

**SAN JOAQUIN VALLEY WATER
INFRASTRUCTURE AUTHORITY
FRESNO, CALIFORNIA**

FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
JUNE 30, 2019 AND 2018**

SAN JOAQUIN VALLEY WATER INFRASTRUCTURE AUTHORITY
FRESNO, CALIFORNIA

JUNE 30, 2019 AND 2018

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INDEPENDENT AUDITOR'S REPORT

To the Governing Board of the
San Joaquin Valley Water Infrastructure Authority
Fresno, California

Report on the Financial Statements

We have audited the accompanying financial statements of the San Joaquin Valley Water Infrastructure Authority (the "Authority"), as of and for the years ended June 30, 2019 and 2018, and the related notes to the basic financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the San Joaquin Valley Water Infrastructure Authority as of June 30, 2019 and 2018, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2019, on our consideration of the Authority'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 Authority'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 Authority's internal control over financial reporting and compliance.

Price Pange & Company

Clovis, California
November 1, 2019

SAN JOAQUIN VALLEY WATER INFRASTRUCTURE AUTHORITY
FRESNO, CALIFORNIA

STATEMENTS OF NET POSITION
JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 96,859	\$ 493,133
Membership contributions receivable	46,910	47,410
Interest receivable	<u>697</u>	<u>2,227</u>
Total assets	<u>144,466</u>	<u>542,770</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	1,131	204,406
Accrued expenses	4,730	41,527
Deferred Revenue	<u>69,309</u>	<u>63,809</u>
Total current liabilities	<u>75,170</u>	<u>309,742</u>
NET POSITION		
Unrestricted	69,296	233,028
Total net position	<u>69,296</u>	<u>233,028</u>
Total liabilities and net position	<u>\$ 144,466</u>	<u>\$ 542,770</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

SAN JOAQUIN VALLEY WATER INFRASTRUCTURE AUTHORITY
FRESNO, CALIFORNIA

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Operating Revenues:		
Membership contributions	\$ 85,000	\$ 505,880
Engineering contributions	-	435,332
Engineering contributions (in-kind)	40,442	64,247
Other revenues	<u>430</u>	<u>3,491</u>
Total operating revenues	125,872	1,008,950
Operating Expenses:		
Salaries and benefits	196,534	212,316
Management and administrative services	47,380	116,299
Engineering services	-	384,949
Engineering services (in-kind)	40,442	64,247
Other expenses	<u>9,881</u>	<u>20,668</u>
Total operating expenses	<u>294,237</u>	<u>798,479</u>
Operating income (loss)	<u>(168,365)</u>	<u>210,471</u>
Nonoperating Revenues:		
Interest income	<u>4,633</u>	<u>7,255</u>
Total nonoperating revenues	<u>4,633</u>	<u>7,255</u>
Changes in net position	(163,732)	217,726
Net position, beginning of year	<u>233,028</u>	<u>15,302</u>
Net position, end of year	<u>\$ 69,296</u>	<u>\$ 233,028</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

SAN JOAQUIN VALLEY WATER INFRASTRUCTURE AUTHORITY
FRESNO, CALIFORNIA

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Cash flows from operating activities:		
Cash received from members	\$ 91,000	\$ 525,709
Cash received from other sources	430	477,675
Cash paid to employees	(233,331)	(185,371)
Cash paid to suppliers	(260,536)	(497,706)
Net cash provided by (used in) operating activities	(402,437)	320,307
Cash flows from investing activities:		
Investment income	6,163	5,691
Net cash provided by (used in) investing activities	6,163	5,691
Net increase (decrease) in cash and cash equivalents	(396,274)	325,998
Cash and cash equivalents - beginning	493,133	167,135
Cash and cash equivalents - ending	\$ 96,859	\$ 493,133
 Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Operating income (loss)	\$ (168,365)	\$ 210,471
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
(Increase) decrease in membership contributions receivable	500	(43,980)
(Increase) decrease in engineering contributions receivable	-	38,852
Increase (decrease) in accounts payable	(203,275)	24,210
Increase (decrease) in accrued expenses	(36,797)	26,945
Increase (decrease) in deferred revenue	5,500	63,809
Total adjustments	(234,072)	109,836
Net cash provided by (used in) operating activities	\$ (402,437)	\$ 320,307

The Notes to the Basic Financial Statements are an integral part of this statement.

SAN JOAQUIN VALLEY WATER INFRASTRUCTURE AUTHORITY
FRESNO, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES

Organization

The San Joaquin Valley Water Infrastructure Authority (the “Authority”) was created by the approval of a Joint Powers Agreement (“JPA”) among the counties of Fresno, Kings, Madera, Merced, and Tulare (“County Parties”) in November 2015. The Authority was created to solicit grants and administer grant funds for water infrastructure improvement projects within the jurisdiction of the County Parties.

The basic financial statements of the Authority include all of its financial activities. The Authority is the sole independent agency and is governed by an eleven-member board consisting of one representative from each of the Counties of Tulare, Fresno, Madera, Merced, and Kings who then appoint representatives from two cities, two water agencies, one tribe, and one member at large. The appointed representatives include the Cities of Fresno, Avenal and Orange Cove, the San Joaquin River Exchange, San Luis & Delta-Mendota and Friant Water Authority, and the City of Sultana as the member at large.

