



SRWA
STANISLAUS REGIONAL
WATER AUTHORITY

156 S. Broadway, Ste. 270, Turlock, CA 95380

(209) 668-4142 (phone) (209) 668-5695 (fax)

Board Meeting Agenda

April 15, 2021 at 3:30 p.m.

156 S. Broadway, Turlock, CA, Second Floor, Yosemite Conference Room

Chair, Amy Bublak

Vice Chair, Javier Lopez

Director, Pam Franco

Director, Couper Condit

Director (alternate), Linda Ryno

Director (alternate), Nicole Larson

General Manager, Robert Granberg

Interim Legal Counsel, Richard P. Shanahan

Finance Director, Marie Lorenzi

Board Secretary, Allison Martin

NOTICE: THIS MEETING WILL BE HELD IN ACCORDANCE WITH EXECUTIVE ORDER N-29-20, ISSUED BY CALIFORNIA GOVERNOR GAVIN NEWSOM ON MARCH 17, 2020, THE RALPH M. BROWN ACT (CALIFORNIA GOVERNMENT CODE SECTION 54950, ET SEQ.), AND THE FEDERAL AMERICANS WITH DISABILITIES ACT.

THIS MEETING WILL BE OPEN TO THE PUBLIC. SEATING CAPACITY WILL BE LIMITED TO THE FIRST 14 PEOPLE, ON A FIRST COME FIRST SERVE BASIS. COMPLIANCE WITH ALL HEALTH & SAFETY GUIDELINES INCLUDING COVID-19 SCREENING, TEMPERATURE CHECKS, FACE COVERINGS, AND PHYSICAL DISTANCING MEASURES WILL BE REQUIRED FOR IN-PERSON ATTENDANCE. PLEASE PLAN TO ARRIVE APPROXIMATELY 15 MINUTES PRIOR TO THE SCHEDULED MEETING START TIME TO ALLOW FOR SCREENING PROCESSES.

OR

JOIN BY CLICKING ON THE MEETING LINK: <https://us02web.zoom.us/j/82724910297>

OR

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WEBINAR ID: 827 2491 0297

OR

JOIN BY TELEPHONE: 669-900-6833

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NOTICE REGARDING NON-ENGLISH SPEAKERS: The Stanislaus Regional Water Authority (SRWA) meetings are conducted in English and translation to other languages is not provided. Please make arrangements for an interpreter if necessary.

EQUAL ACCESS POLICY: If you have a disability which affects your access to public facilities or services, contact the Board Secretary at the phone number set forth above. The Board is committed to taking all reasonable measures to provide access to its facilities and services. Please allow sufficient time for the Board to process and respond to your request.

NOTICE: Pursuant to California Government Code Section 54954.3, any member of the public may directly address the Board on any item appearing on the agenda, including Consent Calendar and Scheduled Matters, before or during the Board's consideration of the item.

AGENDA PACKETS: Prior to the Stanislaus Regional Water Authority Board meeting, a complete Agenda Packet (excluding any closed session materials) is available for review on the SRWA's website at www.stanrwa.org and in the Board Secretary's Office at 156 S. Broadway, Suite 270, Turlock, during normal business hours. Materials related to an item on this Agenda submitted to the Board after distribution of the Agenda Packet are also available for public inspection in the Board Secretary's Office at the address set forth above. Such documents may be available on the SRWA's website subject to staff's ability to post the documents before the meeting.

1. A. CALL TO ORDER
- B. SALUTE TO THE FLAG
2. RECOGNITION, APPOINTMENTS, ANNOUNCEMENTS & PRESENTATIONS: None
3. A. SPECIAL BRIEFINGS: None
- B. STAFF UPDATES
 1. General Manager Update (*Granberg*)
 2. Finance Director Report (*Lorenzi*)
- C. PUBLIC PARTICIPATION: This time is set aside for members of the public to address the Board concerning any item that has been described in the notice for the meeting, including Consent Calendar items, before or during consideration of that item. You will be allowed five (5) minutes for your comments. If you wish to speak regarding an item on the agenda, you may be asked to defer your remarks until the Board addresses the matter.
4. DECLARATION OF CONFLICTS OF INTEREST AND DISQUALIFICATIONS
5. CONSENT CALENDAR: Information concerning the Consent items listed below has been forwarded to each Board member prior to this meeting for study. Unless the Chair, a Board member, or member of the audience has questions concerning the Consent Calendar, the items are approved at one time by the Board. The action taken by the Board in approving the Consent items is set forth in the explanation of the individual items.
 - A. *Motion*: Approving minutes of Regular Meeting of March 18, 2021
 - B. *Motion*: Accepting the Stanislaus Regional Water Authority's audited Financial Statements for the fiscal year ended June 30, 2020 and related reports
6. PUBLIC HEARINGS: None
7. SCHEDULED MATTERS:
 - A. *Resolution*: Adopting a resolution terminating two Bureau of Reclamation WaterSMART grant agreements
8. MATTERSTOO LATE FOR THE AGENDA
9. BOARD ITEMS FOR FUTURE CONSIDERATION
10. BOARD COMMENTS: Board members may provide a brief report on notable topics of interest. The Brown Act does not allow discussion or action by the legislative body.
11. NEXT MEETING DATE: May 20, 2021, Regular meeting
12. CLOSED SESSION: None
13. ADJOURNMENT



To: SRWA Board
From: Marie Lorenzi, Finance Director
Subject: Financial Summary as of April 9, 2021

Attached Financial Documents include:

Activity for YTD Fiscal June 30, 2021

- 1 – SRWA financial status as of 4-9-2021 for the 2020-21 fiscal year (Exhibit A):
Revenue received from the participating agencies \$31,209,850.00
Expenses paid total \$25,282,194.77

- 2 – SRWA financial status – life to date as of 4-9-2021 (Exhibit B):
Revenue life to date totals \$50,972,689.03 (includes \$76,388.66 of interest)
Expenses life to date total \$42,714,005.74
Cumulative unexpended Revenues\$ 8,258,683.29

Unpaid Invoices received as of 4-9-2021

3 – The following invoices are in the process of being paid as of 4-9-2021 and the related costs are not included in the information presented above.

