

As a matter of proper business decorum, the Board of Commissioners respectfully request that all cell phones be turned off or placed on vibrate. To prevent any potential distraction of the proceeding, we request that side conversations be taken outside the meeting room.

AGENDA
REGULAR BOARD MEETING
VICTOR VALLEY WASTEWATER RECLAMATION AUTHORITY
VICTORVILLE CITY HALL, CONFERENCE ROOM D
14343 CIVIC DRIVE, VICTORVILLE CA 92392

Thursday, January 16, 2020
7:30 a.m.

The mission of Victor Valley Wastewater Reclamation Authority is to treat the wastewater to the best of our abilities given the resources provided.

Call to Order

Nassif

Roll Call

Secretary

Public Comments- Closed Session Agenda Items

Nassif

CLOSED SESSION: During the course of conducting the business set forth on this agenda as a regular meeting of the Board, the Chair may convene the Board in closed session to consider matters of pending real estate negotiations, pending or potential litigation, or personnel matters, pursuant to Government Code Sections 54956.8, 54956.9, 54957 or 54957.6, as noted.

Reports relating to (a) purchase and sale of real property; (b) matters of pending or potential litigation; or (c) employment actions, or which are exempt from public disclosure under the California Public Records Act, may be reviewed by the Board during a permitted closed session and are not available for public inspection. At such time the Board takes final action on any of these subjects, the minutes will reflect all required disclosures of information. Closed Session is scheduled to commence at 7:30 a.m.. If the matters discussed in closed session require additional time beyond 8:00 a.m., in deference to the public, the Board may continue the Closed Session discussion after Open Session is concluded. In that case, Closed Session will resume after the Commissioners Comments section and any reportable action will be reported after the continued Closed Session has concluded and before adjournment.

Closed Session

Item 1 (Gov. Code Sec. 54954.5-54956.9(d))- *Flow Diversion*

Item 2 (Gov. Code Sec. 54956.9(d))- *Threatened or Potential Litigation- Upper Narrows Project*

Item 3 (Gov. Code Sec. 54956.9(d))- *Threatened or Potential Litigation- Lahontan- Potential NOV Resolution Discussion*

Call to Order & Pledge of Allegiance

Nassif

Report From Closed Session

**Legal
Counsel**

Public Comment (Government Code Section 54954.3)

Nassif

Opportunity for members of the public to directly address the Board on items of public interest within its jurisdiction. The public may also address the Board on items being considered on this agenda. VVWRA requests that all public speakers complete a speaker's card and provide it to the Secretary. Persons desiring to submit paperwork to the Board of Commissioners shall provide a copy of any paperwork to the Board Secretary for the official record.

We request that remarks be limited to five minutes or less. Pursuant to Government Code Section 54954.3, if speaker is utilizing a translator, the total allotted time will be doubled.

Presentations

Item 4 Mid-year Budget Review

Keagy

Possible Conflicts of Interest

Poulsen

Consent Calendar

Nassif

All matters placed on the Consent Calendar are considered as not requiring discussion or further explanation and unless any particular item is requested to be removed from the Consent Calendar by a Commissioner, staff member or member of the public in attendance, there will be no separate discussion of these items. All items on the Consent Calendar will be enacted by one action approving all motions, and casting a unanimous ballot for resolutions included on the consent calendar. All items removed from the Consent Calendar shall be considered in the regular order of business.

Item 5 Receive, Approve and File Minutes, December 19, 2019

- Regular Board Meeting

Item 6 Receive, Approve and File December 2019 Disbursement

- Warrant Summary Disbursements

Items 5 & 6: Board Action Required

Staff Recommendation: Approve as presented

Action Items

The Executive Leadership Team will provide brief updates on existing matters under their purview and will be available to respond to any questions thereof.

Item 7 Recommendation to Adopt Resolution 2019-17 to Receive and File A Single Audit Report for FY End June 30, 2018

Keagy

The Board will consider approval of Resolution 2019-17, A Resolution of the Board of

Commissioners of the Victor Valley Wastewater Reclamation Authority to receive and file the Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2018.

Item 7: Board Action Required

Staff Recommendation: Approve as Presented

Item 8 Recommendation to Ratify Emergency Work for Drying Beds

Poulsen

The Board will consider approval to ratify the General Manager's declaration of an emergency, and per the emergency declaration provision in the VVWRA Finance Policies, approve the purchase of a Netzsch Nemo progressive cavity pump model nm125sy03s14z not to exceed \$90,931.14 from MISCOWATER as shown in the attached Quote JBZ-B000364224.

Item 8: Board Action Required

Staff Recommendation: Approve as Presented

Staff Reports

Reports are submitted as presented by Staff. Staff is available if the Commission has questions.

Item 9 General Managers Report

Poulsen

- **Co-digestion Article**
- **CWEA DAMS Awards**

Item 10 Financial and Investment Report – December 2019

Keagy

Item 11 Operations and Maintenance Report – December 2019

Adams

Item 12 Environmental Compliance Report – December 2019

Laari

Item 13 Septage Receiving Facility Report – December 2019

Laari

Item 14 Safety and Communication Report – December 2019

Wylie

Adjournment

Nassif

The board will adjourn to a regular board meeting on February 27, 2020 at 7:30 a.m. – **Please note that the February open session meeting will be held in Conference Room A**

American Disabilities Act Compliance Statement
Government Code Section 54954.2(a)



Any request for disability-related modifications or accommodations (including auxiliary aids or services) sought to participate in the above public meeting should be directed to the VVWRA's Secretary at (760) 246-8638 at least 72 hours prior to the scheduled meeting. Requests must specify the nature of the disability and the type of accommodation requested.

Agenda posting

Government Code Section 54954.2

This agenda has been posted in the main lobby of the Authority's Administrative offices not less than 72 hours prior to the meeting date and time above. All written materials relating to each agenda item are available for public inspection in the office of the Board Secretary.

Agenda items received after posting

Government Code Section 54957.5

Materials related to an item on this agenda submitted after distribution of the agenda packet are available for public review at the VVWRA office located at, 20111 Shay Road, Victorville CA 92394. The materials will also be posted on the VVWRA website at www.vvwra.com.

Items Not Posted

Government Code Section 54954.2(b)

In the event any matter not listed on this agenda is proposed to be submitted to the Board for discussion and/or action, it will be done as an emergency item or because there is a need to take immediate action, which came to the attention of the Board subsequent to the posting of the agenda, or as set forth on a supplemental agenda posted in the manner as above, not less than 72 hours prior to the meeting date.

Items Continued

Government Section 54954.2(b)(3)

Items may be continued from this meeting without further notice to a Committee or Board meeting held within five (5) days of this meeting

Meeting Adjournment

This meeting may be adjourned to a later time and items of business from this agenda may be considered at the later meeting by Order of Adjournment and Notice

VVWRA's Board Meeting packets and agendas are available for review on its website at www.vvwra.com. The website is updated on Friday preceding any regularly scheduled board meeting.

**MINUTES OF A REGULAR MEETING
REGULAR MEETING OF THE BOARD OF COMMISSIONERS
VICTOR VALLEY WASTEWATER RECLAMATION AUTHORITY (VWVRA)
December 19, 2019**

CALL TO ORDER: Chair Scott Nassif called the meeting to order at 7:33 AM; in Conference Room D at Victorville City Hall, located at 14343 Civic Drive, Victorville California, with the following members present:

**TOWN OF APPLE VALLEY
CITY OF VICTORVILLE
CITY OF HESPERIA
ORO GRANDE (CSA 42) AND
SPRING VALLEY LAKE (CSA 64)**

**Scott Nassif, Chair
Debra Jones, Vice-Chair
Larry Bird, Secretary
Robert Lovingood, Treasurer**

VWVRA Staff and Legal Counsel:

**Darron Poulsen, General Manager
Kristi Casteel, Secretary to GM/Board
Piero Dallarda, Legal Counsel (BB&K)
Chieko Keagy, Controller
Latif Laari, Business Applications Manager**

**Brad Adams, Plant Superintendent
Andrew Henriquez, Lead Operator
Alton Anderson, Construction Manager
Robert Coromina, Director of Administration**

Guest Present:

**Doug Robertson Apple Valley
Nils Bentsen, City of Hesperia
Keith Metzler, City of Victorville
Don Holland, County of San Bernardino
Brian Gengler, City of Victorville**

**Smitty Smith, Mojave Water
George Harris, Victorville
Logan Olds, Anaergia**

CLOSED SESSION

PUBLIC COMMENTS- CLOSED SESSION AGENDA

Chair Nassif asked if there were any comments from the public regarding any item on the Closed Session Agenda. Hearing none, Chair Nassif called for a motion to enter into Closed Session.

**Moved: Commissioner Lovingood
Motion to enter into Closed Session**

Second: Commissioner Jones

Motion passed by a 4-0 roll call vote

**VVWRA Regular Meeting Minutes
Wednesday December 19, 2019
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REGULAR SESSION

CALL TO ORDER & PLEDGE OF ALLEGIANCE

Chair Nassif called the meeting to order at 8:58 AM.

REPORT FROM CLOSED SESSION

None

PUBLIC COMMENTS- REGULAR SESSION AGENDA

None

PRESENTATIONS

None

POSSIBLE CONFLICT OF INTEREST

Chair Nassif will be abstaining from any disbursements to Napa Auto Parts on item 5

CONSENT CALENDAR:

4. **Receive, Approve and File Minutes, November 21, 2019**
5. **Receive, Approve and File November 2019 Disbursement**

Moved: Commissioner Lovingood

Second: Commissioner Jones

Approval of the Consent Calendar Items 4 and 5 with Chair Nassif abstaining from any disbursements to Napa Auto Parts on item 5 and Commissioner Bird abstaining from item 4.

Motion passed by a 4-0 roll call vote

GENERAL MANAGER'S REPORT:

6. New Hires

Introduction of New Employees

- **Darron Poulsen, General Manager**
- **Brad Adams, Plant Superintendent**
- **Andrew Henriquez, Lead Operator**

VVWRA Regular Meeting Minutes**Wednesday December 19, 2019****Page 3****7. Recommendation to Award PLC's Replacement Project**

The Board will consider approval of a contract for the Programmable Logic Controllers (PLC) Replacement Project Phase 1 to Trimax in the amount of \$470,142.00

Moved: Commissioner Jones**Second: Commissioner Bird****Approval of Recommendation to Award PLC's Replacement Project****Motion passed by a 4-0 roll call vote****8. Recommendation to Award ADS Environmental to Perform the Interceptor Risk Analysis Project**

The Board will consider approval to award the Interceptor Risk Analysis Project Flow Study to ADS Environmental for a fee not to exceed \$ 50,000.00. The results of the flow study will be used to validate capacity restrictions predicted by the Hydraulic model completed by Dudek in March 2019.

Moved: Commissioner Bird**Second: Commissioner Lovingood****Approval of Recommendation to Award ADS Environmental to Perform the Interceptor Risk Analysis Project****Motion passed by a 4-0 roll call vote****9. Recommendation to Adopt Resolution 2019-16 to Authorization for Bank Card Signatures**

The Board will consider approval of Resolution 2019-16, to update authorized signers for Desert Community Bank, a Division of Flagstar Bank.

Moved: Commissioner Lovingood**Second: Commissioner Bird****Approval of Recommendation to Adopt Resolution 2019-16 to Authorization for Bank Card Signatures****Motion passed by a 4-0 roll call vote****10. Recommendation to Adopt Resolution 2019-17 to Receive and File A Single Audit Report for FY End June 30, 2018**

The Board will consider approval of Resolution 2019-17, A Resolution of the Board of Commissioners of the Victor Valley Wastewater Reclamation

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Authority to receive and file the Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2018.

Moved: Commissioner Jones**Second: Commissioner Lovingood****Motion to table this item for the January agenda****Motion passed by a 4-0 roll call vote****11. Recommendation to Adopt Resolution 2019-18 for a CEQA Notice of Exemption for the Biogas Project**

The Board will consider approval of Resolution 2019-18, a Resolution of VVWRA to Approve a Categorical Exemption from the California Environmental Quality Act (CEQA) for the VVWRA Biomethane Gas Project.

Moved: Commissioner Lovingood**Second: Commissioner Bird****Approval of Recommendation to Adopt Resolution 2019-18 for a CEQA Notice of Exemption for the Biogas Project****Motion passed by a 4-0 roll call vote****12. Recommendation to Increase Existing Professional Services Agreement with Carollo**

The Board will consider approval to increase the amount of the existing Professional Services Agreement (PSA) for Construction Management/Inspection Services PO 16835 dated 9-24-18 for the Desert Knolls Wash Interceptor Project with Carollo Engineers by \$17,386.06 for additional services. This would be in accordance to their Amendment Proposal dated November 14, 2019 which is attached. This brings the PSA to a total of \$186,179.06. The project is complete and this is the final adjustment.

Moved: Commissioner Jones**Second: Commissioner Bird****Approval of Recommendation to Increase Existing Professional Services Agreement with Carollo****Motion passed by a 4-0 roll call vote**

VVWRA Regular Meeting Minutes**Wednesday December 19, 2019****Page 5****STAFF/PROFESSIONAL SERVICES REPORTS:**

- 13. Financial and Investment Report – October 2019**
- 14. Operations & Maintenance Report – October 2019**
- 15. Environmental Compliance Department Reports – October 2019**
- 16. Septage Receiving Facility Reports – October 2019**
- 17. Safety & Communications Report – October 2019**

CLOSED SESSION (If Closed Session is continued)**ADJOURNMENT****The board will adjourn to a regular board meeting on January 16, 2020 at 7:30 a.m.****APPROVAL:****DATE:** January 16, 2019 **BY:**

Approved by VVWRA Board Larry Bird,
Secretary VVWRA Board of Commissioners



VICTOR VALLEY WASTEWATER RECLAMATION AUTHORITY
Board of Commissioners Staff Report

TO: VVWRA Board of Commissioners
FROM: Darron Poulsen, General Manager *DP*
SUBMITTED BY: Chieko Keagy, Controller *ck*
DATE: January 16, 2020
SUBJECT: Cash Disbursement Register

<input checked="" type="checkbox"/> For Action	<input type="checkbox"/> Fiscal Impact	\$
<input type="checkbox"/> Information Only	<input type="checkbox"/> Account Code:	
	<input type="checkbox"/> Funds Budgeted/ Approved:	

STAFF RECOMMENDATION

It is recommended that the Board of Commissioners approve the cash disbursement and payroll register for the Victor Valley Wastewater Reclamation Authority.

BACKGROUND INFORMATION

The Cash Disbursement Register totals represented below are for the month of DECEMBER 2019, check numbers 122940-122986 and ACH's.

