

**LOS VAQUEROS RESERVOIR**

**JOINT POWERS AUTHORITY**

**BASIC FINANCIAL STATEMENTS**

**June 30, 2022**

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**LOS VAQUEROS RESERVOIR  
JOINT POWERS AUTHORITY  
BASIC FINANCIAL STATEMENTS  
For The Year Ended June 30, 2022**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Los Vaqueros Reservoir Joint Powers Authority  
Concord, California

### ***Opinion***

We have audited the accompanying financial statements of the Los Vaqueros Reservoir Joint Powers Authority (Authority) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority'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 financial position of the Authority as of June 30, 2022, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirement relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management's 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; 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 Authority'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 opinion. 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 generally accepted 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, individually or in the aggregate, they could reasonably be expected to influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted 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 Authority'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 Authority'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.

***Emphasis of Matter***

***Required Supplementary Information***

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. The Authority has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of the basic financial statements.

Pleasant Hill, California

**DATE**

**LOS VAQUEROS RESERVOIR  
JOINT POWERS AUTHORITY  
STATEMENT OF NET POSITION  
JUNE 30, 2022**

ASSETS

Cash

\$ -

Total Assets

-

NET POSITION

Unrestricted

-

Total Net Position

\$ -

See accompanying notes to financial statements.

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**LOS VAQUEROS RESERVOIR  
 JOINT POWERS AUTHORITY  
 STATEMENTS OF REVENUES, EXPENSES,  
 AND CHANGES IN NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2022**

|                                  |           |
|----------------------------------|-----------|
| PROGRAM OPERATING REVENUES:      |           |
| CCWD (Member Contribution)       | \$ 94,235 |
| Total program operating expenses | 94,235    |
| PROGRAM OPERATING EXPENSES:      |           |
| Contractual Services             | 94,235    |
| Total program operating expenses | 94,235    |
| PROGRAM OPERATING INCOME (LOSS)  | -         |
| Changes in Net Position          | -         |
| Total Net Position - Beginning   | -         |
| Total Net Position - Ending      | \$ -      |

See accompanying notes to financial statements.



**LOS VAQUEROS RESERVOIR  
JOINT POWERS AUTHORITY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2022**

CASH FLOWS FROM OPERATING ACTIVITIES

|   |                 |
|---|-----------------|
| Cash received from member contributions | \$ 94,235       |
| Payments for operations                 | <u>(94,235)</u> |

|   |          |
|---|----------|
| Net cash provided by operating activities | <u>-</u> |
|---|----------|

|   |   |
|---|---|
| Net change in cash and cash equivalents | - |
|---|---|

|   |          |
|---|----------|
| Cash and investments at beginning of period | <u>-</u> |
|---|----------|

|                                       |                    |
|---------------------------------------|--------------------|
| Cash and investments at end of period | <u><u>\$ -</u></u> |
|---------------------------------------|--------------------|

Reconciliation of operating income/(loss) to net cash provided  
by operating activities:

|                         |             |
|-------------------------|-------------|
| Operating income (loss) | <u>\$ -</u> |
|-------------------------|-------------|

|   |                    |
|---|--------------------|
| Net cash provided by operating activities | <u><u>\$ -</u></u> |
|---|--------------------|

See accompanying notes to financial statements.

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**LOS VAQUEROS RESERVOIR  
JOINT POWERS AUTHORITY**

Notes to Financial Statements

June 30, 2022

**NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of Reporting Entity**

The Los Vaqueros Reservoir Joint Powers Authority (Authority) was formed in October 2021 to provide governance of the Phase 2 Los Vaqueros Reservoir Expansion Project (Project). The main purposes of the Authority are to ensure sufficient stable funding for the Project, including local cost shares, and to ensure that costs are reasonable, and that cost allocations are equitable and transparent.

The governing board (Board) of the Authority is composed of one representative from each of the following member entities to be appointed by the governing board for each entity:

- Alameda County Water District
- Contra Costa Water District
- East Bay Municipal Utility District
- Grassland Water District
- San Francisco Public Utilities Commission
- San Luis & Delta-Mendota Water Authority
- Santa Clara Valley Water District
- Zone 7 Water Agency

**B. Basis of Accounting**

The accompanying financial statements report the financial position of the Authority in accordance with accounting standards generally accepted in the United States of America. As the Authority is a governmental entity, the preparation of its financial statements is governed by the pronouncements of the Governmental Accounting Standards Board (GASB).