Granberg & Associates - March 2021	18,125.00
West Yost Associates - Feb 2021	58,873.05
	\$ 76,998.05

Stanislaus Regional Water Authority

For FY 2020-21 (Updated 4-9-2021)

		Original		Amended	Unaudited				Totals for
Account Name		Budget	Amendments	Budget	Actual	Ceres	Turlock	TID	2020-21
		2020-21		2020-21	2020-21				
REVENUES									
	Interest Income			0					0.00
34900_001	Agency Contribution - City of Turlock	38,257,747	(299,005)	37,958,742	20,432,500.00		20,432,500.00		20,432,500.00
34900_002	Agency Contribution - City of Ceres	19,509,718	(146,110)	19,363,608	10,125,000.00	10,125,000.00			10,125,000.00
34900_004	Agency Contribution - Turlock Irrigation District	1,075,231	(9,785)	1,065,446	652,350.00			652,350.00	652,350.00
Total Revenues		58,842,696	(454,900)	58,387,796	31,209,850.00	10,125,000.00	20,432,500.00	652,350.00	31,209,850.00
EXPENSES									
Pre-Treatment Plant Construction Project Expenses (950-53-552)									
43060_012	Contact Services Program Mgmt	125,628		125,628	54,347.52	27,216.89	27,084.89	45.74	54,347.52
43195	Special Legal Counsel	38,500	(31,500)	7,000	2,310.00	1,155.00	1,155.00	0.00	2,310.00
43332	Permitting	7,000		7,000	276.00	138.00	138.00		276.00
43332_002	Permitting - Water Rights Acquisition	20,000		20,000					0.00
45002_000	TID - electrical service	5,000		5,000	3,113.53	1,037.74	2,075.79	0.00	3,113.53
51001	Property Acquisition - facility site	1,508,508		1,508,508	1,439,412.51	479,756.19	959,656.32	0.00	1,439,412.51
51001	Property Acquisition - infiltration gallery	739,442		739,442	740,851.49	246,925.80	493,925.69	0.00	740,851.49
51001	Property Acquisition - Geer Road easement	132,300		132,300					0.00
51001	Property Acquisition - delivery facilities	50,000		50,000					0.00
Treatment Plant Construction - SRF funding eligible (950-53-553)									
43060_012	Contract Services - Program Mgmt Services	2,733,688	(851,500)	1,882,188	496,935.24	203,301.54	286,118.89	7,514.81	496,935.24
43195	Special Legal Counsel	29,700	31,500	61,200	26,013.00	12,750.27	12,750.27	512.46	26,013.00
43329	Environmental Services	233,500		233,500	79,062.92	33,143.60	33,669.14	12,250.18	79,062.92
43332	Permitting	71,014		71,014			0.00		0.00
	CDFW LSAA for 3 lateral crossings				13,351.25	0.00	13,351.25	0.00	13,351.25
	Stanislaus County - Aldrich Road crossing				25,820.00	8,605.81	17,214.19	0.00	25,820.00
	Stanislaus County - Lateral 2, 2.5 & 3 crossing				16,220.00	0.00	16,220.00	0.00	16,220.00
43332_001	Permitting - Environmental Mitigation	214,000		214,000					0.00
	Transplant credits				26,000.00	6,934.20	13,865.80	5,200.00	26,000.00
	Mitigation credits				151,500.00	40,405.05	80,794.95	30,300.00	151,500.00
51802_001	Regional Trtmt Plant - Design/Build Contract	54,947,428		54,947,428	21,970,376.56	6,873,669.43	14,699,626.80	397,080.33	21,970,376.56
51802_002	Regional Trtmt Plant - Contract Management	0	396,600	396,600	75,699.56	24,314.70	49,757.32	1,627.54	75,699.56
Administrative Expenses (950-53-552)									
43055_002	Consultant Audit	4,740		4,740	4,740.00	2,370.00	2,370.00		4,740.00
43060_021	Contract Services General Manager	300,000		300,000	134,844.88	67,422.44	67,422.44		134,844.88
43105_003	Interdepartmental Admin Support	25,000		25,000					
	Clerical	12,500		12,500	5,469.08	2,734.54	2,734.54		5,469.08
	Financial/Accounting	12,500		12,500	11,671.23	5,835.62	5,835.61		11,671.23
44001_000	Supplies	500	(180)	320		0.00	0.00		0.00
44035	Photocopies	500		500		0.00	0.00		0.00
44040_000	Postage	500		500		0.00	0.00		0.00
47010	Bank Charges	750		750		0.00	0.00		0.00
47040_000	Dues	4,000	180	4,180	4,180.00	2,090.00	2,090.00		4,180.00
47095_000	Training	1,000		1,000		0.00	0.00		0.00
Total Expenditures		61,217,698	(454,900)	60,762,798	25,282,194.77	8,039,806.82	16,787,856.89	454,531.06	25,282,194.77
Revenues Over (Under) Expenditures		(2,375,002)	0	(2,375,002)	5,927,655.23	2,085,193.18	3,644,643.11	197,818.94	5,927,655.23

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Stanislaus Regional Water Authority

Project to Date (updated as of 4-9-2021)

	City of Ceres	City of Turlock	TID	Project to Date Total Since Dec 2015	Actuals Thru 6/30/2020	Actuals For 2020-21	Total
Agency Contributions							
Received from Agencies - 2015-16	379,561.50	347,487.50		727,049.00	727,049.00		727,049.00
Received from Agencies - 2016-17	1,138,659.60	1,175,000.00	106,958.25	2,420,617.85	2,420,617.85		2,420,617.85
Received from Agencies - 2017-18	1,055,176.00	1,160,500.00	114,507.52	2,330,183.52	2,330,183.52		2,330,183.52
Received from Agencies - 2018-19	2,872,300.00	4,072,700.00	1,057,400.00	8,002,400.00	8,002,400.00		8,002,400.00
Received from Agencies - 2019-20	2,013,600.00	3,598,100.00	594,500.00	6,206,200.00	6,206,200.00		6,206,200.00
Received from Agencies - 2020-21	10,125,000.00	20,432,500.00	652,350.00	31,209,850.00		31,209,850.00	31,209,850.00
Interest Income	42,918.86	33,469.80	0.00	76,388.66	76,388.66		76,388.66
					0.00		0.00
Total Agency Contributions	17,627,215.96	30,819,757.30	2,525,715.77	50,972,689.03	19,762,839.03	31,209,850.00	50,972,689.03

Expenditures

Pre-Treatment Plant Construction Project Expenses (950-52-553)