<i>Accounts Payable</i>			
<i>Checks</i>	<i>ACH's and EFT's</i>	<i>Payroll</i>	<i>Total</i>
<i>\$149,615.27</i>	<i>\$1,233,745.06</i>	<i>\$303,442.48</i>	<i>\$1,686,802.81</i>

Victor Valley Wastewater Reclamation Authority
Cash Disbursement Register
From 12/1/19 through 12/31/19

Vendor #	Vendor Name	Type	Payment #	Date	Total
ADP001	A.D.P.	Check	122940	12/10/2019	\$ 240.05
ZEEM000	Cintas Corporation	Check	122941	12/10/2019	\$ 1,677.73
DAIL000	DAILY PRESS	Check	122942	12/10/2019	\$ 568.90
HERI000	HERITAGE ENVIRONMENTAL SERVICES, L.L.C.	Check	122943	12/10/2019	\$ 4,168.78
HIGH001	HIGH DESERT LASER GRAPHICS	Check	122944	12/10/2019	\$ 71.11
HIGH003	HIGH DESERT LOCK & SAFE	Check	122945	12/10/2019	\$ 2,126.17
TOWN001	TOWN & COUNTRY TIRE	Check	122946	12/10/2019	\$ 1,212.49
UNIT000	UNITED RENTALS NORTHWEST, INC	Check	122947	12/10/2019	\$ 2,637.72
AACT000	A-ACTION AUTOMOTIVE	Check	122948	12/18/2019	\$ 547.84
AIRG000	AIRGAS USA, LLC	Check	122949	12/18/2019	\$ 398.05
APPL015	Apple Valley Transfer & Storage dba Shredyourdocs.com	Check	122950	12/18/2019	\$ 95.00
APPL013	Applied Maintenance Supplies & Solution	Check	122951	12/18/2019	\$ 71.47
ATMO000	ATMOSPHERIC ANALYSIS AND CONSULTING, INC	Check	122952	12/18/2019	\$ 1,385.00
BEAR003	Bear's Valley Glass	Check	122953	12/18/2019	\$ 250.00
BIOV000	BIO VIR LAB, INC.	Check	122954	12/18/2019	\$ 1,240.00
BLAI000	BLAINE TECH SERVICES, INC.	Check	122955	12/18/2019	\$ 15,285.55
ZEEM000	Cintas Corporation	Check	122956	12/18/2019	\$ 2,820.61
VICT003	CITY OF VICTORVILLE / SANITATION	Check	122957	12/18/2019	\$ 5,284.49
COLE001	COLE-PARMER INSTRUMENT COMPANY	Check	122958	12/18/2019	\$ 85.12
DONE001	Done-Right Concrete Construction Services Inc.	Check	122959	12/18/2019	\$ 1,979.00
ELLI001	ELLIOT'S CONCRETE CUTTING & CORING	Check	122960	12/18/2019	\$ 300.00
FAST001	FASTENAL	Check	122961	12/18/2019	\$ 145.88
FLYE000	Flyers Energy, LLC	Check	122962	12/18/2019	\$ 1,666.53
GAOS000	G.A. OSBORNE PIPE & SUPPLY	Check	122963	12/18/2019	\$ 668.98
HIDE000	HI-DESERT COMMUNICATIONS	Check	122964	12/18/2019	\$ 100.00
HIDE001	HI-DESERT WINDOW WASHING	Check	122965	12/18/2019	\$ 307.00
HOPK000	Hopkins Technical Products, Inc.	Check	122966	12/18/2019	\$ 11,531.03
KONI000	KONICA MINOLTA BUSINESS SOLUTIONS	Check	122967	12/18/2019	\$ 128.93
APPL000	LIBERTY UTILITIES- APPLE VALLEY RANCHOS WATER	Check	122968	12/18/2019	\$ 91.39
MISC000	MISCO - T.W. ASSOCIATES	Check	122969	12/18/2019	\$ 3,865.59
MULT000	MULTI W SYTEMS, INC	Check	122970	12/18/2019	\$ 1,996.19
NOB000	NOBEL SYSTEMS INC.	Check	122971	12/18/2019	\$ 5,000.00
ONES001	ONE STOP PRINTERS & DIRECT MAIL SERVICE	Check	122972	12/18/2019	\$ 1,521.75
ORKI000	ORKIN	Check	122973	12/18/2019	\$ 150.00
PROT001	PROTECTION ONE	Check	122974	12/18/2019	\$ 877.45
PRUD001	PRUDENTIAL OVERALL SUPPLY	Check	122975	12/18/2019	\$ 1,167.56
QUIL000	QUILL CORPORATION	Check	122976	12/18/2019	\$ 1,072.10
SPSE000	S.P.S. ENGINEERING, INC.	Check	122977	12/18/2019	\$ 48,181.65
SAFE000	SAFETY-KLEEN SYSTEMS INC.	Check	122978	12/18/2019	\$ 1,325.04
SCLU000	Southern Counties Lubricants	Check	122979	12/18/2019	\$ 8,572.26
TOWN001	TOWN & COUNTRY TIRE	Check	122980	12/18/2019	\$ 15.00
UNIT000	UNITED RENTALS NORTHWEST, INC	Check	122981	12/18/2019	\$ 2,637.72
VERI004	VERIZON WIRELESS	Check	122982	12/18/2019	\$ 1,508.99
WAST001	WASTECORP PUMPS, INC.	Check	122983	12/18/2019	\$ 1,454.81
SULZ000	SULZER	Check	122984	12/18/2019	\$ 12,539.95
SENT000	DAN SENTMAN	Check	122985	12/19/2019	\$ 212.39
ANTH000	DONNA ANTHONY	Check	122986	12/19/2019	\$ 432.00
Total Checks					\$ 149,615.27
BREN001	BRENNTAG PACIFIC, INC	Electronic Fund Transfer	20026	12/18/2019	\$ 11,445.75
APPL013	Applied Maintenance Supplies & Solution	Electronic Fund Transfer	20021	12/18/2019	\$ 1,317.04
ADSC000	A.D.S. Corp.	Electronic Fund Transfer	20017	12/18/2019	\$ 7,800.00
GRAI000	GRAINGER	Electronic Fund Transfer	20034	12/18/2019	\$ 710.87
USBA000	U.S. BANK	Electronic Fund Transfer	20043	12/18/2019	\$ 8,848.56
ISSI000	Industrial Solution Services, Inc	Electronic Fund Transfer	20037	12/18/2019	\$ 1,945.51
BECK000	BECK OIL, INC.	Electronic Fund Transfer	20022	12/18/2019	\$ 2,605.30
ILIN000	iLink Business Management	Electronic Fund Transfer	20036	12/18/2019	\$ 3,097.52
BIOG000	Biogas Power Systems- Mojave, LLC	Electronic Fund Transfer	20025	12/18/2019	\$ 64,119.27
DKFS000	D.K.F. SOLUTIONS INC.	Electronic Fund Transfer	20030	12/18/2019	\$ 350.00
XYLE000	XYLEM DEWATERING SOLUTIONS	Electronic Fund Transfer	20046	12/18/2019	\$ 4,273.87
CDWG000	CDW GOVERNMENT, INC	Electronic Fund Transfer	20028	12/18/2019	\$ 1,388.13
DAVI003	DAVIS ELECTRIC, INC	Electronic Fund Transfer	20031	12/18/2019	\$ 1,988.00
AERZ000	Aerzen USA	Electronic Fund Transfer	20018	12/18/2019	\$ 6,408.00
PROT001	PROTECTION ONE	Electronic Fund Transfer	20039	12/18/2019	\$ 10.78
TUNN000	TUNNEL VISION PIPELINE CLEANING & VIDEO INSPECTION	Electronic Fund Transfer	20042	12/18/2019	\$ 14,849.00
2GEN000	2G Energy Inc.	Electronic Fund Transfer	20016	12/18/2019	\$ 15,799.08
HUGE000	Hug Engineering, Inc.	Electronic Fund Transfer	20035	12/18/2019	\$ 764.32
XYLE001	Xylem Water Solutions	Electronic Fund Transfer	20047	12/18/2019	\$ 35,310.95
CHAR000	FEDAK & BROWN LLP	Electronic Fund Transfer	20033	12/18/2019	\$ 2,067.00
USAB000	U.S.A. BLUEBOOK	Electronic Fund Transfer	20044	12/18/2019	\$ 402.28
CSAM000	C.S. AMSCO	Electronic Fund Transfer	20027	12/18/2019	\$ 6,148.67

**Victor Valley Wastewater Reclamation Authority
Cash Disbursement Register
From 12/1/19 through 12/31/19**

Vendor #	Vendor Name	Type	Payment #	Date	Total
DELO000	Deloach & Associates, Inc	Electronic Fund Transfer	20032	12/18/2019	\$ 2,956.25
LARR000	LARRY WALKER ASSOCIATES	Electronic Fund Transfer	20038	12/18/2019	\$ 5,214.50
CULL000	CULLIGAN WATER CONDITIONING	Electronic Fund Transfer	20029	12/18/2019	\$ 502.90
ALLS000	All Star Mobile Detail	Electronic Fund Transfer	20019	12/18/2019	\$ 315.00
ROCH000	Rochester Industrial Services, Inc	Electronic Fund Transfer	20040	12/18/2019	\$ 1,630.80
UNDE000	UNDERGROUND SERVICE ALERT OF SOUTHERN CALIFORNIA	Electronic Fund Transfer	20045	12/18/2019	\$ 145.17
TMOB000	T-Mobile	Electronic Fund Transfer	20041	12/18/2019	\$ 119.00
AMER006	AMERICAN EXPRESS	Electronic Fund Transfer	20020	12/18/2019	\$ 79.99
BEST000	BEST, BEST & KRIEGER, L.L.P.	Electronic Fund Transfer	20023	12/18/2019	\$ 30,159.52
BIOG001	Biogas Engineering	Electronic Fund Transfer	20024	12/18/2019	\$ 300.00
SOUT000	Southern California Edison	Electronic Fund Transfer	0050082	12/10/2019	\$ 868.97
WATE008	WaterTrax USA Inc	Electronic Fund Transfer	0049920-17	12/5/2019	\$ 36,810.00
BEST000	BEST, BEST & KRIEGER, L.L.P.	Electronic Fund Transfer	0049920-4	12/5/2019	\$ 35,954.71
YVWE000	Victor Valley Wastewater Employees Assoc	Electronic Fund Transfer	0049920-16	12/5/2019	\$ 600.00
TELE000	TELEDYNE ISCO, INC.	Electronic Fund Transfer	0049920-15	12/5/2019	\$ 808.13
APPL013	Applied Maintenance Supplies & Solution	Electronic Fund Transfer	0049920-2	12/5/2019	\$ 1,805.81
HACH000	HACH COMPANY	Electronic Fund Transfer	0049920-9	12/5/2019	\$ 359.91
ESBA000	E.S. BABCOCK & SONS, INC.	Electronic Fund Transfer	0049920-7	12/5/2019	\$ 107,664.20
WAUK000	WAUKESHA-PEARCE INDUSTRIES, LLC	Electronic Fund Transfer	0049920-18	12/5/2019	\$ 12,501.80
2GEN000	2G Energy Inc.	Electronic Fund Transfer	0049920-1	12/5/2019	\$ 4,156.65
DAVI003	DAVIS ELECTRIC, INC	Electronic Fund Transfer	0049920-6	12/5/2019	\$ 21,921.00
ILJN000	iLink Business Management	Electronic Fund Transfer	0049920-10	12/5/2019	\$ 527.76
JWCE000	JWC ENVIRONMENTAL INC	Electronic Fund Transfer	0049920-12	12/5/2019	\$ 1,912.32
MINE001	Mine Safety Appliances o/o MAG Systems Inc.	Electronic Fund Transfer	0049920-14	12/5/2019	\$ 333.76
BECK001	Becker Pumps Corporation	Electronic Fund Transfer	0049920-3	12/5/2019	\$ 1,137.04
GRAI000	GRAINGER	Electronic Fund Transfer	0049920-8	12/5/2019	\$ 1,137.56
MCGR000	MCGRATH RENTCORP	Electronic Fund Transfer	0049920-13	12/5/2019	\$ 5,040.11
ISSI000	Industrial Solution Services, Inc	Electronic Fund Transfer	0049920-11	12/5/2019	\$ 2,725.92
BREN001	BRENNTAG PACIFIC, INC	Electronic Fund Transfer	0049920-5	12/5/2019	\$ 2,484.05
CALI012	CALIFORNIA STATE DISBURSEMENT UNIT	Bank Draft	DFT00560	12/20/2019	\$ 172.61
CALI012	CALIFORNIA STATE DISBURSEMENT UNIT	Bank Draft	DFT00559	12/20/2019	\$ 1,067.53
CALP005	CALPERS	Bank Draft	DFT00556	12/20/2019	\$ 3,225.94
CALP005	CALPERS	Bank Draft	DFT00558	12/20/2019	\$ 28.83
CALP005	CALPERS	Bank Draft	DFT00557	12/20/2019	\$ 3,338.26
CALP005	CALPERS	Bank Draft	DFT00550	12/20/2019	\$ 3,100.00
CALP005	CALPERS	Bank Draft	DFT00551	12/20/2019	\$ 447.19
CALP005	CALPERS	Bank Draft	DFT00552	12/20/2019	\$ 459.81
CALP005	CALPERS	Bank Draft	DFT00553	12/20/2019	\$ 1,576.17
CALP005	CALPERS	Bank Draft	DFT00554	12/20/2019	\$ 4,707.38
CALP005	CALPERS	Bank Draft	DFT00555	12/20/2019	\$ 6,368.50
CALP005	CALPERS	Bank Draft	DFT00549	12/20/2019	\$ 1,000.00
IRS000	IRS	Bank Draft	DFT00561	12/20/2019	\$ 423.62
IRS000	IRS	Bank Draft	DFT00562	12/20/2019	\$ 3,730.02
IRS000	IRS	Bank Draft	DFT00565	12/20/2019	\$ 13,913.08
EDD000	Employee Development Department	Bank Draft	DFT00564	12/20/2019	\$ 4,884.26
EDD000	Employee Development Department	Bank Draft	DFT00563	12/20/2019	\$ 434.00
EDD000	Employee Development Department	Bank Draft	DFT00566	12/20/2019	\$ 34.16
BIOG001	Biogas Engineering	Bank Draft	DFT00567	12/19/2019	\$ 2,073.60
JOHN004	PATRICIA J JOHNSON	Bank Draft	DFT00542	12/19/2019	\$ 200.43
FLIN000	TERRIE GOSSARD FLINT	Bank Draft	DFT00545	12/19/2019	\$ 245.78
NALI000	L. CHRISTINA NALIAN	Bank Draft	DFT00537	12/19/2019	\$ 432.00
NAVE000	NAVE, PATRICK	Bank Draft	DFT00540	12/19/2019	\$ 432.00
MCGE000	MARK MCGEE	Bank Draft	DFT00539	12/19/2019	\$ 432.00
BILL002	BILLINGS, RICHARD	Bank Draft	DFT00534	12/19/2019	\$ 432.00
KENI000	OLIN KENISTON	Bank Draft	DFT00541	12/19/2019	\$ 245.78
GYUR000	DARLINE GYURCSIK	Bank Draft	DFT00535	12/19/2019	\$ 212.39
MONT000	LILLIE MONTGOMERY	Bank Draft	DFT00538	12/19/2019	\$ 188.03
UCRE000	UC Regents	Bank Draft	DFT00568	12/19/2019	\$ 189,073.79
GILL001	GILLETTE, RANDY	Bank Draft	DFT00536	12/19/2019	\$ 432.00
MAIN000	RANDY MAIN	Bank Draft	DFT00543	12/19/2019	\$ 432.00
DAGIN000	ROY DAGNINO	Bank Draft	DFT00544	12/19/2019	\$ 432.00
HINO000	THOMAS HINOJOSA	Bank Draft	DFT00546	12/19/2019	\$ 432.00
DAVI001	TIM DAVIS	Bank Draft	DFT00547	12/19/2019	\$ 432.00
SOUT000	Southern California Edison	Bank Draft	DFT00530	12/18/2019	\$ 16,282.81
CORO000	COROMINA, ROBERT	Bank Draft	DFT00528	12/18/2019	\$ 160.90
SOUT006	SOUTHWEST GAS COMPANY	Bank Draft	DFT00531	12/18/2019	\$ 1,776.81
STAT001	STATE WATER RESOURCES CONTROL BOARD	Bank Draft	DFT00533	12/18/2019	\$ 257,745.38
SPAR000	SPARKLETTS DRINKING WATER	Bank Draft	DFT00532	12/18/2019	\$ 795.43
KONI000	KONICA MINOLTA BUSINESS SOLUTIONS	Bank Draft	DFT00529	12/18/2019	\$ 734.73
CALI012	CALIFORNIA STATE DISBURSEMENT UNIT	Bank Draft	DFT00519	12/6/2019	\$ 23.07
CALI012	CALIFORNIA STATE DISBURSEMENT UNIT	Bank Draft	DFT00520	12/6/2019	\$ 1,067.53
CALI012	CALIFORNIA STATE DISBURSEMENT UNIT	Bank Draft	DFT00521	12/6/2019	\$ 172.61