The Authority began restructuring its JPA agreement in fiscal year 2019 to allow for a wider range of services to be provided to the Central Valley as well as a different make-up of the Board’s member agencies. As of November 1, 2019, the amended JPA agreement is still in the process of finalization and adoption by the member Counties.

Measurement Focus, Basis of Accounting

The Authority is a proprietary entity; it uses an enterprise fund format to report its activities for financial statement purposes. Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows for each major proprietary fund and nonmajor funds aggregated.

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the government body is that the cost and expenses of providing goods or services to its customers be financed or recovered primarily through users charges; or where the governing body has decided that periodic determination of revenue earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Enterprise funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the Authority’s proprietary funds are those revenues that are generated from the primary operations of the Authority. The primary operations of the Authority are to solicit grant funds under the competitive process established by the State of California pursuant to the Water Quality, Supply and Infrastructure Improvement Act of 2014 for water infrastructure improvement projects within the jurisdiction of some or all of the member Parties. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the Authority. All other expenses are reported as nonoperating expenses.

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

SAN JOAQUIN VALLEY WATER INFRASTRUCTURE AUTHORITY
FRESNO, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Receivables

Receivables represent outstanding revenues that will be received by the Authority within 180 days of the current fiscal period. Receivables include interest and contributions or membership dues to be paid to the Authority, per the JPA formation documents.

Accounts Payable

The Authority has agreements with the County of Fresno and the County of Tulare, whereby the Counties provide legal, accounting, professional and technical services. Accounts payable recorded on the financial statements of the Authority primarily consist of management and administrative services provided by the Counties of Fresno and Tulare, as well as costs for engineering services incurred.

Accrued Expenses

Accrued expenses recorded on the financial statements of the Authority consist of accrued payroll and benefits and related payroll taxes.

Net Position

Net position is reported in three categories as follows:

Net investment in capital assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition.

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

Unrestricted – This amount is all net assets that do not meet the definition of “net investment in capital assets” or “restricted net position.”

Membership Contributions

Contributions represent membership dues paid to the Authority, per the JPA formation documents. Each of the County Parties along with each selected city, water agency, and tribe is required to pay a portion. The selected member at large has no such requirement.

In-Kind Contributions

In-kind contributions that create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided in-kind, are recognized at fair value. The Authority received \$40,442 and \$64,247 of engineering services for the years ended June 30, 2019 and 2018, respectively.

SAN JOAQUIN VALLEY WATER INFRASTRUCTURE AUTHORITY
FRESNO, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 – ORGANIZATION AND ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position (Continued)

Use of Estimates

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

NOTE 2 – CASH AND CASH EQUIVALENTS

External Investment Pool

The Authority maintains its cash deposits and investments with the Fresno County Auditor-Controller/Treasurer-Tax Collector, and voluntarily participates in the common investment pool in the County. The fair value of the Authority's investment in the pool is reported in the accompanying financial statements at amounts based upon the Authority's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio. The balance available for withdrawal is based on the accounting records maintained by the County Treasurer and is recorded on the amortized cost basis. Because the Authority's deposits are maintained in a recognized pooled investments fund under the care of a third party, and the Authority's share of the pool does not consist of specific, identifiable investment securities owned by the Authority, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required. In accordance with applicable state laws, the Fresno County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2019 and June 30, 2018, the Fresno County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles. The Authority's portion of the June 30, 2019 and June 30, 2018 balances were \$96,859 and \$493,133, respectively.

A separate financial report for the Pooled Investment Fund is prepared by the Fresno County Treasurer. Copies of the report can be obtained at the County of Fresno website.

Interest Rate Risk

Interest rate risk is the risk that changes in the 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. All of the Authority's investments had a remaining maturity of 12 months or less as of June 30, 2019 and 2018.

NOTE 3 – SUMMARY OF RELATED PARTY TRANSACTIONS

The County of Fresno maintains the Authority's accounting records and incurs administrative and other expenses on behalf of the Authority. Such expenses, reimbursed by the Authority to the County of Fresno for the years ended June 30, 2019 and 2018, were \$23,601 and \$28,667, respectively. Accounts payable to the County of Fresno as of June 30, 2019 and 2018, were \$0 and \$2,931, respectively.

The County of Tulare provides professional and legal support services for the Authority. The costs of these services for the years ended June 30, 2019 and 2018 were \$6,658 and \$11,224, respectively. Accounts payable to the County of Tulare as of June 30, 2019 and 2018, were \$198 and \$0, respectively.

SAN JOAQUIN VALLEY WATER INFRASTRUCTURE AUTHORITY
FRESNO, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 4 – SUBSEQUENT EVENTS

In compliance with accounting standards, management has evaluated events that have occurred after year-end to determine if these events are required to be disclosed in the basic financial statements. Events were considered through November 1, 2019. The Authority is currently restructuring the JPA. As of November 1, 2019, the amended JPA agreement is still in the process of finalization.

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OTHER AUDITOR'S REPORT

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

To the Governing Board of the
San Joaquin Valley Water Infrastructure Authority
Fresno, 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 San Joaquin Valley Water Infrastructure Authority (the "Authority") as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 1, 2019.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Price Pange & Company

Clovis, California
November 1, 2019