Government Relations	(74,723.55)	(74,723.55)	0.00	(149,447.10)	(149,447.10)	0.00	(149,447.10)
Environmental Services (Phase I)	(250,664.65)	(250,664.65)	(32,520.11)	(533,849.41)	(533,849.41)	0.00	(533,849.41)
Project Management Services	(3,321,231.75)	(3,463,714.37)	(169,068.92)	(6,954,015.04)	(6,899,667.52)	(54,347.52)	(6,954,015.04)
Special Legal Expenses	(212,813.70)	(212,813.71)	(5,302.43)	(430,929.84)	(428,619.84)	(2,310.00)	(430,929.84)

Wet Well Design (West Yost)	(166,904.88)	(206,872.74)	(93,444.40)	(467,222.02)	(467,222.02)	0.00	(467,222.02)
Fees to Stan County-CEQA related to wet well	(1,136.63)	(1,136.62)	0.00	(2,273.25)	(2,273.25)		(2,273.25)
Permitting	(17,768.08)	(17,768.09)	0.00	(35,536.17)	(35,260.17)	(276.00)	(35,536.17)
Permitting - Water Rights Acquisition	(36,240.88)	(36,240.89)	0.00	(72,481.77)	(72,481.77)	0.00	(72,481.77)
Water Shed Survey	(40,660.67)	(40,660.67)	0.00	(81,321.34)	(81,321.34)	0.00	(81,321.34)
Property Acquisition - facility site	(479,756.19)	(959,656.32)	0.00	(1,439,412.51)	0.00	(1,439,412.51)	(1,439,412.51)
Property Acquisition - infiltration gallery	(246,925.80)	(493,925.69)	0.00	(740,851.49)	0.00	(740,851.49)	(740,851.49)
Property Acquisition - Geer Road easement	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Property Acquisition - delivery facilities	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Wet Well Construction

Construction Contract	(1,888,242.96)	(3,769,413.84)	(1,414,414.20)	(7,072,071.00)	(7,072,071.00)	0.00	(7,072,071.00)
Construction Management	(145,962.80)	(291,378.94)	(109,335.45)	(546,677.19)	(546,677.19)	0.00	(546,677.19)
Environmental (Phase II)	(103,524.75)	(155,193.07)	(47,798.97)	(306,516.79)	(306,516.79)	0.00	(306,516.79)
Contractor Financial Evaluation	(18,944.30)	(18,944.30)	(761.40)	(38,650.00)	(38,650.00)	0.00	(38,650.00)
TID - electrical service	(1,449.30)	(2,899.03)	0.00	(4,348.33)	(1,234.80)	(3,113.53)	(4,348.33)

Treatment Plant Construction - SRF funding eligible (950-53-553)

Contract Services - Program Mgmt Services	(203,301.54)	(286,118.89)	(7,514.81)	(496,935.24)	0.00	(496,935.24)	(496,935.24)
Special Legal Counsel	(12,750.27)	(12,750.27)	(512.46)	(26,013.00)	0.00	(26,013.00)	(26,013.00)
Environmental Services	(33,143.60)	(33,669.14)	(12,250.18)	(79,062.92)	0.00	(79,062.92)	(79,062.92)
Permitting	(8,605.81)	(46,785.44)	0.00	(55,391.25)	0.00	(55,391.25)	(55,391.25)
Permitting - Environmental Mitigation	(47,339.25)	(94,660.75)	(35,500.00)	(177,500.00)	0.00	(177,500.00)	(177,500.00)
Regional Trtmt Plant - Design/Build Contract	(6,873,669.43)	(14,699,626.80)	(397,080.33)	(21,970,376.56)	0.00	(21,970,376.56)	(21,970,376.56)
Regional Trtmt Plant - Contract Management	(24,314.70)	(49,757.32)	(1,627.54)	(75,699.56)	0.00	(75,699.56)	(75,699.56)

Stanislaus Regional Water Authority
Project to Date (updated as of 4-9-2021)

	City of Ceres	City of Turlock	TID	Project to Date Total Since Dec 2015	Actuals Thru 6/30/2020	Actuals For 2020-21	Total
Administrative Support							
Clerical Services	(23,588.40)	(23,588.40)	0.00	(47,176.80)	(41,707.72)	(5,469.08)	(47,176.80)
Accounting Services	(27,932.30)	(27,932.28)	0.00	(55,864.58)	(44,193.35)	(11,671.23)	(55,864.58)
Interim JPA attorney	(22,662.50)	(22,662.50)	0.00	(45,325.00)	(45,325.00)		(45,325.00)
Interim General Manager	(121,991.80)	(121,991.80)	0.00	(243,983.60)	(243,983.60)		(243,983.60)
General Manager	(262,805.80)	(262,805.80)	0.00	(525,611.60)	(390,766.72)	(134,844.88)	(525,611.60)
External Audit	(11,735.00)	(11,735.00)	0.00	(23,470.00)	(18,730.00)	(4,740.00)	(23,470.00)
Supplies and other Miscellaneous Expenses	(7,996.19)	(7,996.19)	0.00	(15,992.38)	(11,812.38)	(4,180.00)	(15,992.38)
Total Expenditures	(14,688,787.48)	(25,698,087.06)	(2,327,131.20)	(42,714,005.74)	(17,431,810.97)	(25,282,194.77)	(42,714,005.74)
Contributions over (under) Expenditures - project to date	2,938,428.48	5,121,670.24	198,584.57	8,258,683.29	2,331,028.06	5,927,655.23	8,258,683.29



1. A. **CALL TO ORDER:** Chair Bublak called the meeting to order at 3:32 p.m.
 PRESENT: Chair Bublak, Director Franco, Director Condit, Director Ryno
 ABSENT: Vice Chair Lopez

B. SALUTE TO THE FLAG

2. **RECOGNITION, APPOINTMENTS, ANNOUNCEMENTS & PRESENTATIONS:** None

3. A. **SPECIAL BRIEFINGS:** None

B. STAFF UPDATES:

1. General Manager Robert Granberg provided a presentation on design-build project activities, design-build contract status, environmental clearance/permitting, funding/financing update, public outreach, and project photos.

Board Members and staff discussed this item, including the addition of regional agencies to the project.

2. Finance Director Marie Lorenzi provided an update on financial activity for year-to-date Fiscal Year ending June 30, 2021, and the summary of financial activity as of March 10, 2021. Revenue and expenses were reviewed.