**Victor Valley Wastewater Reclamation Authority
Cash Disbursement Register
From 12/1/19 through 12/31/19**

Vendor #	Vendor Name	Type	Payment #	Date	Total
CALP005	CALPERS	Bank Draft	DFT00515	12/6/2019	\$ 6,425.84
CALP005	CALPERS	Bank Draft	DFT00516	12/6/2019	\$ 3,173.66
CALP005	CALPERS	Bank Draft	DFT00517	12/6/2019	\$ 3,284.15
CALP005	CALPERS	Bank Draft	DFT00518	12/6/2019	\$ 30.69
EDD000	Employee Development Department	Bank Draft	DFT00524	12/6/2019	\$ 4,769.71
EDD000	Employee Development Department	Bank Draft	DFT00526	12/6/2019	\$ 33.73
CALP005	CALPERS	Bank Draft	DFT00509	12/6/2019	\$ 1,000.00
CALP005	CALPERS	Bank Draft	DFT00510	12/6/2019	\$ 3,600.00
CALP005	CALPERS	Bank Draft	DFT00511	12/6/2019	\$ 485.33
CALP005	CALPERS	Bank Draft	DFT00512	12/6/2019	\$ 459.81
CALP005	CALPERS	Bank Draft	DFT00513	12/6/2019	\$ 1,514.05
CALP005	CALPERS	Bank Draft	DFT00514	12/6/2019	\$ 4,749.77
IRS000	IRS	Bank Draft	DFT00522	12/6/2019	\$ 418.26
IRS000	IRS	Bank Draft	DFT00523	12/6/2019	\$ 4,392.82
IRS000	IRS	Bank Draft	DFT00525	12/6/2019	\$ 14,523.67
SWRC000	SWRCB	Bank Draft	DFT00527	12/5/2019	\$ 116,400.00
HESP004	HESPERIA WATER DISTRICT	Bank Draft	DFT00499	12/4/2019	\$ 577.41
SOUT000	Southern California Edison	Bank Draft	DFT00503	12/4/2019	\$ 52,471.51
SOUT000	Southern California Edison	Bank Draft	DFT00504	12/4/2019	\$ 14,679.46
LINC000	Lincoln Financial Group	Bank Draft	DFT00501	12/4/2019	\$ 4,077.11
LINC000	Lincoln Financial Group	Bank Draft	DFT00502	12/4/2019	\$ 80.11
SOUT006	SOUTHWEST GAS COMPANY	Bank Draft	DFT00505	12/4/2019	\$ 479.65
UPS0000	UPS	Bank Draft	DFT00507	12/4/2019	\$ 135.25
UPS0000	UPS	Bank Draft	DFT00506	12/4/2019	\$ 10.89
KONI000	KONICA MINOLTA BUSINESS SOLUTIONS	Bank Draft	DFT00500	12/4/2019	\$ 351.02
Total ACH & EFT					\$ 1,233,745.06

Total Checks	\$ 149,615.27
Total ACH and EFT	\$ 1,233,745.06
Total Payroll - December 2019	\$ 303,442.48
Total	\$ 1,686,802.81


APPROVED

Kenny 01/09/20



VICTOR VALLEY WASTEWATER RECLAMATION AUTHORITY
Board of Commissioners Staff Report

TO: VVWRA Board of Commissioners
FROM: Darron Poulsen, General Manager *DRP*
SUBMITTED BY: Chieko Keagy, Controller *ck*
DATE: January 16, 2020
SUBJECT: Adoption of Resolution 2019-17 to Receive And File The Comprehensive Annual Financial Report for the Years Ended June 30, 2019 and 2018

<input checked="" type="checkbox"/> For Action	<input type="checkbox"/> Fiscal Impact	\$
<input type="checkbox"/> Information Only	<input type="checkbox"/> Account Code:	
	<input type="checkbox"/> Funds Budgeted/ Approved:	

STAFF RECOMMENDATION

It is recommended that the Board of Commissioners adopt Resolution 2019-17, A Resolution of the Board of Commissioners of the Victor Valley Wastewater Reclamation Authority to receive and file the Comprehensive Annual Financial Report (CAFR) for the years ended June 30, 2019 and 2018.

PREVIOUS ACTION(S)

This was brought to the Board on December 19, 2019. The Board moved this item to the January meeting to address wording changes they requested.

BACKGROUND INFORMATION

On December 3 VVWRA staff met with the Internal Finance Committee to perform the audit exit conference. Fedak and Brown, CPAs discussed with Commissioners Nassif and Lovingood, who was on the phone, the financial statements and asked the pertinent exit questions. Staff provided copies of the CAFR following the committee meeting to the Commissioners and asked them to perform a review of the CAFR for the years ended June 30, 2019 and 2018. The committee's consensus was that the VVWRA Board receive and file the Comprehensive Annual Financial Report as submitted.

At the December 19, 2019 Board meeting the Commissioners provided feedback on wording changes they desired before they would approve the CAFR. Staff worked with the Authority's legal staff to develop new wording for review and approval at the next available meeting.

The contract for our current auditor, Fedak and Brown, CPA's, is in the last year of a two-year contract. The staff will make a recommendation by February 2020 on moving forward with an extension of the current contract or if the Authority will seek a new contract arrangement.

The auditor has changed the contents of Note (18) Related Party to reflect better wording.

Attachment:

Exhibit A – Resolution 2019-17 with CAFR for the years ended June 30, 2019 and 2018

EXHIBIT A

RESOLUTION NO. 2019-17**A RESOLUTION OF THE BOARD OF COMMISSIONERS OF THE VICTOR VALLEY WASTEWATER RECLAMATION AUTHORITY TO RECEIVE AND FILE A SINGLE AUDIT REPORT FOR FISCAL YEAR ENDED JUNE 30, 2019**

WHEREAS, the Victor Valley Wastewater Reclamation Authority (“Authority”) directed Charles Z. Fedak CPA, an independent auditing consultant, to prepare and submit to the Board of Commissioners (“Commission”) a single audit detailing the revenues, expenditures, and appropriations that occurred during the fiscal year period July 1, 2018 through June 30, 2019, hereinafter Fiscal Year Ended June 30, 2019 and 2018 (“Single Audit”), and;

WHEREAS, the Internal Financial Advisory Committee reviewed the single audit report prepared by the independent auditing consultant, and;

WHEREAS, the independent auditing consultant has now completed the single audit, which has been duly reviewed by staff and legal counsel, with respect to the listed revenues, expenditures, projects, programs, and assets.

NOW, THEREFORE, THE BOARD OF COMMISSIONERS OF THE VICTOR VALLEY WASTEWATER RECLAMATION AUTHORITY DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. The Single Audit for Fiscal Year Ended June 30, 2019 and 2018 for the Victor Valley Wastewater Reclamation Authority, a copy of which is attached hereto as Exhibit “A”, is hereby received and filed.

Section 2. Within fifteen (15) days after the adoption of this resolution, the General Manager shall cause a copy of this resolution and the attached Single Audit report to be delivered to every member entity of the VVWRA, to the Controller for the State of California, and to the State Water Resources Control Board.

ADOPTED this 16th day of January 2020.

Scott Nassif, Chair
VVWRA Board of Commissioners

ATTEST:

APPROVED AS TO FORM:

Larry Bird, Secretary
VVWRA Board of Commissioners

Piero Dallarda, a Partner of
Best Best & Krieger LLP
General Counsel, VVWRA

CERTIFICATION:

I do hereby certify that the foregoing is a full, true, and correct copy of a resolution duly and regularly adopted at a meeting of the Board of Commissioners held on January 16, 2020.

Kristi Casteel – Clerk of the Board

EXHIBIT A

Single Audit Report
(Fiscal Year Ended June 30, 2017)

Victor Valley Wastewater Reclamation Authority

Annual Financial Report
For the Fiscal Years Ended June 30, 2019 and 2018



A high-speed photograph of water splashing, creating a crown-like shape with many droplets, set against a white background. The water is clear and blue-tinted.

**Prepared by:
The Victor Valley Wastewater Reclamation Authority
Finance Department**

**Victor Valley Wastewater Reclamation Authority
Annual Financial Report
For the Fiscal Years Ended June 30, 2019**

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**Victor Valley Wastewater Reclamation Authority
Annual Financial Report
For the Fiscal Years Ended June 30, 2019**

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A dynamic splash of water in shades of blue and white, centered on a white background. The water forms a circular, crown-like shape with many small droplets and bubbles. The overall image is framed by a light blue border.

Introduction Section



Victor Valley Wastewater Reclamation Authority
A Joint Powers Authority and Public Agency of the State of California

20111 Shay Rd. Victorville, CA 92394
 Telephone: (760) 246-8638
 Fax: (760) 246-2898

December 19, 2019

To the Board of Commissioners and Member Agencies,

It is our pleasure to present the Victor Valley Wastewater Reclamation Authority's (the Authority) Comprehensive Annual Financial Report for the year ended June 30, 2019.

The report was prepared by the Authority's Finance Department following guidelines recommended by the Governmental Accounting Standards Board and generally accepted accounting principles (GAAP). Responsibility for the accuracy of the data presented, completeness and fairness of the presentation, including disclosures, rests with the Authority. We believe the data, as presented, is accurate in all material respects and that it is presented in a manner to provide a fair representation of the financial position and results of operations of the Authority. We believe all disclosures are necessary to enhance your understanding of the financial condition of the Authority.

The Authority's financial statements were audited by Fedak & Brown LLP, a firm of licensed Certified Public Accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the Authority for the year ended June 30, 2019 are free from material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The auditors concluded, based on the audit, that there was a reasonable basis for rendering an unmodified opinion that the Authority's financial statements for the year ended June 30, 2019 are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section on this report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). The letter of transmittal is to complement the MD&A and should be read in conjunction with the MD&A. You will see the MD&A immediately following the independent auditor's report in the financial section.

Reporting Entity and Its Services

History

The Authority was originally formed by the Mojave Water Agency to help meet the requirements of the Federal Clean Water Act and provide wastewater treatment for the growing area. The original treatment plant, with supporting pipelines and infrastructure, began operating in 1981, providing tertiary level treatment for up to 4.5 million gallons per day.

The Authority is a Joint Power public agency of the State of California. Over the years, the Authority has completed treatment plant upgrades and several capacity increases, such as construction of two water reclamation plants, one in the Town of Apple Valley and the other in the City of Hesperia. The regional and sub-regional treatment plants will treat all flow to a tertiary level as recycled water for reuse. A majority of the highly recycled water is discharged into the Mojave River Basin and a smaller amount is currently used to irrigate landscaping at the treatment plant and the nearby Victorville power plant. In order to meet strong demands reflecting the service area population expansion, the agency has funded various capital projects that you can see in the AB1600 report posted on the VVWRA website.

Governance

The Joint Power is a quasi-governmental agency of the State of California. The Public Utilities Commission does not regulate this agency but rather a Board of four Commissioners governs the agency. The Board members are publicly elected for a four-year term from each Member Agency. A joint powers agreement binds the Authority's affairs between the Authority and member local government agencies consisting of the City of Victorville, City of Hesperia, Town of Apple Valley, and County of San Bernardino Special District including Service Areas No. 42 (Oro Grande) and No. 64 (Spring Valley Lake) for the purpose of construction, operation, and maintenance of sewer treatment facilities within these service areas. The General Manager is responsible for carrying out the policies and ordinances of the Board and for overseeing the day-to-day operations of the Authority.

Mission

The mission of the Victor Valley Wastewater Reclamation Authority is:

- To cost-effectively provide professional and competent wastewater treatment, reclamation, recycling, and reuse.
- To maintain the environment by providing clean effluent to the community.
- To provide service to our customers, and
- To keep the public informed.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when considered from the broader perspective of the specific environment within which the Authority operates. The major factors include (1) local economy, (2) flow diversion addressed by a member agency, and (3) non-payment of flow processing and connection fees.

Local Economy

A significant portion of the local economy depends on affordable housing, which will entice commuters to the High Desert. Dwindling housing development has impacted new applications to connect to the sewer system that caused a drastic reduction in connection fees.

In order to invite businesses and commuters to the High Desert, various projects have been under way. Notable projects include the industrial base at the Southern California Logistics Airport (SCLA), the I-15 corridor project for the City of Hesperia and the undeveloped industrial zone, the largest in California, in the Town of Apple Valley. These projects will require wastewater treatment. Our hope is that reclaimed water provided by the Authority will play a significant role in their creation and success.

Flow Diversion

The City of Victorville announced its flow diversion on January 21, 2015. The reduction of the flows has resulted in a reduction of operating and capital income. In addition, growth in the region has not met the expectations of the adopted financial plan dated February 21, 2014. The Board has adopted the user fee rate changes but has not taken action on the connection fees recommended in the most recent financial plan dated August 19, 2019.

Non-payment of Connection Fees

The City of Hesperia (City) has withheld some of its payments to VVWRA for the connection fees. The City periodically pays the part of outstanding balances but there still is the outstanding balance on the audit report date.

Major Initiatives

The Authority has started test runs of the sub-regional reclamation plants during the year ended June 30, 2019 after completion of the construction during the previous year. These sub-regionals will reduce the overall load on the collection system by creating recycled water, which is a valuable and increasingly important water resource in the service region. In addition, these sub-regionals represent the first step in leading the community, businesses and industries to sustain the regional growth. The following pictures show the two sub-regionals at completion.



