><u>\$ 8,817,445</u></u>

OTHER INDEPENDENT AUDITOR'S REPORT

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

Board of Directors and
Finance and Budget Committee
Antelope Valley-East Kern Water Agency
Palmdale, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the of the business-type activities of the Antelope Valley-East Kern Water Agency (the Agency), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise District's basic financial statements and have issued our report thereon dated October 24, 2022.

Report on 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) 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.

Report on 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 financial statements. 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 is required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
October 24, 2022

RECOMMENDED BOARD ORDER 8(b-1)

To the Board of Directors

FOR BOARD ACTION

**APPROVE CHANGE ORDER NO. 1 – BLOIS CONSTRUCTION
FIBER OPTIC CABLE**

The Board of Directors adopted the following board order on
November 8, 2022:

Authorizing Change Order No. 1 with Blois Construction for DWR-
required changes in the amount of \$541,336.00, as presented and
recommended by staff and the High Desert Water Bank Committee.

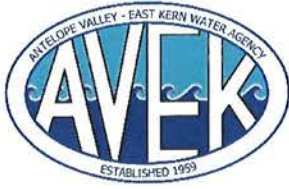
Motion by _____

Second by _____

Carried _____

BOARD ORDER 8(b-1)

11-08-22



STAFF REPORT

To: Board of Directors	Date: October 28, 2022
From: Dwayne Chisam, General Manager	Prepared By: Justin Livesay, Engineering Manager Matthew Knudson, AGM <i>M.K.</i>
Subject: Change Order #1 for Blois Construction for the High Desert Water Bank	
Meeting Dates: High Desert Water Bank Committee: October 27, 2022 and Board of Directors: November 8, 2022	
Agenda Item(s): 8(b-1)	Attachment(s): <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO

Staff Recommendation:

The High Desert Water Bank Committee and staff recommend the Board authorize Change Order #1 with Blois Construction for DWR-required changes in the amount of \$541,336.00

Summary:

The High Desert Water Bank is a water supply and reliability water banking project in partnership with Metropolitan Water District of Southern California (MWD). The goals of the project are to improve the reliability of State Water Project (SWP) deliveries and AVEK’s financial stability by recharging and recovering up to 70,000 acre-feet per year with a total storage capacity goal of 280,000 acre-feet of State Water Project water within the 1,500-acre site.

The Board awarded a construction contract to Blois Construction on January 25, 2022 to construct the aqueduct turnout/turn-in structure for the High Desert Water Bank project. During a late review of the project plans DWR requested modifications to the construction of the project. These modifications installation of a new fiber optic cable solely for the use of the HDWB project from the new control building at the turnout to DWR’s existing control building approximately 7,000 feet away, sampling of the aqueduct concrete liner for asbestos prior to saw cutting the liner, and adding an additional one-foot of low strength concrete material encasing the 84-inch steel pipe within the DWR right-of-way.

The Construction Management team issued a request for cost proposal to Blois Construction to incorporate these changes into their existing construction contract. After several meetings with the contractor the Construction Management team was successfully able to work with the contractor to negotiate the costs down from their initial proposal of \$899,892 to \$541,336 for these changes. A summary of the costs for each item is included in the table below:

Required Change	Final Cost	Comments
Fiber optic communication cable	\$531,213.00	Includes a contract extension of 40 days
Asbestos sampling	\$1,921.00	Actual costs of testing; includes a contract extension of 3 days
Additional low strength concrete encasement	\$8,202.00	
Total Cost	\$541,336	Total contract extension = 43 days

Supporting Documents

- Staff presentation & Change Order #1 proposal

CHANGE ORDER FORM

CHANGE ORDER NO. 01

DATE: November 2, 2022

DATE OF CONTRACT: March 11, 2022

PROJECT TITLE: AVEK HDWB Aqueduct Turnout/Turn-in (Project No. HDWB 21-01)

TO CONTRACTOR: Blois Construction, Inc.
3201 Sturgis Road
Oxnard, CA 93030

When this change order has been approved by Antelope Valley - East Kern Water Agency, you are directed to make the following changes under the Contract, subject to all Contract provisions.

ITEM 1

DESCRIPTION: FIBER OPTIC CABLE – Added work consists of (1) furnishing and installing approx. 7,000 lf of fiber optic cable, conduit, trench, and material testing (2) Conduct asbestos sampling on existing Aqueduct liner, and (3) furnish and install one foot of CLSM for the 84-inch welded steel pipe within Department of Water Resources (DWR) right of way to address comments received from DWR during DWR turnout submittal review.