C. PUBLIC PARTICIPATION:

Chair Bublak opened public participation.

The following members of the public spoke:

Milt Trieweiler

Chair Bublak closed public participation.

Staff provided brief comment in response to public comment.

4. **DECLARATION OF CONFLICTS OF INTEREST AND DISQUALIFICATIONS:**

Director Ryno	Director Franco	Director Condit	Chair Bublak
No	No	No	No

5. **CONSENT CALENDAR:**

Action: Motion by Director Franco, seconded by Director Condit, approving the minutes of the Regular Meeting of January 21, 2021. Motion carried 4/0 by the following vote:

Director Ryno	Director Franco	Director Condit	Chair Bublak
Yes	Yes	Yes	Yes

- 6. PUBLIC HEARINGS: None
- 7. SCHEDULED MATTERS: None
- 8. MATTERS TOO LATE FOR THE AGENDA: None
- 9. BOARD ITEMS FOR FUTURE CONSIDERATION: None
- 10. BOARD COMMENTS: None
- 11. NEXT MEETING DATE: April 15, 2021, Regular meeting
- 12. CLOSED SESSION: None
- 13. ADJOURNMENT: Chair Bublak adjourned the meeting at 3:58 p.m. Motion carried unanimously.

Respectfully submitted,

DRAFT

Allison Martin, Board Secretary



From: Marie Lorenzi, Finance Director

Prepared by: Marie Lorenzi, Finance Director

1. ACTION RECOMMENDED:

Motion: Accepting the Stanislaus Regional Water Authority's audited Financial Statements for the fiscal year ended June 30, 2020 and related reports

2. DISCUSSION OF ISSUE:

The Authority's independent external auditors, Maze & Associates, have completed the Authority's annual audit for the fiscal year ended June 30, 2020 and a copy of their audit report is attached to this Staff report.

The financial statements were prepared in accordance with Generally Accepted Accounting Principles (GAAP) by Finance Staff from the City of Turlock who provide accounting assistance to the Authority. The external auditors have the responsibility to audit these statements in accordance with Generally Accepted Auditing Standards with the goal of determining whether the financial statements are free of material misstatement. If this goal can be supported with the results of their audit, the external auditor will issue an unqualified or "clean" opinion. The above listed financial statements contain an unqualified opinion.

Within the financial statements is a narrative section titled "Management's Discussion and Analysis (MD&A)" (see page 3 in the statements). The MD&A provides the reader with an introduction, overview, and analysis of the Authority's basic financial statements. It tells the "number's story" in words and helps explain the significance of the numbers in the financial statements which follow.

In addition to the financial statements, the Memorandum on Internal Controls and Required Communications are also attached to this Staff report. These documents provide additional information of which the auditors would like to Board to take note. The Memorandum on Internal Controls delineates area(s) of improvement in the Authority's financial systems for Board consideration. The Required Communications provides the governing body with information regarding new accounting policies which may impact the Authority's financial statements in the future as well as various issues that the auditors are required, under professional auditing standards, to communicate with the governing body.

3. FISCAL IMPACT/ BUDGET AMENDMENT:

Funds are budgeted for the independent audit services required. There is no additional fiscal impact.

4. GENERAL MANAGER'S COMMENTS:

Recommend acceptance

5. ENVIRONMENTAL DETERMINATION:

N/A

6. ALTERNATIVES:

None as Staff is only asking for acceptance of these reports

STANISLAUS REGIONAL WATER AUTHORITY

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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**STANISLAUS REGIONAL WATER AUTHORITY
BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Stanislaus Regional Water Authority
Turlock, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Stanislaus Regional Water Authority (the Authority) as of and for the year ended June 30, 2020, and the related notes to the 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 the 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 Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2020, and the change 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2021 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Maze & Associates

Pleasant Hill, California
March 12, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following narrative provides an overview and analysis of the financial activities of the Stanislaus Regional Water Authority (the Authority) for the year ended June 30, 2020 with comparative information for June 30, 2019. It is provided in order to enhance the information in the financial audit and should be reviewed together with that report.

THE PURPOSE OF THE AUTHORITY

The Authority was established by the Cities of Ceres, Modesto and Turlock on September 26, 2011. In November 2015, the City of Modesto formally withdrew from membership in the Authority and in December 2015 the Authority's Bylaws as well as the Joint Powers Authority Agreement were amended to reflect this change. Currently only the Cities of Ceres and Turlock (Participants) are participating members of the Authority.

The Participants are interested in finding and evaluating surface water supply options and facilities to supplement the ground-water potable water sources currently serving the municipal and industrial water customers within their service areas. Each of the cities is authorized to develop, obtain, and serve a municipal and industrial water supply, pursuant to California law. The Participants are working with the Turlock Irrigation District (TID) to develop a Regional Surface Water Supply Project (RSWSP) that will provide a safe and reliable high-quality surface water supply for the long-term drinking water needs of each participating City. The Participants have formed this Joint Powers Authority (JPA) for the purpose of making responsible decision related to the development and operation of the future RSWSP.

FINANCIAL HIGHLIGHTS

- At June 30, 2020 the Authority's assets exceed liabilities by \$17,927,040 (net position).
- Total net position increased by \$5,946,772 over the balance at June 30, 2019 of \$11,980,268.
- Total Authority operating revenues for 2019-2020 were \$6,206,200 compared to operating expenses of \$317,180. The Authority paid \$4,911,841 on project costs which have been capitalized and are presented on the Statement of Net Position as "Capital assets not being depreciated".

THE BASIC FINANCIAL STATEMENTS

The basic financial statements comprise the Statement of Net Position and the Statement of Revenues, Expenses and Change in Net Position. The Statement of Net Position provides information about the financial position of the Authority as a whole, including all its capital assets and long-term liabilities. The Statement of Revenues, Expenses and Change in Net Position explains in detail the change in net position for the year.

The Statement of Net Position presents information on the Authority's assets, liabilities and deferred outflows/inflows of resources; the difference between them representing the Authority's net position. Net position includes the amount invested in capital assets.

The Statement of Revenues, Expenses and Change in Net Position presents information showing total revenues versus total expenses and shows how the Authority's net position changed during the fiscal year. All revenues and expenses are recognized as soon as the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in the disbursement or collection of cash during future fiscal years.

**Stanislaus Regional Water Authority
Management's Discussion and Analysis (continued)
For the Year Ended June 30, 2020**

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes describe the nature of Authority's operations and significant accounting policies and clarify unique financial information.