Apple Valley Sub-Regional Water Reclamation Plant



Hesperia Sub-Regional Water Reclamation Plant

Relevant Financial Policies

The Authority has formally adopted the following financial policies:

Reserve Policy

The reserve policy requires the Authority have a minimum level of operating cash reserves throughout the year. That minimum level is set at a certain percentage of the approved fiscal year budget for operations and maintenance expenses. These reserves have been established to meet daily operation needs. The reserve policy guidelines enable restricted funds other than the operating fund to be set aside to address future infrastructure needs, replacement of aging facilities and to cope with unexpected emergency occurrences. These reserves are critical to the Authority's financial strength.

Investment Policy

The Investment Policy establishes guidelines for the investment of available funds. The Investment Policy incorporates the Prudent Investor Standards. The primary objectives of the Authority's investment activities are, in a priority order: 1) safety, 2) liquidity, and 3) yield. The Authority's funds are invested in a variety of investments, in accordance with California government code as described in Note (2) of the Notes to the Financial Statements. The Authority minimizes interest rate risk by investing a greater portion of its funds in short term investments and minimizes credit risk by investing a majority of its funds in the highest rated investments or in diversified investment pools.

Accounting

The Finance Department is responsible for providing financial services for the Authority, including budgeting, financial accounting, reporting, payroll, accounts receivable and payable, custody and investment of funds, billing and collection of wastewater charges and permits. The Authority accounts for its activities as an enterprise fund and prepares its financial statements on the accrual basis of accounting, under which revenues are recognized when earned and expenses are recorded when incurred. It is the intent of the Board of Commissioners to manage the Authority's operations as a business, matching revenues against the costs of providing the services.

Internal Controls

The Authority operates within a system of internal accounting controls designed and continually reviewed by management to provide reasonable assurance that assets are adequately safeguarded and transactions are recorded in conformity with the Authority policies and procedures. The management implements and maintains the controls for which its value of the benefits exceeds the costs. Recent audits have not noted any material weaknesses in internal controls. See pages 86 and 87 for the auditor's report.

Budgetary Controls

Although the Authority is not legally required to adopt and adhere to a budget, the Board of Commissioners has chosen to approve an annual budget as a management tool. The budget is developed with input from the various departments of the Authority and adopted prior to the start of each fiscal year.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Victor Valley Wastewater Reclamation Authority for its comprehensive annual financial report (CAFR) for the year ended June 30, 2018. The Authority has won this prestigious award consecutively since June 30, 2010. In order to be awarded a Certificate of Achievement, a governmental agency must publish an easily readable and efficiently organized CAFR. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements. The Certificate of Achievement is valid for a period of one year. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate for the year ended June 30, 2019.

Preparation of this report was accomplished by the combined efforts of the Finance Department staff. We appreciate the dedicated efforts and professionalism that our staff members bring to the Authority and thank the independent accounting firm of Fedak & Brown LLP for their effort to prepare the report. We also thank the members of the Board of Commissioners for their continued interest and support in the planning and implementation of the financial management.

Respectfully submitted,

Chieko Keagy, CPA
Controller

**Victor Valley Wastewater Reclamation Authority
Government Finance Officers Association Certificate of Achievement for Excellence in Financial
Reporting
For the Fiscal Years Ended June 30, 2018**



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

Victor Valley

Wastewater Reclamation Authority

California

For its Comprehensive Annual

Financial Report

for the Fiscal Year Ended

June 30, 2018

Christopher P. Morrill

Executive Director/CEO

Victor Valley Wastewater Reclamation Authority

Board of Commissioners and Management

As of June 30, 2019

Board of Commissioners 2019

<u>Name</u>	<u>Title</u>	<u>Elected/ Appointed</u>	<u>Member Agency</u>
Robert Lovingood	Chair	Appointed	County of San Bernardino, Special Districts
Scott Nassif	Vice-Chair	Appointed	Town of Apple Valley
Jim Cox	Secretary	Appointed	City of Victorville
Larry Bird	Treasurer	Appointed	City of Hesperia

20111 Shay Road
Victorville, California 92394
(760) 246-8638
www.vvwra.com



**The Mission of the
Victor Valley Wastewater Reclamation Authority
Is...**

To cost-effectively provide professional, competent wastewater
treatment, reclamation, recycling, and reuse,
To maintain the environment by providing clean effluent to the
community,
To provide a service to our customers, and
To keep the public informed.

By...

Selecting quality employees,
Effectively communicating at all levels,
Providing effective training,
Encouraging participation in water and wastewater organizations,
Working together as a 'TEAM', and
Providing the budget for projects and personnel.

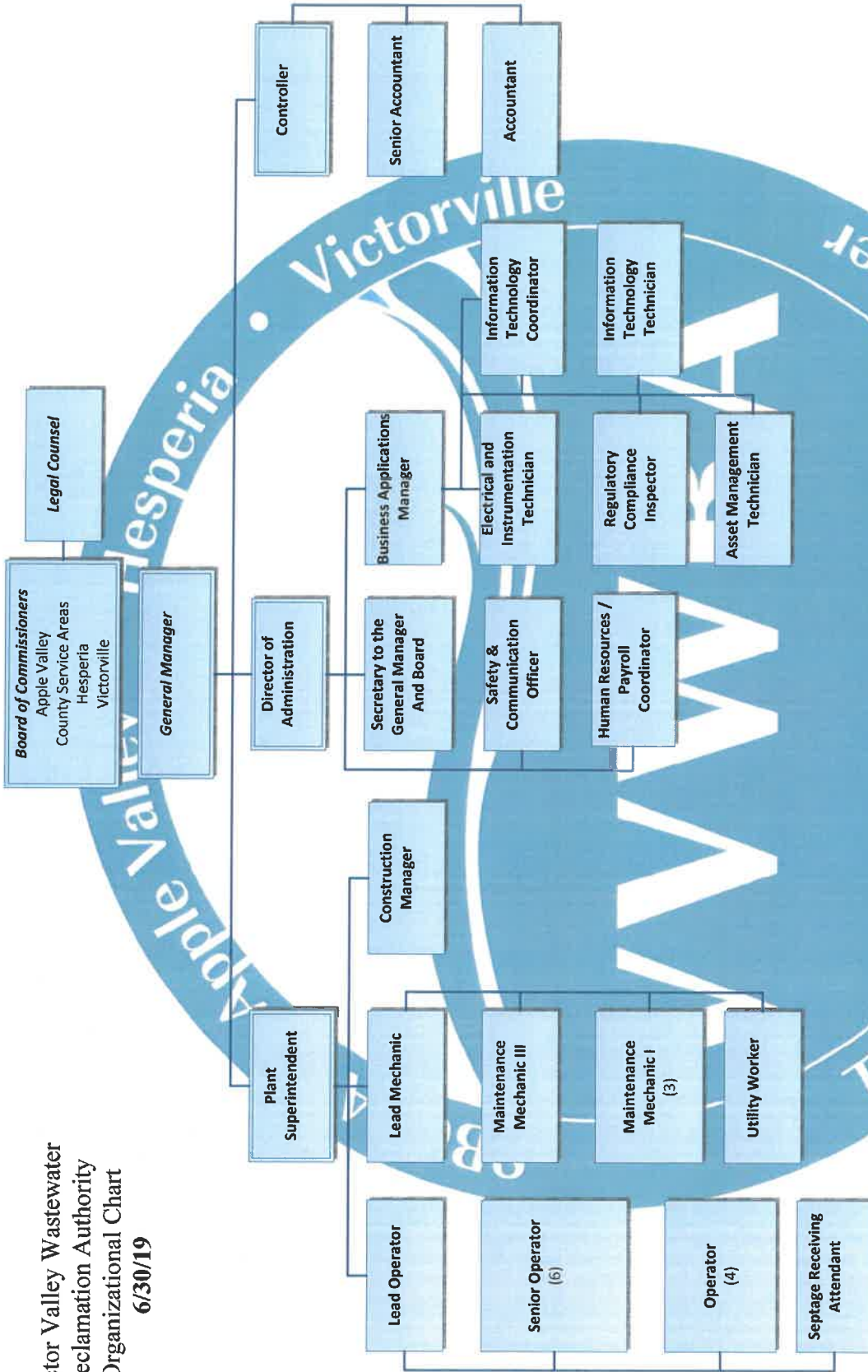
Motivated by...

Creating and maintaining a positive work environment,
Recognizing individual and group efforts, and
Providing competitive pay and benefits.

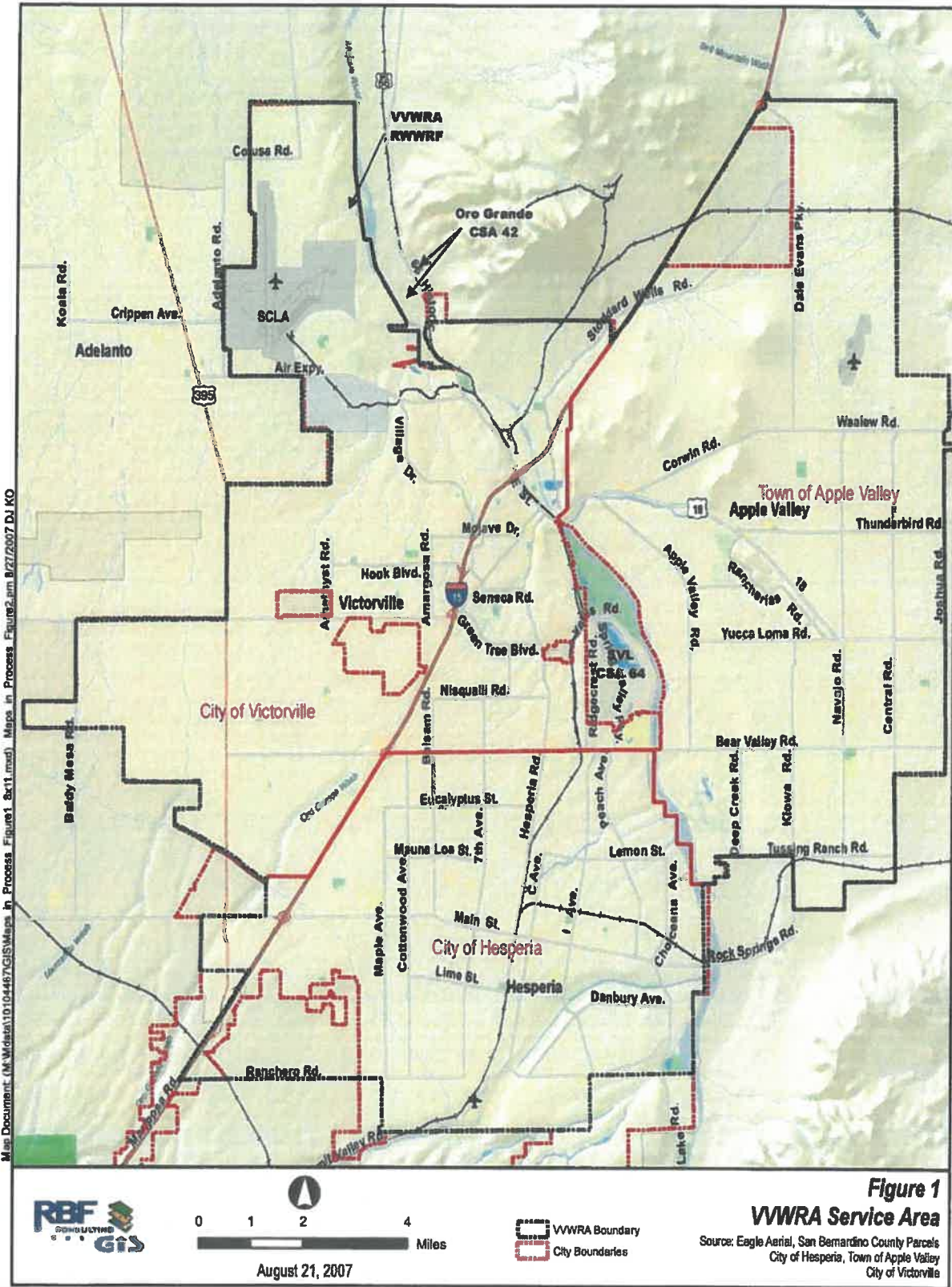
Measured by...

Meeting budgetary goals,
Meeting the standards for regulatory compliance,
The successful completion of projects,
Employee retention, and
A cooperative effort during emergencies.

Victor Valley Wastewater
 Reclamation Authority
 Organizational Chart
 6/30/19



Victor Valley Wastewater Reclamation Authority Service Area Map



Map Document: (M:\Data\10104467\GIS\Maps in Process\Figure1 &c11.mxd) Maps in Process\Figure2.mxd 8/21/2007 DJ KO

A dynamic splash of clear blue water against a white background, forming a circular shape. The water droplets and ripples are captured in mid-air, creating a sense of movement and freshness. The splash is centered on the page, with the text 'Financial Section' overlaid on it.

Financial Section

Independent Auditor's Report

Board of Commissioners
Victor Valley Wastewater Reclamation Authority
Victorville, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Victor Valley Wastewater Reclamation Authority (Authority), which comprises the statements of net position as of June 30, 2019 and 2018, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements.

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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these basic financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Independent Auditor's Report, continued

Opinions

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the required supplementary information 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Emphasis of Matter

As part of our audit of the June 30, 2018, financial statements, we audited the adjustments described in note 14. An adjustment was recognized for the Authority's total other post-employment benefits liability; and has reclassified its employer other post-employment benefits contributions from expense to deferred outflows of resources and recorded a prior period adjustment to restate net position as of July 1, 2017.

Other Matters

In accordance with *Government Auditing Standards*, we have also issued a report dated January 19, 2020, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the 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.

Fedak & Brown LLP
Cypress, California
January 19, 2020

Victor Valley Wastewater Reclamation Authority
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2019 and 2018

As management of Victor Valley Wastewater Reclamation Authority (Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal years ended June 30, 2019 and 2018. We encourage readers to consider the information presented here in conjunction with the preceding Independent Auditor's Report, the accompanying basic financial statements, and notes to the financial statements.

Financial Highlights

- In fiscal year 2019, the Authority's net position decreased 5.8% or \$7,392,096 to \$120,096,310; primarily due to a loss of \$10,775,863 from ongoing operations, offset by \$3,383,767 in capital contributions. In fiscal year 2018, the Authority's net position decreased 2.4% or \$3,116,490 to \$127,488,406; primarily due to loss of \$7,528,633 from ongoing operations, offset by \$5,250,106 from capital contributions, and the effect of an \$837,963 restatement to net position related to the implementation of GASB 75.
- In fiscal year 2019, the Authority's operating revenues decreased 0.3% or \$47,157 to \$14,649,380. In fiscal year 2018, the Authority's operating revenues increased 7.6% or \$1,040,906 to \$14,696,537.
- In fiscal year 2019, the Authority's operating expenses increased 7.7%, or \$854,034 to \$11,983,127. In fiscal year 2018, the Authority's operating expenses increased 2.1%, or \$224,745 to \$11,129,093.

Required Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Position, Statements of Revenues, Expenses and Changes in Net Position and Statement of Cash Flows provide information about the activities and performance of the Authority using accounting methods similar to those used by private sector companies.