Item 1 is an ~~ADD~~ / ~~DEDUCT~~ / ~~NO CHANGE~~ in the amount \$ 541,336.00
of and requires 43 calendar days ~~ADDED~~ / ~~DEDUCTED~~

CONTRACT SUMMARY

1. Original Contract sum	<u>\$ 4,805,517.00</u>
2. Net Change through previous Change Orders	<u>\$ 0.00</u>
3. Contract sum prior to this Change Order	<u>\$ 4,805,517.00</u>
4. Contract sum increased / decreased / unchanged by this Change Order	<u>\$ 541,336.00</u>
5. New Contract sum, including this Change Order	<u>\$ 5,346,853.00</u>
6. Contract time increased / decreased / unchanged by this Change Order	<u>43 Calendar Days</u>
7. New date of completion of contract as of this Change Order	<u>February 17, 2023</u>

Approvals:

1. Contractor By  Date: 11/3/22
Craig Blois, Blois Construction, Inc.

2. Construction Manager By  Date: 11/2/22
Thien Ng, Kennedy Jenks

3. Engineer of Record By  Date: 11/3/22
Wayne Dahl, Dahl Consultants

4. AVEK By _____ Date: _____

The above adjustments in time and cost include all compensation and adjustments for changes in sequence of work, equipment delivery, rescheduling, impact, and costs for extended overhead.

RECOMMENDED BOARD ORDER 8(b-2)

To the Board of Directors

FOR BOARD ACTION

**APPROVE NO-COST AMENDMENT TO EXTEND STANTEC'S
ENGINEERING, DESIGN, & HYDROLOGY PSA
THROUGH JUNE 30, 2026**

The Board of Directors adopted the following board order on
November 8, 2022:

Authorizing a no-cost amendment to extend Stantec's Engineering,
Design, and Hydrology Services contract through June 30, 2026, as
presented and recommended by staff and the High Desert Water Bank
Committee.

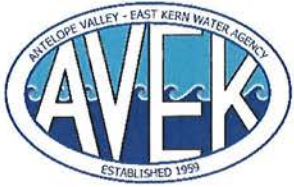
Motion by _____

Second by _____

Carried _____

BOARD ORDER 8(b-2)

11-08-22



STAFF REPORT

To: Board of Directors	Date: October 28, 2022
From: Dwayne Chisam, General Manager	Prepared By: Justin Livesay, Engineering Manager Matthew Knudson, AGM <i>M.K.</i>
Subject: No-cost Amendment to Extend Stantec’s Contract for Design Services for the High Desert Water Bank	
Meeting Dates: High Desert Water Bank Committee: October 27, 2022 and Board of Directors: November 8, 2022	
Agenda Item(s): 8(b-2)	Attachment(s): <input type="checkbox"/> YES <input checked="" type="checkbox"/> NO

Staff Recommendation:

The High Desert Water Bank Committee and staff recommend the Board authorize a no-cost amendment to extend Stantec’s Engineering, Design, & Hydrogeology Services contract through June 30, 2026.

Summary:

The High Desert Water Bank is a water supply and reliability water banking project in partnership with Metropolitan Water District of Southern California (MWD). The goals of the project are to improve the reliability of State Water Project (SWP) deliveries and AVEK’s financial stability by recharging and recovering up to 70,000 acre-feet per year with a total storage capacity goal of 280,000 acre-feet of State Water Project water within the 1,500-acre site.

The Board awarded a contract to Stantec Consulting Services, Inc. on March 5, 2020 to perform Engineering, Design, and Hydrogeology Services for the High Desert Water Bank project. This contract has an expiration date of January 31, 2023 and included the surveying, geotechnical investigations, groundwater modeling, design of four recovery wells, recharge basins and pipelines, and the turnout/turn-in structure. Since the original contract was signed additional amendments have been authorized to add additional scope to Stantec’s contract, but no additional schedule has been authorized. The current project schedule shows completion of the project in early-2026. AVEK will continue to need support from Stantec through completion of the final construction package, therefore the High Desert Water Bank Committee and staff recommend extending Stantec’s contract completion date to June 30, 2026. This extension will also preserve the maximum labor rate increases included in the original contract to not more than 3% per year.

Supporting Documents

- Staff presentation