The following is a condensed Statement of Net Position for the Authority as of June 30:

Statement of Net Position

	<u>2020</u>	<u>2019</u>
Assets		
Cash	\$ 2,769,574	\$ 1,740,786
Accounts receivable	368	
Interest receivable	5,285	6,304
Capital assets not being depreciated	<u>15,566,982</u>	<u>11,654,496</u>
Total assets	<u>18,342,209</u>	<u>13,401,586</u>
Liabilities		
Accounts payable	<u>415,169</u>	<u>1,421,318</u>
Total liabilities	<u>415,169</u>	<u>1,421,318</u>
Net position:		
Net investment in capital assets	15,566,982	11,654,496
Unrestricted	<u>2,360,058</u>	<u>325,772</u>
Total net position	<u>\$ 17,927,040</u>	<u>\$ 11,980,268</u>

The following is a condensed Statement of Revenues, Expenses and Change in Net Position for the years ended June 30:

Statement of Revenues, Expenses and Changes in Net Position

	<u>2020</u>	<u>2019</u>
Operating Revenues	\$ 6,206,200	\$ 8,002,400
Operating Expenses	<u>317,180</u>	<u>458,481</u>
Net Operating Income	5,889,020	7,543,919
Non-Operating Revenues	<u>57,752</u>	<u>43,263</u>
Change in net position	5,946,772	7,587,182
Net position, July 1	<u>11,980,268</u>	<u>4,393,086</u>
Net Position, June 30	<u>\$ 17,927,040</u>	<u>\$ 11,980,268</u>

**Stanislaus Regional Water Authority
Management's Discussion and Analysis (continued)
For the Year Ended June 30, 2020**

FINANCIAL ACTIVITIES OF THE AUTHORITY AS A WHOLE

This analysis focuses on the net position and change in net position of the Authority's activities in the statement of net position and statement of revenues, expenses and change in net position.

As of June 30, 2020 total assets of \$18,342,209 were offset by liabilities of \$415,169. Assets primarily consist of \$15.6 million in capital assets. These represent contractual expenditures incurred in the development of the project including work required to prepare and issue the Environmental Impact Report; the development of the design, size and scope of the potential treatment facility; and the development of design and specifications as well as construction costs associated with the construction of a wet well and treatment facility.

The completion of these tasks will provide the Authority Board with the information and documents necessary to make final decisions related to the size and scope of the project and the type of water treatment facilities that the Authority may decide to construct as well as the environmental documents necessary to proceed with the project. On June 29, 2020 the Authority awarded a design-build contract for the project to CH2M Hill Engineers, Inc. for an amount not to exceed \$195,400,357 which includes all project components except the individual Project Participants' terminal facilities. The Regional Surface Water Supply Project (RSWSP) will be constructed in phases with the first phase anticipated to begin in the Fall of 2020. Construction is anticipated to be completed and the Water Treatment Plant operational in mid to late 2023.

Operating revenues are used to fund operating expenses as well as the capitalized project costs. The Participants have entered into various cost sharing agreements which provide the methodology for allocating costs based on each Participant's beneficial use of the project. As the project progresses, these agreements are revisited to ensure that each Participant's beneficial use and corresponding proportional share of costs is appropriately assigned.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

These Financial Statements are intended to provide citizens, taxpayers, investors, and creditors with a general overview of the Authority's finances. Questions about this report should be directed to the City of Turlock, Finance Department, at 156 South Broadway, Suite 110, Turlock, CA 95380.

STANISLAUS REGIONAL WATER AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2020

ASSETS

Current Assets

City of Turlock Investment Pool (Note 2)	\$2,769,574
Accounts receivable	368
Interest receivable	<u>5,285</u>
Total Current Assets	2,775,227

Non-Current Assets

Capital assets not being depreciated (Note 3)	<u>15,566,982</u>
Total Assets	<u>18,342,209</u>

LIABILITIES

Current Liabilities

Accounts payable	<u>415,169</u>
------------------	----------------

NET POSITION

Investment in Capital Assets	15,566,982
Unrestricted	<u>2,360,058</u>
Total Net Position	<u><u>\$17,927,040</u></u>

See accompanying notes to the financial statements

STANISLAUS REGIONAL WATER AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND
CHANGE IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2020

OPERATING REVENUES	
Participant operating contributions	<u>\$6,206,200</u>
OPERATING EXPENSES	
Administrative services	198,333
Contractual services	<u>118,847</u>
Total Operating Expenses	<u>317,180</u>
Operating Income	5,889,020
NON-OPERATING REVENUES	
Interest income	<u>57,752</u>
Change in Net Position	5,946,772
Net Position, beginning of year	<u>11,980,268</u>
Net Position, end of year	<u>\$17,927,040</u>

See accompanying notes to the financial statements

STANISLAUS REGIONAL WATER AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from participants	\$6,212,136
Payments for administrative services	(214,434)
Payments to suppliers	<u>(109,540)</u>
Net Cash Provided by Operating Activities	<u>5,888,162</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	<u>(4,911,841)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>52,467</u>
Net Cash Flows	1,028,788
CASH AND INVESTMENTS AT BEGINNING OF YEAR	<u>1,740,786</u>
CASH AND INVESTMENTS AT END OF YEAR	<u><u>\$2,769,574</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$5,889,020
Change in assets and liabilities:	
Due from participants	5,936
Accounts payable	<u>(6,794)</u>
Net Cash Provided by Operating Activities	<u><u>\$5,888,162</u></u>
Total Net Position	
See accompanying notes to the financial statements	

STANISLAUS REGIONAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Description and Reporting Entity*

The Stanislaus Regional Water Authority (the Authority) was originally established by the Cities of Ceres, Modesto, and Turlock (Participants) on September 26, 2011. In November 2015, the City of Modesto formally withdrew from membership in the Authority. Subsequently, the Authority's governing documents were amended to reflect Modesto's withdrawal as well as to revise the functional administrative duties of the remaining participants and the composition of the Board of Director's, which now consists of two members of the City Council for each City participant.