The Statement of Net Position includes all of the Authority's investments in resources (assets) and deferred outflows of resources and the obligations to creditors (liabilities) and deferred inflows of resources. It also provides the basis for computing a rate of return, evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the success of the Authority's operations over the past year and can be used to determine if the Authority has successfully recovered all of its costs through its rates and other charges. This statement can also be used to evaluate profitability and credit worthiness. The final required financial statement is the Statement of Cash Flows, which provides information about the Authority's cash receipts and cash payments during the reporting period.

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Financial Analysis of the Authority

One of the most important questions asked about the Authority's finances is, "Is the Authority better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the Authority in a way that helps answer this question.

Victor Valley Wastewater Reclamation Authority
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2019 and 2018

Financial Analysis of the Authority, continued

These statements include all assets, deferred outflows of resources, and liabilities, deferred inflows of resources, using the *accrual basis of accounting*, which is similar to the accounting method used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the Authority's *net position* and changes in them. One can think of the Authority's net position – the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources – as one way to measure the Authority's financial health, or *financial position*. Over time, *increases or decreases* in the Authority's net position are one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, and new or changed government legislation or accounting standards, as well as changes in Federal and State water quality standards.

Notes to the Basic Financial Statements

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

Statements of Net Position

Condensed Statements of Net Position					
	<u>2019</u>	<u>2018</u>	<u>Change</u>	<u>2017</u>	<u>Change</u>
Assets:					
Current assets	\$ 18,694,803	19,845,500	(1,150,697)	24,215,150	(4,369,650)
Non-current assets	200,174	207,756	(7,582)	142,327	65,429
Capital asset, net	<u>194,207,354</u>	<u>204,028,354</u>	<u>(9,821,000)</u>	<u>204,293,272</u>	<u>(264,918)</u>
Total assets	<u>213,102,331</u>	<u>224,081,610</u>	<u>(10,979,279)</u>	<u>228,650,749</u>	<u>(4,569,139)</u>
Deferred outflows of resources:	<u>2,014,827</u>	<u>1,742,472</u>	<u>272,355</u>	<u>1,743,035</u>	<u>(563)</u>
Liabilities:					
Current liabilities	5,942,064	5,863,899	78,165	13,308,048	(7,444,149)
Non-current liabilities	<u>88,990,158</u>	<u>92,382,340</u>	<u>(3,392,182)</u>	<u>86,315,817</u>	<u>6,066,523</u>
Total liabilities	<u>94,932,222</u>	<u>98,246,239</u>	<u>(3,314,017)</u>	<u>99,623,865</u>	<u>(1,377,626)</u>
Deferred inflows of resources:	<u>88,626</u>	<u>89,437</u>	<u>(811)</u>	<u>165,023</u>	<u>(75,586)</u>
Net position:					
Net investment in capital assets	110,092,368	115,843,035	(5,750,667)	122,731,832	(6,888,797)
Restricted	5,147,861	5,285,091	(137,230)	9,004,801	(3,719,710)
Unrestricted	<u>4,856,081</u>	<u>6,360,280</u>	<u>(1,504,199)</u>	<u>(1,131,737)</u>	<u>7,492,017</u>
Total net position	<u>\$ 120,096,310</u>	<u>127,488,406</u>	<u>(7,392,096)</u>	<u>130,604,896</u>	<u>(3,116,490)</u>

As noted earlier, net position may serve over time as a useful indicator of an organization's financial position. The assets and deferred outflows of the Authority exceeded liabilities and deferred inflows by \$120,096,310 and \$127,488,406 as of June 30, 2019 and 2018, respectively.

By far the largest portion of the Authority's net position (92% and 91% as of June 30, 2019 and 2018, respectively) reflects the Authority's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The Authority uses these capital assets to provide services to customers within the Authority's service areas.

Victor Valley Wastewater Reclamation Authority
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2019 and 2018

Statements of Net Position, continued

At the end of fiscal year 2019 and 2018, the Authority showed a balance in its unrestricted net position of \$4,856,081 and \$6,360,280. See note 13 for further discussion.

Statements of Revenues, Expenses and Changes in Net Position

Condensed Statements of Revenues, Expenses and Changes in Net Position

	<u>2019</u>	<u>2018</u>	<u>Change</u>	<u>2017</u>	<u>Change</u>
Revenue:					
Operating revenues	\$ 14,649,380	14,696,537	(47,157)	13,655,631	1,040,906
Non-operating revenues	281,620	67,532	214,088	78,595	(11,063)
Total revenue	<u>14,931,000</u>	<u>14,764,069</u>	<u>166,931</u>	<u>13,734,226</u>	<u>1,029,843</u>
Expense:					
Operating expenses	11,983,127	11,129,093	854,034	10,904,348	224,745
Depreciation	12,468,103	9,226,174	3,241,929	7,900,370	1,325,804
Non-operating expenses	1,255,633	1,937,435	(681,802)	1,555,468	381,967
Total expense	<u>25,706,863</u>	<u>22,292,702</u>	<u>3,414,161</u>	<u>20,360,186</u>	<u>1,932,516</u>
Net loss before capital contributions	<u>(10,775,863)</u>	<u>(7,528,633)</u>	<u>(3,247,230)</u>	<u>(6,625,960)</u>	<u>(902,673)</u>
Capital contributions:					
Capital grants	294,907	2,367,867	(2,072,960)	6,767,557	(4,399,690)
Connection fees	3,088,860	2,882,239	206,621	2,951,667	(69,428)
Total capital contributions	<u>3,383,767</u>	<u>5,250,106</u>	<u>(1,866,339)</u>	<u>9,719,224</u>	<u>(4,469,118)</u>
Changes in net position	<u>(7,392,096)</u>	<u>(2,278,527)</u>	<u>(5,113,569)</u>	<u>3,093,264</u>	<u>(5,371,791)</u>
Net position, beginning of year					
– as restated – (note 14)	<u>127,488,406</u>	<u>129,766,933</u>	<u>(2,278,527)</u>	<u>119,824,954</u>	<u>2,255,301</u>
Net position, end of year	<u>\$ 120,096,310</u>	<u>127,488,406</u>	<u>(7,392,096)</u>	<u>130,604,896</u>	<u>(3,116,490)</u>

The statement of revenues, expenses and changes in net position shows how the Authority's net position changed during the fiscal year. The Authority's net position decreased 5.8% or \$7,392,096 to \$120,096,310 in fiscal year 2019, due to a loss of \$10,775,863 from ongoing operations, offset by \$3,383,767 in capital contributions. In 2018, the Authority's net position decreased 2.4% or \$3,116,490 to \$127,488,406 in fiscal year 2018, due to a loss of \$7,528,633 from ongoing operations, offset by \$5,250,106 in capital contributions, and the effect of an \$837,963 restatement to net position related to the implementation of GASB 75.

The Authority's revenues (before capital contributions) increased 1.1% or \$166,931 in fiscal year 2019, due primarily to an increase of \$214,088 in non-operating revenues, offset by a decrease of \$47,157 in operating revenue. In 2018, the Authority's revenues (before capital contributions) increased 7.5% or \$1,029,843, due primarily to an increase of \$1,040,906 in operating revenues, offset by a decrease of \$11,063 in non-operating revenue.

The Authority's total expenses increased 15.3% or \$3,414,161 in fiscal year 2019, due primarily to increases of \$3,241,929 in depreciation expense, \$854,034 in operating expenses, which were offset by a decrease of \$681,802 in non-operating expenses. In 2018, the Authority's total expenses increased 9.5% or \$1,932,516, due primarily to increases of \$1,325,804 in depreciation expense, \$224,745 in operating expenses, and \$381,967 in non-operating expenses.

Victor Valley Wastewater Reclamation Authority
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2019 and 2018

Revenues

	<u>2019</u>	<u>2018</u>	<u>Change</u>	<u>2017</u>	<u>Change</u>
Operating revenues:					
Wastewater service charges	\$ 13,706,977	13,711,083	(4,106)	12,719,827	991,256
Septage receiving facility fees	614,617	621,154	(6,537)	649,362	(28,208)
ADM-FOG tipping fees	274,186	311,600	(37,414)	234,160	77,440
Pretreatment permit fees	53,600	52,700	900	52,282	418
Total operating revenues	<u>14,649,380</u>	<u>14,696,537</u>	<u>(47,157)</u>	<u>13,655,631</u>	<u>1,040,906</u>
Non-operating revenue:					
Investment earnings	281,620	65,808	215,812	37,886	27,922
Other revenues	-	1,724	(1,724)	40,709	(38,985)
Total non-operating revenue	<u>281,620</u>	<u>67,532</u>	<u>214,088</u>	<u>78,595</u>	<u>(11,063)</u>
Capital contributions:					
Capital grants	294,907	2,367,867	(2,072,960)	6,767,557	(4,399,690)
Connection fees	3,088,860	2,882,239	206,621	2,951,667	(69,428)
Total capital contributions	<u>3,383,767</u>	<u>5,250,106</u>	<u>(1,866,339)</u>	<u>9,719,224</u>	<u>(4,469,118)</u>
Total revenues	<u>\$ 18,314,767</u>	<u>20,014,175</u>	<u>(1,699,408)</u>	<u>23,453,450</u>	<u>(3,439,275)</u>

A closer examination of the Authority's revenues reveals that:

In 2019, the Authority's revenues (including capital contributions) decreased by 8.5% or \$1,699,408 to \$18,314,767. The Authority's operating revenues decreased 0.3% or \$47,157 to \$14,649,380, due to decreases of \$37,414 in ADM-FOG tipping fees, \$6,537 in septage receiving facility fees, \$4,106 in wastewater service charges.

In 2019, the Authority's non-operating revenues increased 317.0%, or \$214,088 to \$281,620, due to an increase of \$215,812 in investment earnings, offset by a decrease of \$1,724 in other revenues.

In 2019, the Authority's capital contributions decreased 35.5% or \$1,866,339 to \$3,383,767, due to a decrease of \$2,072,960 in capital grants, offset by an increase of \$206,621 in connection fees.

In 2018, the Authority's revenues (including capital contributions) decreased by 14.7% or \$3,439,275 to \$20,014,175. The Authority's operating revenues increased 7.6% or \$1,040,906 to \$14,696,537, due to increases of \$991,256 in wastewater service charges, \$77,440 in ADM-FOG tipping fees, and \$418 in pretreatment permit fees, which were offset by a decrease of \$28,208 in septage receiving facility fees.

In 2018, the Authority's non-operating revenues decreased 14.1%, or \$11,063 to \$67,532, due to a decrease of \$38,985 in other revenues, offset by an increase of \$27,922 in investment earnings.

In 2018, the Authority's capital contributions decreased 46.0% or \$4,469,118 to \$5,250,106, due to a decrease of \$4,399,690 in capital grants and \$69,428 in connection fees.

Victor Valley Wastewater Reclamation Authority
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2019 and 2018

Expenses

	<u>2019</u>	<u>2018</u>	<u>Change</u>	<u>2017</u>	<u>Change</u>
Operating expenses:					
Salaries and benefits	\$ 5,011,708	4,813,879	197,829	4,435,790	378,089
Maintenance	1,880,448	1,654,791	225,657	1,936,625	(281,834)
Operations	2,928,704	2,877,169	51,535	2,444,093	433,076
General and administration	2,162,267	1,783,254	379,013	2,087,840	(304,586)
Depreciation	12,468,103	9,226,174	3,241,929	7,900,370	1,325,804
Total operating expense	<u>24,451,230</u>	<u>20,355,267</u>	<u>4,095,963</u>	<u>18,804,718</u>	<u>1,550,549</u>
Non-operating expenses:					
Interest expense	1,183,372	1,766,631	(583,259)	540,318	1,226,313
Loss on disposal of temp. pipeline	-	-	-	784,245	(784,245)
Capital contribution to local government	71,132	170,804	(99,672)	-	170,804
Flood damage expense	-	-	-	230,905	(230,905)
Other expense	1,129	-	1,129	-	-
Total non-operating expenses	<u>1,255,633</u>	<u>1,937,435</u>	<u>(681,802)</u>	<u>1,555,468</u>	<u>381,967</u>
Total expenses	<u>\$ 25,706,863</u>	<u>22,292,702</u>	<u>3,414,161</u>	<u>20,360,186</u>	<u>1,932,516</u>

A closer examination of the Authority's expenses reveals that:

In 2019, the Authority's total expenses increased by 15.3% or \$3,414,161 to \$25,706,863. The Authority's operating expenses increased by 20.1%, or \$4,095,963, primarily due to increases of \$3,241,929 in depreciation expense, \$379,013 in general and administrative expenses, \$225,657 in maintenance expense, \$197,829 in salaries and benefits expenses, and \$51,535 in operations expenses.

In 2019, the Authority's non-operating expenses decreased 35.2%, or \$681,802 to \$1,255,633, primarily due to decreases of \$583,259 in interest expense and \$99,672 in capital contribution to local government.

In 2018, the Authority's total expenses increased by 9.5% or \$1,932,516 to \$22,292,702. The Authority's operating expenses increased by 8.2%, or \$1,550,549, primarily due to increases of \$1,325,804 in depreciation expense, \$433,076 in operations expenses, \$378,089 in salaries and benefits expenses, which were offset by decreases of \$281,834 in maintenance expense and \$304,586 in general and administrative expenses.

In 2018, the Authority's non-operating expenses increased 24.6%, or \$381,967 to \$1,937,435, primarily due to increases of \$1,226,313 in interest expense, due to the finalization of capital project related loans which were completed and began repayment, and \$170,804 in capital contribution to local government, which were offset by decreases of \$784,245 in loss upon disposal of the temporary pipeline upon completion of the permanent pipeline and \$230,905 in flood damage expense.

Victor Valley Wastewater Reclamation Authority
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2019 and 2018

Capital Asset Administration

Changes in capital asset amounts for 2019 were as follows:

	<u>Balance 2018</u>	<u>Additions</u>	<u>Disposals/ Transfers</u>	<u>Balance 2019</u>
Capital assets:				
Non-depreciable assets	\$ 3,081,101	2,217,594	(1,923,265)	3,375,430
Depreciable assets	297,062,168	2,352,774	(35,546)	299,379,396
Accumulated depreciation	<u>(96,114,915)</u>	<u>(12,468,103)</u>	<u>35,546</u>	<u>(108,547,472)</u>
Total capital assets	<u>\$ 204,028,354</u>	<u>(7,897,735)</u>	<u>(1,923,265)</u>	<u>194,207,354</u>

At the end of fiscal year 2019, the Authority's investment in capital assets amounted to \$194,207,354 (net of accumulated depreciation). This investment in capital assets includes land improvements, sewer collection and pipeline system, buildings and structures, equipment, vehicles and construction in progress, etc.

In 2019, construction in progress increased by \$2,217,594, due primarily to the ongoing project construction of the Micro-grid battery storage project, the Desert Knolls Wash project, the Lab-EC-IT construction project and the Total Ignition SCADA project.