The Authority, as a proprietary enterprise, is accounted for on a flow of economic resources measurement focus using the accrual basis of accounting. Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements.

The Authority distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's principal operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

*Statement of Net Position*– The statement of net position is designed to display the financial position of the Authority. The Authority's fund equity is reported as net position, which is the excess of all of the Authority's assets over all its liabilities. Net Position is divided into three captions under GASB Statement 34. These captions apply only to Net Position and are described below:

*Net investment in capital assets*, describes the Authority's capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

**LOS VAQUEROS RESERVOIR**  
**JOINT POWERS AUTHORITY**

Notes to Financial Statements

June 30, 2022

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|--|
| <b>NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES<br/>(CONTINUED)</b> |
|--|

*Restricted* describes the portion of Net Position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the Authority cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, and fees charged for the provision of future water resources.

*Unrestricted* describes the portion of Net Position which is not restricted to use.

*Statement of Revenues, Expenses, and Changes in Net Position* – The statement of revenues, expenses, and changes in net position is the operating statement for proprietary funds. Revenues are reported by major source. This statement distinguishes between operating and nonoperating revenues and expenses and presents a separate subtotal for operating revenues, operating expenses, and operating income.

**C. *Use of Estimates***

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

**D. *Capital Assets***

The additions to capital assets are capitalized at historical cost. Cost includes material, direct labor and fringe benefits, transportation, and such indirect items as engineering, supervision, and interest on borrowed funds during construction, net of interest earned on unspent construction proceeds. Repairs, maintenance, and minor purchases of equipment are charged to expenses as incurred.

**E. *Cash and Cash Equivalents***

The Authority considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

**LOS VAQUEROS RESERVOIR  
JOINT POWERS AUTHORITY**

Notes to Financial Statements

June 30, 2022

|  |
|--|
| <b>NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES<br/>(CONTINUED)</b> |
|--|

**F. *Fair Value Measurements***

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

**G. *Budgets and Budgetary Accounting***

The Authority follows these procedures in establishing the budgetary data.

- Prior to the end of the fiscal year, a proposed operating budget is submitted to the Board of Directors for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. The budget is legally enacted through adoption of a motion.
- Formal budgetary integration is employed as a management control device during the year. Budgets are adopted on a basis consistent with generally accepted accounting principles.
- Expenditures may not exceed appropriations at the fund level. Additional appropriations or interfund transfers must be approved by the Board.

**LOS VAQUEROS RESERVOIR**  
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Notes to Financial Statements

June 30, 2022

**NOTE 2 – RELATED PARTY TRANSACTIONS**

In November 2021, Contra Costa Water District (CCWD) was appointed as the interim administrator. The Authority does not have employees. CCWD provides professional services as well as administrative services. CCWD provides certain treasury management and accounting services including conducting all cash transactions.

**NOTE 3 – COMMITMENTS AND CONTINGENT LIABILITIES**

The Authority is subject to litigation arising in the normal course of business. In the opinion of legal counsel there is no pending litigation which is likely to have a material adverse effect on the financial position of the Authority.

**NOTE 4 – SUBSEQUENT EVENTS**

In September 2022, the Authority approved an independent contractor agreement for Executive Director services.

In the 2023 fiscal year, the Authority has also entered into contracts with Clean Energy Capital for financial advisory services, Khadam Consulting, Inc. for technical services, Lagerlof, LLP for general counsel services, RGS for assistant clerk services, Smith Policy Group, LLC for logistical support, Natural Resource Results LLC and Water and Power Law Group, LLC for federal governmental relations work and Standard & Poor's for an indicative credit rating. The Authority is in the process of finalizing a contract with the Hallmark Group for program management services and anticipates filing an application in the coming months with the United States Environmental Protection Agency for loan funding under the Water Infrastructure Finance and Innovation Act.