The Participants are interested in finding and evaluating surface water supply options and facilities to supply water to the municipal and industrial customers within their service areas. Each of the Participants is authorized to develop, obtain, and serve a municipal and industrial water supply, pursuant to California law. The Participants are working with the Turlock Irrigation District (TID) to develop a Regional Surface Water Supply Project (RSWSP) that will provide a safe and reliable high-quality surface water supply for the long-term drinking water needs of each participating city. The Participants formed the Authority as a Joint Powers Authority (JPA) for the purpose of making responsible decisions related to the development and operation of the future RSWSP. Each Participant is responsible for its share of expenditures incurred by the Authority during a fiscal year pursuant to various funding/cost sharing agreements approved by the Authority's Board of Directors and each Participant's respective governing body.

Since December 2015, the City of Turlock assumed responsibility for the processing all financial transactions and accounting for the Authority. The following is a summary of the significant accounting policies.

B. *Basis of Presentation*

The Authority's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

C. *Fund Accounting*

The Authority is accounted for as an enterprise fund. This fund is a set of self-balancing accounts which comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues and expenses.

STANISLAUS REGIONAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting and Measurement Focus

Basis of accounting refers to when revenues and expenses are recognized. The Authority's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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, regardless of when cash changes hands. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Operating revenues are those revenues that are generated from the primary operations of the Authority. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the Authority. All other expenses are reported as non-operating 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.

E. 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.

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires 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.

STANISLAUS REGIONAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 2—CASH AND INVESTMENTS

The Authority participates in the City of Turlock's cash and investment pool.

Cash and investments of the Authority are pooled with other City of Turlock funds. The Authority's portion of this pooled amount was \$2,769,574 at June 30, 2020. At June 30, 2020, the City's investment pool was unrated. The Authority can spend cash at any time without prior notice or penalty. Interest earned on pooled cash and investments is credited to each participant in the pool based on each participant's average quarterly cash and investment balance. Detailed information concerning the City of Turlock's pooled cash and investments, including information regarding the fair value of investments, may be found in the City of Turlock's Basic Financial Statements. As of June 30, 2020, the fair value of the Authority's position in the pool is the same as the value of its pool shares.

Fair Value Hierarchy

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The Authority's investment in the City's investment pool is not subject to the fair value hierarchy.

NOTE 3—CAPITAL ASSETS

Capital assets acquired by the Authority are recorded at cost and are depreciated using the straight-line method over estimated useful lives. The Authority has set the capitalization threshold for reporting capital assets at \$5,000. Operating expenses include depreciation on all depreciable capital assets. Repairs and maintenance are charged to expense when the services are rendered.

During fiscal year 2017, the Authority began the Regional Surface Water Supply Project and during fiscal year 2020, costs totaling \$3,912,486 were incurred and project costs to date of \$15,566,982 have been recorded as construction in progress as of June 30, 2020.

STANISLAUS REGIONAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 4 – NET POSITION

A. Net Position

Net Position is the excess of all assets and deferred outflows of resources over all liabilities and deferred inflows of resources. Net Position is divided into three captions and are described below:

Investment in Capital Assets describes the portion of Net Position which is represented by the current net book value of the capital assets.

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.

Unrestricted describes the portion of Net Position that does not meet the definition of “net investment in capital assets” or “restricted net position.”

NOTE 5 – RELATED PARTY TRANSACTIONS

The Authority reimburses the City of Turlock for administrative and other costs incurred by the City of Turlock on the Authority’s behalf. During the year ended June 30, 2020, contractual service expenditures of \$22,599 were allocated to the Authority from the City of Turlock.

NOTE 6 – COMMITMENTS AND CONTINGENCIES

A. Program Management and Other Contracts

The Authority had the following outstanding commitments at June 30, 2020 related to the Regional Surface Water Supply Project:

Program Management	\$2,859,316
Phase III Environmental Work	235,500
Wet Well Construction	66,014

B. Lease Concerning District Delivery Facilities for Regional Surface Water Supply Project

In April 2020, the Authority Board approved a lease with TID to convey leasehold rights in TID’s delivery facilities and underlying real property to the Authority in order to facilitate the Authority’s construction, operation, and maintenance of the facilities that will be located on TID property. The lease will expire in 2065. There will be no separate rent paid under the lease, rather, the water payments to be made by the Authority under the Water Sales Agreement will constitute consideration for the lease. The proposed lease contains standard and commercially reasonable lease terms, including the Authority’s payment of fees, charges, etc. relating to its use of the property; Authority compliance with applicable law and regulations; indemnity; and insurance.

STANISLAUS REGIONAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 6 – COMMITMENTS AND CONTINGENCIES (Continued)

C. Acquisition of the Water Treatment Plant Site from Turlock Irrigation District

The planned water treatment plant site is owned by TID and the Authority's agreement with TID provides that TID agrees to sell the treatment plant site, subject to a reservation of such easements for TID's pipelines to the treatment plant from the pump station and from the treatment plant to the Ceres Main Canal, to the Authority at a sales price of \$1,436,674. In April 2020, the Authority Board approved the acquisition of the site from TID. The site is a 47.9-acre parcel located near the new wet well facility.

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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 Board of Directors
Stanislaus Regional Water Authority
Turlock, 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 basic financial statements of the Stanislaus Regional Water Authority (the Authority), as of and for the year ended June 30, 2020, and have issued our report thereon dated March 12, 2021.

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 Authority'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. We did identify certain deficiencies in internal control we consider to be significant deficiencies as listed on the Schedule of Significant Deficiencies included as part of our separately issued Memorandum on Internal Control dated March 12, 2021, which is an integral part of our audit and should be read in conjunction with this report.

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 that are required to be reported under *Government Auditing Standards*.

Authority's Response to Findings

The Authority's response to the findings identified in our audit is described in our separately issued Memorandum on Internal Control dated March 12, 2021, which is an integral part of our audit and should be read in conjunction with this report. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

A handwritten signature in black ink that reads "Maze & Associates". The signature is written in a cursive, flowing style.

Pleasant Hill, California
March 12, 2021

STANISLAUS REGIONAL WATER AUTHORITY
MEMORANDUM ON INTERNAL CONTROL
FOR THE YEAR ENDED JUNE 30, 2020

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STANISLAUS REGIONAL WATER AUTHORITY

MEMORANDUM ON INTERNAL CONTROL

For the Year Ended June 30, 2020

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MEMORANDUM ON INTERNAL CONTROL

To the Board of Directors
Stanislaus Regional Water Authority
Turlock, California

In planning and performing our audit of the basic financial statements of the Stanislaus Regional Water Authority (the Authority) as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority'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 the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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 Authority's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies in internal control included on the Schedule of Significant Deficiencies to be significant deficiencies.