In 2019, major capital assets additions during the year, sourcing from construction in progress, included \$1,656,492 to interceptor lines, and \$266,773 to office equipment. Major additions outside of construction-in progress were \$351,499 to plant and building, \$22,207 to office equipment and \$55,802 to trucks and autos. See note 6 for more details related to capital assets.

Changes in capital asset amounts for 2018 were as follows:

	<u>Balance 2017</u>	<u>Additions</u>	<u>Disposals/ Transfers</u>	<u>Balance 2018</u>
Capital assets:				
Non-depreciable assets	\$ 83,687,800	8,217,002	(88,823,701)	3,081,101
Depreciable assets	207,563,761	89,567,955	(69,548)	297,062,168
Accumulated depreciation	<u>(86,958,289)</u>	<u>(9,226,174)</u>	<u>69,548</u>	<u>(96,114,915)</u>
Total capital assets	<u>\$ 204,293,272</u>	<u>88,558,783</u>	<u>(88,823,701)</u>	<u>204,028,354</u>

At the end of fiscal year 2018, the Authority's investment in capital assets amounted to \$204,028,354 (net of accumulated depreciation). This investment in capital assets includes land improvements, sewer collection and pipeline system, buildings and structures, equipment, vehicles and construction in progress, etc.

In 2018, construction in progress increased by \$8,217,002, due to the ongoing project construction of the sub-regional wastewater reclamation plants in Hesperia and Apple Valley, the Micro-grid battery storage project, the Nanticoke gravity interceptor project, the Desert Knolls Wash project and the Total Ignition SCADA project.

In 2018, major capital assets additions during the year, sourcing from construction in progress, included \$83,932,724 to plant and building and \$4,890,977 to interceptor pipelines. Major additions outside of construction-in progress were \$735,227 to plant and building for the purchase of a tractor and generator terminator cabinet. See note 6 for more details related to capital assets.

Victor Valley Wastewater Reclamation Authority
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2019 and 2018

Debt Administration

Changes in long-term debt amounts for 2019 were as follows:

	<u>Balance 2018</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>Balance 2019</u>
Long-term debt:				
Lease payable	\$ 429,152	-	(89,930)	339,222
Loans payable	<u>87,756,167</u>	-	<u>(3,980,403)</u>	<u>83,775,764</u>
Total long-term debt	<u>\$ 88,185,319</u>	<u>-</u>	<u>(4,070,333)</u>	<u>84,114,986</u>

Changes in long-term debt amounts for 2018 were as follows:

	<u>Balance 2017</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>Balance 2018</u>
Long-term debt:				
Lease payable	\$ -	532,943	(103,791)	429,152
Loans payable	<u>87,756,167</u>	-	-	<u>87,756,167</u>
Total long-term debt	<u>\$ 87,756,167</u>	<u>532,943</u>	<u>(103,791)</u>	<u>88,185,319</u>

The Authority has eight State Revolving Fund loans from the State Water Resources Control Board, one Southern California Edison loan, and one lease payable. The loans are for the purpose of financing construction related costs for the 9.5 MGD Improvement Project, the 11 MGD Expansion Project, the North Apple Valley Interceptor, the Phase III-A Facility, the Subregional Wastewater Reclamation Plants in Hesperia, and Apple Valley, the Upper Narrows Pipeline Replacement Project, the Nanticoke Gravity Interceptor Project. The Authority has one lease which is for the financing of a Brown Bear tractor for use in day-to-day operations. These low interest loans and lease are payable in 6 to 30 annual payments maturing in fiscal years 2020 through 2047. Additional information regarding long-term debt is located in notes 9 & 10 of the Notes to Financial Statements.

Conditions Affecting Current Financial Position

The Authority is continuing to work closely with the four Member Agencies to complete a long-term financial plan which includes the Capital Improvement Plan and the associated funding. The financial plan includes debt financing as an element to upgrade the facilities that will benefit the residents of the communities served, thus allowing the Authority to continue its mission to maintain the environment and provide professional, competent wastewater treatment, reclamation, recycling, and reuse.

Growth in the region has not met the expectations of the adopted financial plan dated February 20, 2014, negatively affecting connection fees and capital income.

At June 30, 2019, Management is unaware of any other conditions, beyond the aforementioned, which could have a significant impact on the Authority's current financial position, net position or operating results based on past, present and future events.

Victor Valley Wastewater Reclamation Authority
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2019 and 2018

Requests for Information

This financial report is designed to provide the Authority's funding sources, customers, stakeholders and other interested parties with an overview of the Authority's financial operations and financial condition. Questions concerning any of the information provided in the report or requests for additional information should be addressed to the Authority's Finance Department at 20111 Shay Road, Victorville, California 92394.

Draft Draft Subject to Board Approval

Basic Financial Statements

Final Draft Subject to Board Approval

Victor Valley Wastewater Reclamation Authority
Statements of Net Position
For the Fiscal Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Current assets:		
Cash and equivalents (note 2)	\$ 6,234,588	4,082,087
Restricted – cash and equivalents (note 2)	5,147,861	5,285,091
Interest receivable	17,464	7,311
Accounts receivable, net	176,137	186,800
Accounts receivable – due from member agencies (note 3)	2,630,915	5,259,325
Accounts receivable – other (note 4)	8,061	9,131
Accounts receivable – loan (note 10)	-	82,946
Accounts receivable – grants	4,231,352	4,718,438
Notes receivable, net (note 5)	9,636	9,562
Materials and supplies inventory	85,674	83,104
Prepaid expenses and other deposits	153,115	121,705
Total current assets	<u>18,694,803</u>	<u>19,845,500</u>
Non-current assets:		
Notes receivable, net (note 5)	200,174	207,756
Capital assets not being depreciated (note 6)	3,375,430	3,081,101
Capital assets being depreciated, net (note 6)	<u>190,831,924</u>	<u>200,947,253</u>
Total non-current assets	<u>194,407,528</u>	<u>204,236,110</u>
Total assets	<u>213,102,331</u>	<u>224,081,610</u>
Deferred outflows of resources:		
Other post-employment benefits related outflows (note 11)	751,459	-
Pension related outflows (note 12)	<u>1,263,368</u>	<u>1,742,472</u>
Total deferred outflows of resources:	<u>\$ 2,014,827</u>	<u>1,742,472</u>

Continued on next page

See accompanying notes to the basic financial statements

Victor Valley Wastewater Reclamation Authority
Statements of Net Position, continued
For the Fiscal Years Ended June 30, 2019 and 2018

	2019	2018
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,268,195	1,279,448
Construction retention payable	49,800	-
Accrued wages and related payables	158,930	160,234
Accrued interest on long-term debt	261,723	275,043
Long-term liabilities – due within one year:		
Compensated absences (note 7)	65,509	72,005
Other payables (note 8)	6,852	6,852
Lease payable (note 9)	92,834	89,930
Loans payable (note 10)	4,038,221	3,980,387
Total current liabilities	5,942,064	5,863,899
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (note 7)	196,526	216,014
Other payables (note 8)	8,530	15,382
Lease payable (note 9)	246,388	339,222
Loans payable (note 10)	79,737,543	83,775,780
Total other post-employment benefits liability (note 11)	3,159,843	2,285,368
Net pension liability (note 12)	5,641,328	5,750,574
Total non-current liabilities:	88,990,158	92,382,340
Total liabilities	94,932,222	98,246,239
Deferred inflows of resources:		
Pension related inflows (note 12)	88,626	89,437
Total deferred inflows of resources:	88,626	89,437
Net position: (note 13)		
Net investment in capital assets	110,092,368	115,843,035
Restricted for debt service	5,147,861	5,285,091
Unrestricted	4,856,081	6,360,280
Total net position	\$ 120,096,310	127,488,406

See accompanying notes to the basic financial statements

Victor Valley Wastewater Reclamation Authority
Statements of Revenues, Expenses and Changes in Net Position
For the Fiscal Years Ended June 30, 2019 and 2018

	2019	2018
Operating revenues:		
Wastewater service charges	\$ 13,706,977	13,711,083
Septage receiving facility fees	614,617	621,154
ADM-FOG tipping fees	274,186	311,600
Pretreatment permit fees	53,600	52,700
Total operating revenues	14,649,380	14,696,537
Operating expenses:		
Salaries and benefits	5,011,708	4,813,879
Maintenance	1,880,448	1,654,791
Operations	2,928,704	2,877,169
General and administration	2,162,267	1,783,254
Total operating expense	11,983,127	11,129,093
Operating income before depreciation expense	2,666,253	3,567,444
Depreciation	(12,468,103)	(9,226,174)
Operating loss	(9,801,850)	(5,658,730)
Non-operating revenue (expense):		
Investment earnings	281,620	65,808
Interest expense	(1,183,372)	(1,766,631)
Other, net	(1,129)	1,724
Capital contribution to local government	(71,132)	(170,804)
Total non-operating expense, net	(974,013)	(1,869,903)
Net loss before capital contributions	(10,775,863)	(7,528,633)
Capital contributions:		
Capital grants – Title 16	-	16,994
Capital grants – State of California	-	916,729
Capital grants – Water Recycling Grant	-	442,399
Capital grants – Other agency	294,907	991,745
Connection fees	3,088,860	2,882,239
Total contributed capital	3,383,767	5,250,106
Change in net position	(7,392,096)	(2,278,527)
Net position, beginning of year – as restated	127,488,406	130,604,896
Prior period adjustment (note 14)	-	(837,963)
Net position, beginning of year – as restated (note 14)	127,488,406	129,766,933
Net position, end of year	\$ 120,096,310	127,488,406

See accompanying notes to the basic financial statements

Victor Valley Wastewater Reclamation Authority
Statements of Cash Flows
For the Fiscal Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Cash receipts from customers	\$ 14,661,113	14,688,448
Cash paid to employees for salaries and wages	(5,010,404)	(4,796,725)
Cash paid to vendors and suppliers for materials and services	<u>(3,944,954)</u>	<u>(17,612,059)</u>
Net cash provided by (used in) operating activities	<u>5,705,755</u>	<u>(7,720,336)</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(2,093,734)	(9,806,930)
Proceeds from connection fees	3,088,860	2,882,239
Proceeds from grant funding	223,775	2,516,556
Proceeds from capital lease	-	532,943
Proceeds from loans	82,946	11,364,606
Principal paid for capital lease	(89,930)	(103,791)
Principal paid for long-term debt	(3,987,255)	(2,097,313)
Interest paid for long-term debt	<u>(1,196,692)</u>	<u>(1,566,970)</u>
Net cash (used in) provided by capital and related financing activities	<u>(3,972,030)</u>	<u>3,721,340</u>
Cash flows from investing activities:		
Investment earnings	<u>281,546</u>	<u>73,319</u>
Net cash provided by investing activities	<u>281,546</u>	<u>73,319</u>
Net increase (decrease) in cash and cash equivalents	<u>2,015,271</u>	<u>(3,925,677)</u>
Cash and cash equivalents, beginning of year	<u>9,367,178</u>	<u>13,292,855</u>
Cash and cash equivalents, end of year	<u>\$ 11,382,449</u>	<u>9,367,178</u>
Reconciliation of cash and cash equivalents to the statements of net position:		
Cash and cash equivalents	\$ 6,234,588	4,082,087
Restricted cash and cash equivalents	<u>5,147,861</u>	<u>5,285,091</u>
Total cash and cash equivalents	<u>\$ 11,382,449</u>	<u>9,367,178</u>

Continued on next page

See accompanying notes to the basic financial statements

Victor Valley Wastewater Reclamation Authority
Statements of Cash Flows, continued
For the Fiscal Years Ended June 30, 2019 and 2018

	2019	2018
Reconciliation of operating income to net cash provided by (used in) operating activities:		
Operating loss	\$ <u>(9,801,850)</u>	<u>(5,658,730)</u>
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation	12,468,103	9,226,174
Other non-operating revenues	-	1,724
Other non-operating expenses	(72,261)	(170,804)
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:		
(Increase) decrease in assets:		
Accounts receivable	10,663	(10,909)
Accounts receivable – due from member agencies	2,628,410	(2,774,972)
Accounts receivable – other	1,070	2,820
Note receivable, net	7,508	(69,138)
Materials and supplies inventory	(2,570)	3,411
Prepaid expenses and other deposits	(31,410)	6,277
Increase in deferred outflows of resources	(272,355)	563
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(11,253)	(3,458,698)
Construction retention payable	49,800	(6,378,023)
Accrued wages and related payables	(1,304)	17,154
Compensated absences	(25,984)	19,976
Other payables	(6,852)	(6,852)
Total other post-employment benefits liability	874,475	866,327
Net pension liability	(109,246)	738,950
Decrease in deferred inflows of resources	811	(75,586)
Total adjustments	<u>15,507,605</u>	<u>(2,061,606)</u>
Net cash provided by (used in) operating activities	\$ <u><u>5,705,755</u></u>	<u><u>(7,720,336)</u></u>
Non-cash investing, capital and financing transactions:		
Change in fair value of funds deposited with LAIF	\$ <u>4,866</u>	<u>7,311</u>
Change in capital contributions – grants	\$ <u>487,086</u>	<u>148,689</u>

See accompanying notes to the basic financial statements

Victor Valley Wastewater Reclamation Authority
Notes to the Financial Statements
For the Fiscal Years Ended June 30, 2019 and 2018

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

The Victor Valley Wastewater Reclamation Authority (the Authority) was formed on December 13, 1977, under a joint powers agreement between local governments and special district consisting of the City of Victorville, the City of Hesperia, the Town of Apple Valley, and the County of San Bernardino Service Areas No. 42 (Oro Grande) and No. 64 (Spring Valley Lake) for the purpose of construction, operation, and maintenance of sewer collection, and treatment facilities within the service areas. The Authority is governed by a four-member Board of Commissioners.

B. Basis of Accounting and Measurement Focus

The Authority reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the Authority is that the costs of providing wastewater services, collection and treatment for its service areas on a continuing basis be financed or recovered primarily through user charges (sewer service charges), capital grants and similar funding. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

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

C. Financial Reporting

The financial statements of the Authority are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) issued by the Governmental Accounting Standards Board (GASB) applicable to governmental entities that use proprietary fund accounting including:

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

Governmental Accounting Standards Board Statement No. 83

In November 2016, the GASB issued Statement No. 83 – Certain Asset Retirement Obligations. This Statement (1) addresses accounting and financial reporting for certain asset retirement obligations (AROs), (2) establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs, (3) requires that recognition occur when the liability is both incurred and reasonably estimable, (4) requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred, (5) requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually, and (6) requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 88

In April 2018, the GASB issued Statement No. 88 – Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

Victor Valley Wastewater Reclamation Authority
Notes to the Financial Statements
For the Fiscal Years Ended June 30, 2019 and 2018

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

C. Financial Reporting, continued

Governmental Accounting Standards Board Statement No. 88, continued

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

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

1. Use of Estimates

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

2. Cash and Cash Equivalents

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

3. Investments and Investment Policy

The Authority has adopted an investment policy directing the General Manager and Controller to deposit funds in financial institutions.

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

4. Fair Value Measurements

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset, as follows:

- **Level 1** – Valuation is based on quoted prices in active markets for identical assets.
- **Level 2** – Valuation is based on directly observable and indirectly observable inputs. These inputs are derived principally from or corroborated by observable market data through correlation or market-corroborated inputs. The concept of market-corroborated inputs incorporates observable market data such as interest rates and yield curves that are observable at commonly quoted intervals.

Victor Valley Wastewater Reclamation Authority
Notes to the Financial Statements
For the Fiscal Years Ended June 30, 2019 and 2018

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

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

4. Fair Value Measurements, continued

- **Level 3** – Valuation is based on unobservable inputs where assumptions are made based on factors such as prepayment rates, probability of defaults, loss severity and other assumptions that are internally generated and cannot be observed in the market.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques attempt to maximize the use of observable inputs and minimize the use of unobservable inputs.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Authority believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurement at the reporting date.

5. Restricted Assets

Amounts shown as restricted assets are to be used for specified purposes, such as payments of state revolving fund debts and the construction of capital assets. Such assets have been restricted by loan agreement provisions, law or contractual obligations.

6. Accounts Receivable and Allowance for Uncollectible Accounts

The Authority extends credit to customers in the normal course of operations. When management deems customer accounts uncollectible, the Authority uses the indirect write-off method as accounts become uncollectible.

7. Federal Capital and Operating Grants

When a grant agreement is approved and eligible expenditures are incurred, the amount is recorded as a federal capital or operating grant receivable on the statement of net position and as capital grant contribution or operating grant revenue, as appropriate, on the statement of revenues, expenses and changes in net position.

8. Materials and Supplies Inventory

Material and supply inventory are valued at historical cost and accounted for on a specific identification basis.

9. Prepaids and other deposits

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

10. Capital Assets

Capital assets acquired and/or constructed are capitalized at a historical cost. Authority policy has set the capitalization threshold for reporting capital assets at \$5,000. Contributed capital assets are recorded at acquisition value. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized.

Victor Valley Wastewater Reclamation Authority
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2019 and 2018

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

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

10. Capital Assets, continued

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

- Plant, buildings and interceptor lines 20 years
- Land Improvements 15 years
- Equipment and vehicle 5 to 7 years

11. Deferred Outflows of Resources

The statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of resources applicable to future periods and therefore will *not* be recognized as an outflow of resources (expenditure) until that time. The Authority has the following items that qualify for reporting in this category:

Post-Employment Benefits Other Than Pensions (OPEB)

- Deferred outflow for the net differences between the actual and expected experience which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with post-employment benefits through the Plan.
- Deferred outflow for the net changes in assumptions which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with post-employment benefits through the Plan.

Pensions

- Deferred outflow which is equal to the employer contributions made after the measurement date of the net pension liability. This amount will be amortized-in-full against the net pension liability in the next fiscal year.
- Deferred outflow for the net differences between the actual and expected experience which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.
- Deferred outflow for the net changes in assumptions which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.
- Deferred outflow for the net difference in projected and actual earnings on investments of the pension plans fiduciary net position. This amount is amortized over a 5 year period.

12. Compensated Absences

The Authority's policy is to permit an employee to accumulate earned vacation up to a total of 360 hours. An employee who has accumulated over 200 hours of unused sick leave may elect to receive the balance up to 40 hours of sick leave hours per a fiscal year. In addition, the employee may receive a cash payment for 20 or more hours of vacation during any pay period including the last full pay period in the fiscal year as long as the employee has 40 hours of vacation time remaining on the books.

Victor Valley Wastewater Reclamation Authority
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2019 and 2018

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

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

13. Post-Employment Benefits Other Than Pensions (OPEB)

For purposes of measuring the total OPEB liability and deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Authority's OPEB plan (Plan) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

GASB 75 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

- Valuation Dates: June 30, 2019 and 2018
- Measurement Dates: June 30, 2019 and 2018
- Measurement Periods: July 1, 2018 to June 30, 2019 and July 1, 2017 to June 30, 2018

14. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Authority's California Public Employees' Retirement System (CalPERS) plans (Plans) and addition to/deduction from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

- Valuation Dates: June 30, 2017 and 2016
- Measurement Dates: June 30, 2018 and 2017
- Measurement Periods: July 1, 2017 to June 30, 2018 and July 1, 2016 to June 30, 2017

15. Deferred Inflows of Resources

The statement of net position will sometimes report a separate section for deferred inflows of resources. This financial statement element, deferred inflows of resources, represents an acquisition of resources applicable to future periods and therefore will not be recognized as an inflow of resources (revenue) until that time. The Authority has the following items that qualify for reporting in this category:

Pensions

- Deferred inflow for the net difference in actual and proportionate share of employer contribution and net changes in proportion which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.
- Deferred inflow for the net changes due to differences in the changes in proportions of the net pension liability which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.

Victor Valley Wastewater Reclamation Authority
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2019 and 2018

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

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

16. Net Position

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

- *Net Investment in Capital Assets Component of Net Position*— This component of net position consists of capital assets, net of accumulated depreciation, and reduced by any debt outstanding against the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt is included in this component of net position
- *Restricted Component of Net Position* – This component of net position consists of assets that have restrictions placed upon their use by external constraints imposed either by creditors (debt covenants), grantors, contributors, or laws and regulations of other governments or constraints imposed by law through enabling legislation.
- *Unrestricted Component of Net Position* – This component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the net investment in capital assets or restricted component of net position.

17. Operating Revenues and Expenses

Operating revenues and expenses represent revenue earned and the related costs incurred to provide wastewater services to the Authority's customers.

18. Capital Contributions

Capital contributions represent cash and capital asset additions contributed to the Authority by granting agencies or member agencies requesting services that require capital expenditures or connection to the Authority's system.

19. Budgetary Policies

Prior to June 30th each fiscal year, the Authority adopts an annual appropriated budget for planning, control, and evaluation purposes. The budget includes proposed expenses and the means of financing them. Budgetary control and evaluation are affected by comparisons of actual revenues and expenses with planned revenues and expenses for the period. The Board approves total budgeted appropriations and any amendments to the appropriations throughout the year. The Joint Powers Agreement requires the preparation of an annual budget, but the Authority is not legally required to report on the budget approved. Encumbrance accounting is not required to account for commitments related to unperformed contracts for construction and services.

(2) Cash and Investments

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

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 6,234,588	4,082,087
Restricted – Cash and cash equivalents	<u>5,147,861</u>	<u>5,285,091</u>
Total cash and investments	<u>\$ 11,382,449</u>	<u>9,367,178</u>

Victor Valley Wastewater Reclamation Authority
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2019 and 2018

(2) Cash and Investments, continued

Cash and investments as of June 30 consist of the following:

	<u>2019</u>	<u>2018</u>
Deposits with financial institutions	\$ 2,218,620	4,720,145
Investments:		
Deposits with California Local Agency Investment Fund (LAIF)	2,847,700	1,537,864
Deposits with Cal Trust – Short Term Fund	3,120,990	3,109,169
Deposits with Cal Trust – Medium Term Fund	3,195,139	-
Total investments	<u>9,163,829</u>	<u>4,647,033</u>
Total cash and investments	\$ <u>11,382,449</u>	<u>9,367,178</u>

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

	<u>2019</u>	<u>2018</u>
Deposits held with California Local Agency Investment Fund (LAIF)	173 days	193 days
Deposits held with Cal Trust – Short Term Fund	332 days	318 days
Deposits held with Cal Trust – Medium Term Fund	<u>788 days</u>	<u>-</u>

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

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury obligations	5 years	None	None
Federal agency securities	5 years	None	None
Banker's acceptances	180 days	40%	30%
Negotiable certificates of deposit	5 years	30%	None
Repurchase agreements	1 year	None	None
Medium-term notes	5 years	30%	None
Mutual funds	N/A	20%	10%
San Bernardino County Local Agency: Investment Fund (SBCLAIF)	N/A	None	None
California Local Agency Investment Fund (LAIF)	N/A	None	None
Investment Trust of California (CalTRUST)	N/A	None	None

Victor Valley Wastewater Reclamation Authority
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2019 and 2018

(2) Cash and Investments, continued

Investment in State Investment Pool

The Authority is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the Authority's investment in this pool is reported in the accompanying financial statements at amounts based upon the Authority's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

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

Investment in Investment Trust of California

CalTrust is organized as a Joint Powers Authority. CalTrust is a program established by public agencies in California for the purpose of pooling and investing local agency funds – operating reserves as well as bond proceeds. Any California local agency may participate in the Trust and invest its funds. Funds from all participants are pooled in each of the accounts. Participants receive units in the Trust and designated shares for the particular account in which they invest. CalTrust invests in fixed income securities eligible for investment pursuant to California Government Code Sections 53601, et seq. and 53635, et seq. Investment guidelines adopted by the Board of Trustees may further restrict the types of investments held by the Trust. Leveraging within the Trust's portfolio is prohibited.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Authority will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the Authority's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits:

The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. Of the bank balances, up to \$250,000 at June 30, 2019 and 2018, is federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the Authority's name, respectively.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Code and the Authority's investment policy contain legal and policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

Victor Valley Wastewater Reclamation Authority
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2019 and 2018

(2) Cash and Investments, continued

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The longer the maturity of an investment has, the greater its fair value has sensitivity to changes in market interest rates. It is the policy of the Authority to invest public funds in a prudent manner which will provide in the following order: 1) the highest level of safety of funds, 2) liquidity of funds in order that daily cash flow demands are met, 3) the yield or investment return be maximized while conforming to all laws of the State of California regarding the investment of public funds. This policy provides guidelines for authorized investments and in accordance with Section 53646 of the California Government Code.

Maturities of investments at June 30, 2019, were as follows:

Investment Type	Total	Remaining Maturity (in Months)	
		12 Months Or Less	12 Months Or More
California Local Agency Investment Fund (LAIF)	\$ 2,847,700	2,847,700	-
Cal Trust – Short Term Fund	3,120,990	3,120,990	-
Cal Trust – Medium Term Fund	3,195,139	-	3,195,139
Total	\$ 9,163,829	5,968,690	3,195,139

Maturities of investments at June 30, 2018, were as follows:

Investment Type	Total	Remaining Maturity (in Months)	
		12 Months Or Less	12 Months Or More
California Local Agency Investment Fund (LAIF)	\$ 1,537,864	1,537,864	-
Cal Trust – Short Term Fund	3,109,169	3,109,169	-
Total	\$ 4,647,033	4,647,033	-

Credit Risk

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

Victor Valley Wastewater Reclamation Authority
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2019 and 2018

(2) Cash and Investments, continued

Credit ratings of investments as of June 30, 2019, consisted of the following:

<u>Investment Types</u>	<u>Total</u>	<u>Minimum Legal Rating</u>	<u>Rating AAA</u>	<u>Not Rated</u>
California Local Agency Investment Fund (LAIF)	\$ 2,847,700	N/A	-	2,847,700
Cal Trust – Short Term Fund	3,120,990	AAA	3,120,990	-
Cal Trust – Medium Term Fund	3,195,139	AAA	3,195,139	-
Total	\$ 9,163,829		6,316,129	2,847,700

Credit ratings of investments as of June 30, 2018, consisted of the following:

<u>Investment Types</u>	<u>Total</u>	<u>Minimum Legal Rating</u>	<u>Rating AAA</u>	<u>Not Rated</u>
California Local Agency Investment Fund (LAIF)	\$ 1,537,864	N/A		1,537,864
Cal Trust – Short Term Fund	3,109,169	AAA	3,109,169	-
Total	\$ 4,647,033		3,109,169	1,537,864

Concentration of Credit Risk

The Authority's investment policy contains the maximum amount and percentage that can be invested in any one issuer as beyond that stipulated by the California Government Code. There were no investments in any one issuer that represent 5% or more of total Authority's investments at June 30, 2019 and 2018, respectively.

Fair Value Measurements

At June 30, 2019 and 2018, the Authority held no investments which required fair value measurement, respectively.

Victor Valley Wastewater Reclamation Authority
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2019 and 2018

(3) Accounts Receivable – Due from Member Agencies

Accounts receivable – due from member agencies at June 30 were as follows:

	<u>2019</u>	<u>2018</u>
User Charge Receivable:		
City of Hesperia	\$ 411,931	2,044,387
Town of Apple Valley	374,569	373,730
City of Victorville	662,722	1,343,427
County of San Bernardino Special Districts	<u>62,425</u>	<u>61,696</u>
Total user charge receivable	<u>1,511,647</u>	<u>3,823,240</u>
Connection Fees Receivable:		
City of Hesperia	1,025,785	1,216,985
Town of Apple Valley	15,000	47,200
City of Victorville	78,483	29,400
County of San Bernardino Special Districts	<u>-</u>	<u>142,500</u>
Total connection fees receivable	<u>1,119,268</u>	<u>1,436,085</u>
Total due from member agencies	<u>\$ 2,630,915</u>	<u>5,259,325</u>

(4) Accounts Receivable – Other

Other receivables include amounts related to a Flexible Spending Account established by the Authority for qualified employees. Terms of the program provide that the Authority fund each participating employee's flexible spending amount at the beginning of each year. Funds are reimbursed to the Authority through payroll deductions.

Accounts receivable – other at June 30 were as follows:

	<u>2019</u>	<u>2018</u>
Flexible spending account	\$ <u>8,061</u>	<u>9,131</u>

Victor Valley Wastewater Reclamation Authority
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2019 and 2018

(5) Notes Receivable

Changes in notes receivable amounts for 2019 were as follows:

	<u>Balance 2018</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 2019</u>
Notes receivable:				
AVRWC (dba Liberty Utilities)	\$ 222,414	-	(5,853)	216,561
AVRWC (dba Liberty Utilities) – Discount	(78,034)	-	2,054	(75,980)
Subtotal AVRWC	<u>144,380</u>	<u>-</u>	<u>(3,799)</u>	<u>140,581</u>
Biogas Power Systems – Mojave LLC	72,938	-	(3,709)	69,229
Total	217,318	-	(7,508)	209,810
Less current	<u>(9,562)</u>			<u>(9,636)</u>
Total non-current	<u>\$ 207,756</u>			<u>200,174</u>

Changes in notes receivable amounts for 2018 were as follows:

	<u>Balance 2017</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 2018</u>
Notes receivable:				
AVRWC (dba Liberty Utilities)	\$ 228,267	-	(5,853)	222,414
AVRWC (dba Liberty Utilities) – Discount	(80,087)	-	2,053	(78,034)
Subtotal AVRWC	<u>148,180</u>	<u>-</u>	<u>(3,800)</u>	<u>144,380</u>
Biogas Power Systems – Mojave LLC	-	75,320	(2,382)	72,938
Total	148,180	75,320	(6,182)	217,318
Less current	<u>(5,853)</u>			<u>(9,562)</u>
Total non-current	<u>\$ 142,327</u>			<u>207,756</u>

Apple Valley Ranchos Water Company (AVRWC) – (dba Liberty Utilities)

On November 10, 2015, Apple Valley Ranchos Water Company (dba Liberty Utilities) entered into a loan agreement with the Authority, for the construction of water main extension facilities in the amount of \$234,120. Terms of the agreement call for annual principal only payments in the amount of \$5,853 at a rate of zero percent commencing November 2017, maturing November 2056. The Authority is imputing interest at the rate of 2.3% per annum.