Included in the Schedule of Other Matters are recommendations not meeting the above definitions that we believe are opportunities for strengthening internal controls and operating efficiency.

Management's written responses included in this report have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, the Authority Board, others within the organization, and agencies and pass-through entities requiring compliance with *Government Auditing Standards*, and is not intended to be and should not be used by anyone other than these specified parties.

Maze & Associates

Pleasant Hill, California
March 12, 2021

MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF SIGNIFICANT DEFICIENCIES

During our audit of the financial statements of the City of Turlock (City) for the year ended June 30, 2020 the following items were identified as significant deficiencies. Since the Authority utilizes the City to provide the Authority's accounting function, we consider the following to be significant deficiencies in the Authority's internal control.

2020-001 Segregation of Duties for Changes to the Vendor Database

The functions of payment processing and vendor database maintenance should be segregated.

During our review of the Accounts Payable process, we noted that two staff members who have the ability to process disbursements can also make changes to the vendor database without approval.

Although the City's accounting system can produce a Vendor Change Report that shows what changes have been made to the vendor database, there are currently no procedures in place for this report to be reviewed by an employee that cannot make changes to the vendor database.

If changes to the vendor database are not reviewed and approved, errors or unauthorized changes may go undetected.

The City should implement procedures to include a review of the report by an employee that is not able to make changes to the vendor database to ensure unauthorized changes to the database are not made.

Management's Response:

The Senior Accountant who oversees Accounts Payable reviewed New World security to determine the rights of individual users in the Purchasing and Accounts Payable processes. It was noted the Purchasing Coordinator does not have access to pay invoices or post Accounts Payable. She does, however, have access to vendor approvals along with the Senior Accountant. The process from vendor set-up to payment of invoices does have many layers of segregation of duties and cross checking of functions which would make inappropriate vendor payments highly unlikely. The process is initiated at the department level with request for a vendor, which is routed to Purchasing, who is then responsible to setup the new vendor. Purchase Orders are input by each respective department and routed to purchasing with appropriate backup from the Departments for approval. Accounts Payable, which is a separate department and function from purchasing, processes the payment requests initiated at the department level and approved by a department manager. Accounting is responsible to verify payment requests comply with purchase orders and vendor information matches the purchase order and invoice(s). The segregation of duties between Purchasing and Accounts Payable provides assurance that vendor invoices are appropriately approved and paid.

MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

NEW GASB PRONOUNCEMENTS OR PRONOUNCEMENTS NOT YET EFFECTIVE

The following comment represents new pronouncements taking affect in the next few years. We cite them here to keep you informed of developments:

EFFECTIVE FISCAL YEAR 2020/21:

GASB 84 – Fiduciary Activities

The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

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

GASB 90 – Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61

The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

EFFECTIVE FISCAL YEAR 2021/22:

GASB 87 – Leases

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

GASB 89 – Accounting for Interest Cost Incurred before the End of a Construction Period

The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

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

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

GASB 92– Omnibus 2020

The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

GASB 93–Replacement of Interbank Offered Rates

Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate.

Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, as amended, requires a government to terminate hedge accounting when it renegotiates or amends a critical term of a hedging derivative instrument, such as the reference rate of a hedging derivative instrument's variable payment. In addition, in accordance with Statement No. 87, Leases, as amended, replacement of the rate on which variable payments depend in a lease contract would require a government to apply the provisions for lease modifications, including remeasurement of the lease liability or lease receivable.

The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR.

MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

GASB 97— *Certain Component Unit Criteria, and Accounting for and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*

The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

EFFECTIVE FISCAL YEAR 2022/23:

GASB 91— *Conduit Debt Obligations*

The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

GASB 94— *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*

The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

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

MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

GASB 96 – Subscription-Based Information Technology Arrangements

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

MEMORANDUM ON INTERNAL CONTROL

STATUS OF PRIOR YEAR SCHEDULE OF OTHER MATTERS

2016-01 Insurance/Bonds Provisions of the Joint Exercise of Powers Agreement

Article XIV, Insurance/Bonds, of the Authority's amended Joint Exercise of Powers Agreement includes the provision that the Authority "shall at all times maintain worker's compensation insurance and insurance against public liability and property damage to the extent reasonably necessary...Such insurance may be maintained in whole or in part in the form of self-insurance." And, Article XX, Participant Employees, indicates that "Each Participant shall assume all liability related to its employees who provide services in connection with this Agreement...However, the Authority may, in its sole discretion, procure a policy or policies of insurance in the types and amounts it deems appropriate. In the event such policy or policies of insurance are procured by the Authority, such insurance coverage shall be primary over any obligation of the Participant under this section."

The Authority has not obtained worker's compensation, liability or property damage insurance policies to date or documented the manner in which it is self-insured.

The Authority should review the need for insurance coverage as contemplated by Articles XIV and XX of the Agreement and formally document what policies are in place, not in place, or in what manner the Authority is self-insured.

Current Status: Implemented.

STANISLAUS REGIONAL WATER AUTHORITY
REQUIRED COMMUNICATIONS
FOR THE YEAR ENDED JUNE 30, 2020

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STANISLAUS REGIONAL WATER AUTHORITY

REQUIRED COMMUNICATIONS

For the Year Ended June 30, 2020

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REQUIRED COMMUNICATIONS

To the Board of Directors
Stanislaus Regional Water Authority
Turlock, California

We have audited the basic financial statements of the Stanislaus Regional Water Authority for the year ended June 30, 2020. Professional standards require that we communicate to you the following information related to our audit under generally accepted auditing standards, and *Government Auditing Standards*.

Significant Audit Findings

Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note #1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the year, except as follows:

GASB 95—Postponement of the Effective Dates of Certain Authoritative Guidance

The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The Authority implemented the provisions of Statement No. 95 in fiscal year 2019-20.

Unusual Transactions, Controversial or Emerging Areas

We noted no transactions entered into by the Authority 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. However, events that occurred during fiscal year June 30, 2020 discussed below could have an impact on the financial statements:

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders for all but those deemed essential services. While the business disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings and shelter in place orders. However, the ultimate financial impact and duration cannot be reasonably estimated at this time.

Accounting Estimates

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

Estimated Fair Value of Investments: As of June 30, 2020, the Authority held approximately \$2.8 million of cash and investments in the City of Turlock's investment pool as measured by fair value as disclosed in Note 2 to the Financial Statements. Fair value is essentially market pricing in effect as of June 30, 2020. These fair values are not required to be adjusted for changes in general market conditions occurring subsequent to June 30, 2020.

Disclosures

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. Management has corrected all such misstatements. Except for the adjustment made to the capital assets balance, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Professional standards require us to accumulate all known and likely uncorrected misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We have no such misstatements to report to the Authority Board.

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 a management representation letter dated March 12, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion“ on certain situations. If a consultation involves application of an accounting principle to the Authority’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 Authority’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 Information Accompanying the Financial Statements

We applied certain limited procedures to the required supplementary information that accompanies and supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the required supplementary information and do not express an opinion or provide any assurance on the required supplementary information.

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

Maze & Associates

Pleasant Hill, California
March 12, 2021

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From: Robert Granberg, General Manager

Prepared by: Robert Granberg, General Manager

1. ACTION RECOMMENDED:

Resolution: Adopting a resolution terminating two Bureau of Reclamation WaterSMART grant agreements

2. DISCUSSION OF ISSUE:

On March 28, 2019, the Board adopted Resolution No. 2019-001 authorizing the General Manager to apply for and execute a WaterSMART Water and Energy Efficiency Grant application and execute a financial assistance (grant) agreement with the Bureau of Reclamation (Reclamation) in the amount of \$750,000. Subsequently, in 2020, SRWA applied for and received an additional grant in the amount of \$750,000. The two Reclamation grant agreements were executed on April 10, 2019 and July 22, 2020.

As a condition to providing grant funding, Reclamation determined that it would need to undertake additional environmental review under the National Environmental Policy Act (NEPA) and consultation with the National Marine Fisheries Service (NMFS) under the Endangered Species Act (ESA) regarding project operations. The unexpected federal NEPA and ESA reviews and determinations could lead to additional conditions and mitigation measures being imposed on the project.

In addition to the federal WaterSMART grants, SRWA received a \$5.8 million grant through the State Integrated Regional Water Management (IRWM) Program. Execution of that state grant agreement is being held up pending Reclamation's NEPA review.

Outcome of the NEPA review and ESA consultation process is unknown and uncertain; however, short-term exposure would be the cost to conduct additional environmental studies, the loss of reimbursable project expenditures during the consultation process, and potential loss or delay of the IRWM grant. In the long-term, the NEPA and ESA related conditions could be costly or burdensome to implement or could impose long-term constraints, ongoing compliance measures, or other obligations on project operations.

The unknown short and long-term risks of the NEPA and ESA processes could exceed the immediate financial benefit. SRWA staff are concerned about the potential scope of NEPA and ESA conditions that could be imposed on the project. Staff have determined that the uncertainty and risks associated with the additional Reclamation and NMFS environmental reviews and the associated

delays to the IRWM funding outweigh the benefits of the Reclamation grants. It is therefore recommended the SRWA terminate the Reclamation grant agreements for the reasons explained in this staff report and forego the combined \$1.5 million dollar grant award.

3. FISCAL IMPACT/ BUDGET AMENDMENT:

Foregoing \$1.5 million dollars in grant funding would require a corresponding increase in the amount of the State Revolving Fund loan.

4. GENERAL MANAGER'S COMMENTS:

Recommends approval.

5. ENVIRONMENTAL DETERMINATION:

N/A

6. ALTERNATIVES:

The Board could instruct the General Manager to continue the NEPA and ESA compliance processes with an unknown outcome, potentially exposing the SRWA to expenditures and commitments exceeding the grant award(s) benefits.



SRWA
 STANISLAUS REGIONAL
 WATER AUTHORITY

**BEFORE THE GOVERNING BOARD OF THE STANISLAUS REGIONAL
 WATER AUTHORITY**

**IN THE MATTER OF TERMINATING TWO }
 BUREAU OF RECLAMATION WATERSMART }
 GRANT AGREEMENTS }**

RESOLUTION NO. 2021-

WHEREAS, in 2019 and 2020, Stanislaus Regional Water Authority entered into two financial assistance (grant) agreements with the Bureau of Reclamation (Reclamation) under the WaterSMART Water and Energy Efficiency Grant program totaling \$1.5 million (Reclamation agreement nos. R19AP00104 and R20AP00110; the “Agreements”);

WHEREAS, section 11-9(a)(4) of the Agreements and Code of Federal Regulations section 200.340 authorize the Authority to terminate the Agreements by sending to the federal awarding agency written notification of termination setting forth the reasons for the termination and the effective date;

WHEREAS, the Authority has not received any grant funds under the Agreements; and

WHEREAS, the Authority desires to terminate the Agreements for the reasons set forth below;

NOW, THEREFORE, BE IT RESOLVED by the Governing Board of the Stanislaus Regional Water Authority as follows:

1. The Authority terminates the Agreements. The General Manager is directed to send this resolution to Reclamation as written notification of termination.

2. The Authority terminates the Agreements for the following reasons:

a. As a condition to providing grant funding, Reclamation determined that it would need to undertake additional environmental review under the National Environmental Policy Act (NEPA) and consultation with the National Marine Fisheries Service (NMFS) under the Endangered Species Act (ESA) regarding project operations. The unexpected federal NEPA and ESA reviews and determinations could lead to additional conditions and mitigation measures being imposed on the SRWA project. The outcome of the NEPA review and ESA consultation processes and the type and scope of potential conditions are unknown and uncertain. The conditions could be costly or burdensome to implement or could impose long-term constraints, ongoing compliance measures, or other obligations on project operations. The risk,

uncertainty, and potential cost of the NEPA and ESA reviews and related potential burdensome conditions outweigh the benefits of the Reclamation grants.

b. SRWA received a \$5.8 million grant award from the California Department of Water Resources (DWR) through the State Integrated Regional Water Management (IRWM) Program. DWR has determined that it cannot execute or fund that state grant agreement until Reclamation has completed its NEPA review relating to the Agreements. The Agreements therefore are unsatisfactorily holding up needed state grant funding.

3. The effective date of the Agreements termination is April 15, 2021.

PASSED AND ADOPTED at a regular meeting of the Governing Board of the Stanislaus Regional Water Authority this 15th day of April 2021, by the following vote:

AYES:
NOES:
NOT PARTICIPATING:
ABSENT:

ATTEST:

Allison Martin, Board Secretary