Victor Valley Wastewater Reclamation Authority
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2019 and 2018

(5) Notes Receivable, continued

Apple Valley Ranchos Water Company (AVRWC) – (dba Liberty Utilities), continued

As of June 30, the amount receivable under the contract is as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Amortized Discount</u>	<u>Total</u>
2020	\$ 5,853	(2,053)	3,800
2021	5,853	(2,054)	3,799
2022	5,853	(2,053)	3,800
2023	5,853	(2,054)	3,799
2024	5,853	(2,053)	3,800
2025-2029	29,265	(10,267)	18,998
2030-2034	29,265	(10,268)	18,997
2035-2039	29,265	(10,267)	18,998
2040-2044	29,265	(10,268)	18,997
2045-2049	29,265	(10,267)	18,998
2050-2054	29,265	(10,268)	18,997
2055-2056	11,706	(4,108)	7,598
Total	216,561	(75,980)	140,581
Less current	(5,853)		
Less Unamortized discount	(75,980)		
Total non-current	\$ 134,728		

Biogas Power Systems – Mojave LLC

On October 5, 2017, Biogas Power Systems – Mojave LLC entered into a loan agreement with the Authority, for an adjustment to the cost of modifications in the First Amendment to Biogas Power Generation Service Agreement in the amount of \$75,320. Terms of the agreement call for monthly payments in the amount of \$426.73 at a rate of 1.65 percent commencing November 30, 2017, maturing November 2035.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 3,783	1,338	5,121
2021	3,859	1,262	5,121
2022	3,936	1,185	5,121
2023	4,014	1,106	5,120
2024	4,095	1,026	5,121
2025-2029	21,736	3,868	25,604
2030-2034	23,998	1,606	25,604
2035	3,808	32	3,840
Total	69,229	11,423	80,652
Less current	(3,783)		
Total non-current	\$ 65,446		

Victor Valley Wastewater Reclamation Authority
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2019 and 2018

(6) Capital Assets

Changes in capital assets for 2019 were as follows:

	<u>Balance 2018</u>	<u>Additions</u>	<u>Disposals/ Transfers</u>	<u>Balance 2019</u>
Non-depreciable assets:				
Land	\$ 779,136	-	-	779,136
Construction in progress	2,301,965	2,217,594	(1,923,265)	2,596,294
Total non-depreciable assets	<u>3,081,101</u>	<u>2,217,594</u>	<u>(1,923,265)</u>	<u>3,375,430</u>
Depreciable assets:				
Land improvements	9,738,124	-	-	9,738,124
Plant and building	218,162,852	351,499	-	218,514,351
Interceptor lines	67,544,012	1,656,492	-	69,200,504
Office equipment	775,612	288,980	-	1,064,592
Trucks and autos	841,568	55,803	(35,546)	861,825
Total depreciable assets	<u>297,062,168</u>	<u>2,352,774</u>	<u>(35,546)</u>	<u>299,379,396</u>
Less accumulated depreciation:				
Land improvements	(5,289,774)	(587,409)	-	(5,877,183)
Plant and building	(72,253,201)	(9,333,104)	-	(81,586,305)
Interceptor lines	(17,097,510)	(2,453,263)	-	(19,550,773)
Office equipment	(645,254)	(80,309)	-	(725,563)
Trucks and autos	(829,176)	(14,018)	35,546	(807,648)
Total accumulated depreciation	<u>(96,114,915)</u>	<u>(12,468,103)</u>	<u>35,546</u>	<u>(108,547,472)</u>
Total depreciable assets, net	<u>200,947,253</u>	<u>(10,115,329)</u>	<u>-</u>	<u>190,831,924</u>
Total capital assets, net	<u>\$ 204,028,354</u>	<u>(7,897,735)</u>	<u>(1,923,265)</u>	<u>194,207,354</u>

Changes in capital assets not being depreciated consists of additions to construction in progress of \$2,217,594 related to ongoing projects. Decreases in construction in progress related to transfers of interceptor lines of \$1,656,492 and office equipment of \$266,773.

Changes in capital assets being depreciated also consists of additions outside of construction-in-progress of \$351,499 to plant and building, \$22,207 to office equipment and \$55,803 to trucks and autos and disposals of \$35,546 from trucks and autos.

Victor Valley Wastewater Reclamation Authority
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2019 and 2018

(6) Capital Assets, continued

Changes in capital assets for 2018 were as follows:

	Balance 2017	Additions	Disposals/ Transfers	Balance 2018
Non-depreciable assets:				
Land	\$ 779,136	-	-	779,136
Construction in progress	82,908,664	8,217,002	(88,823,701)	2,301,965
Total non-depreciable assets	<u>83,687,800</u>	<u>8,217,002</u>	<u>(88,823,701)</u>	<u>3,081,101</u>
Depreciable assets:				
Land improvements	9,738,124	-	-	9,738,124
Plant and building	133,494,901	84,667,951	-	218,162,852
Interceptor lines	62,653,035	4,890,977	-	67,544,012
Office equipment	766,585	9,027	-	775,612
Trucks and autos	911,116	-	(69,548)	841,568
Total depreciable assets	<u>207,563,761</u>	<u>89,567,955</u>	<u>(69,548)</u>	<u>297,062,168</u>
Less accumulated depreciation:				
Land improvements	(4,700,468)	(589,306)	-	(5,289,774)
Plant and building	(66,057,323)	(6,195,878)	-	(72,253,201)
Interceptor lines	(14,721,147)	(2,376,363)	-	(17,097,510)
Office equipment	(589,109)	(56,145)	-	(645,254)
Trucks and autos	(890,242)	(8,482)	69,548	(829,176)
Total accumulated depreciation	<u>(86,958,289)</u>	<u>(9,226,174)</u>	<u>69,548</u>	<u>(96,114,915)</u>
Total depreciable assets, net	<u>120,605,472</u>	<u>80,341,781</u>	<u>-</u>	<u>200,947,253</u>
Total capital assets, net	<u>\$ 204,293,272</u>	<u>88,558,783</u>	<u>(88,823,701)</u>	<u>204,028,354</u>

Changes in capital assets not being depreciated consists of additions to construction in progress of \$8,217,002 related to ongoing projects. Decreases in construction in progress related to transfers of plant, building and equipment of \$83,932,724 and interceptor pipelines of \$4,890,977.

Changes in capital assets being depreciated consists of additions of \$84,667,951 to plant and building sourcing from construction-in-progress of \$83,932,724 and additions outside of construction-in-progress of \$735,227, \$4,890,977 to interceptor pipelines sourcing from transfers from construction in progress, and \$9,027 of additions to office equipment.

Victor Valley Wastewater Reclamation Authority
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2019 and 2018

(6) Capital Assets, continued

Construction In Process

The Authority is involved in various construction projects throughout the year. Once completed, projects are capitalized and depreciated over the life of the asset.

Construction in progress at June 30 consists of the following projects:

<u>Projects</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Hesperia Wastewater Reclamation Plant	\$ 40,285,673	-	-
Apple Valley Wastewater Reclamation Plant	36,974,149	-	-
Nanticoke Gravity Interceptor	4,708,833	-	-
Desert Knolls Wash	201,637	353,845	-
Lab-EC-IT-Const. Bldg (Butler Bldg)	277,506	277,506	280,166
Oro Grande Inteceptor Project	266,799	268,849	282,116
Micro-grid / Battery Storage Project	135,973	1,173,574	1,478,417
Digester Repairs	-	-	469,104
Total Ignition SCADA Project	-	150,000	-
Various other minor projects > \$50,000	58,094	78,191	86,491
Total	\$ 82,908,664	2,301,965	2,596,294

(7) Compensated Absences

The changes to compensated absences balance at June 30 were as follows:

<u>Balance</u> <u>2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>2019</u>	<u>Due Within</u> <u>One Year</u>	<u>Due in More</u> <u>Than One Year</u>
\$ 288,019	340,916	(366,900)	262,035	65,509	196,526
<u>Balance</u> <u>2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>2018</u>	<u>Due Within</u> <u>One Year</u>	<u>Due in More</u> <u>Than One Year</u>
\$ 268,043	335,965	(315,989)	288,019	72,005	216,014

(8) Other Payables

At June 30 2019, other payables are related to a legal settlement with a former employee.

Other payable future payments to maturity are as follows:

<u>Fiscal Year</u>	<u>Total</u>
2020	\$ 6,852
2021	6,852
2022	1,678
Total	15,382
Less current	(6,852)
Total non-current	\$ 8,530

Victor Valley Wastewater Reclamation Authority
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2019 and 2018

(9) Lease Payable

Lease payable for 2019 was as follows:

	<u>2018</u>	<u>Additions</u>	<u>Payments</u>	<u>2019</u>
Lease payable:				
KS State Bank	\$ 429,152	-	(89,930)	339,222
Less current	(89,930)			(92,834)
Total non-current	\$ 339,222			246,388

Lease payable for 2018 was as follows:

	<u>2017</u>	<u>Additions</u>	<u>Payments</u>	<u>2018</u>
Lease payable:				
KS State Bank	\$ -	532,943	(103,791)	429,152
Less current	-			(89,930)
Total non-current	\$ -			339,222

KS State Bank – Brown Bear Tractor

On August 1, 2017, the Authority entered into a lease purchase option agreement with KS State Bank for the purchase acquisition of a Brown Bear Tractor in the amount of \$532,943. Terms of the agreement call for annual principal and interest payments, at the rate of 9.159%, with an expected maturity in August 2022.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 92,834	10,957	103,791
2021	95,833	7,958	103,791
2022	98,928	4,863	103,791
2023	51,627	1,668	53,295
Total	339,222	25,446	364,668
Less current	(92,834)		
Total non-current	\$ 246,388		

Victor Valley Wastewater Reclamation Authority
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2019 and 2018

(10) Loans Payable

Loans payable at June 30, were as follows:

	<u>2018</u>	<u>Additions</u>	<u>Payments</u>	<u>2019</u>
State Revolving Fund Loans (SRF):				
9.5 MGD Improvements Project	\$ 510,119	-	(251,786)	258,333
11 MGD Expansion Project	2,218,127	-	(538,835)	1,679,292
North Apple Valley Interceptor	1,421,928	-	(222,603)	1,199,325
Phase III-A Facility	11,848,943	-	(707,688)	11,141,255
Upper Narrows Pipeline Replacement	3,187,941	-	(197,175)	2,990,766
Sub-Regional – Hesperia	37,758,385	-	(1,090,893)	36,667,492
Sub-Regional – Apple Valley	26,455,229	-	(764,031)	25,691,198
Nanticoke Gravity Interceptor	4,298,324	-	(189,965)	4,108,359
Southern California Edison Loans:				
So. Cal. Edison loan 2015	57,171	-	(17,427)	39,744
Total	87,756,167	-	(3,980,403)	83,775,764
Less current	(3,980,387)			(4,038,221)
Total non-current	\$ <u>83,775,780</u>			<u>79,737,543</u>

Loans payable at June 30, were as follows:

	<u>2017</u>	<u>Additions</u>	<u>Payments</u>	<u>2018</u>
State Revolving Fund Loans (SRF):				
9.5 MGD improvements project	\$ 755,525	-	(245,406)	510,119
11 MGD expansion project	2,747,174	-	(529,047)	2,218,127
North Apple Valley Interceptor	1,639,102	-	(217,174)	1,421,928
Phase III-A	12,538,026	-	(689,083)	11,848,943
Upper Narrows Pipeline Replacement	3,381,439	-	(193,498)	3,187,941
Sub-Regional – Hesperia	34,102,085	3,656,300	-	37,758,385
Sub-Regional – Apple Valley	22,230,947	4,224,282	-	26,455,229
Nanticoke loan	4,083,755	411,458	(196,889)	4,298,324
Southern California Edison Loan:				
So. Cal. Edison loan 2015	75,453	-	(18,282)	57,171
So. Cal. Edison loan 2016	7,934	-	(7,934)	-
Total	81,561,440	8,292,040	(2,097,313)	87,756,167
Less current	(1,899,554)			(3,980,387)
Total non-current	\$ <u>79,661,886</u>			<u>83,775,780</u>

Victor Valley Wastewater Reclamation Authority
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2019 and 2018

(10) Loans Payable, continued

SRF – 9.5 MGD Improvements Project

In October 1999, the Authority obtained a \$4,069,859 loan from the State Revolving Fund to provide funds for the 9.5 MGD Improvements Projects. Terms of the agreement call for annual principal and interest payments due on September 15th at the rate of 2.600%, maturing in fiscal year 2020.

Future long-term debt service requirements to maturity are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 258,333	6,717	265,050
Total	258,333	19,980	530,099
Less current	(258,333)		
Total non-current	\$ -		

SRF – 11.0 MGD Expansion Project

In December 2001, the Authority obtained an \$11,430,726 loan at a zero percent interest rate from the State Revolving Fund to provide funds for the 11.0 MGD Expansion Project. Terms of the agreement call for annual payments due on April 3rd, maturing in fiscal year 2022. The Authority is imputing interest expense at the rate of 1.850% per annum.

Future long-term debt service requirements to maturity are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 548,803	31,067	579,870
2021	558,956	20,914	579,870
2022	571,533	8,336	579,869
Total	1,679,292	60,317	1,739,609
Less current	(548,803)		
Total non-current	\$ 1,130,489		

Victor Valley Wastewater Reclamation Authority
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2019 and 2018

(10) Loans Payable, continued

SRF Loan Payable – North Apple Valley Interceptor

In September 2004, the Authority obtained a \$4,084,688 loan from the State Revolving Fund to provide funds for the North Apple Valley Interceptor. Terms of the agreement call for annual principal and interest payments due on February 13th at the rate of 2.500%, maturing in fiscal year 2024.

Future long-term debt service requirements to maturity are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 228,168	17,990	246,158
2021	233,872	14,567	248,439
2022	239,719	11,059	250,778
2023	245,712	7,464	253,176
2024	251,854	3,778	255,632
Total	1,199,325	54,858	1,254,183
Less current	(228,168)		
Total non-current	\$ 971,157		

SRF Loan Payable – Phase III-A Facility

On October 11, 2010, the Authority entered into a loan agreement to receive up to \$18,581,561 from the California State Water Resources Control Board to construct a water treatment facility at the Authority's plant site in the City of Victorville. The total loan amount is \$18,581,561 which includes a contingent principal forgiveness of \$3,000,000 received during the fiscal year ended June 30, 2013. Terms of the agreement call for annual principal and interest payments due on June 30th at the rate of 2.700%, maturing in fiscal year 2032.

Future long-term debt service requirements to maturity are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 726,796	300,814	1,027,610
2021	746,419	281,191	1,027,610
2022	766,573	261,037	1,027,610
2023	787,270	240,340	1,027,610
2024	808,527	219,084	1,027,611
2025-2029	4,382,115	755,934	5,138,049
2030-2032	2,923,555	159,274	3,082,829
Total	11,141,255	2,217,674	13,358,929
Less current	(726,796)		
Total non-current	\$ 10,414,459		

Victor Valley Wastewater Reclamation Authority
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2019 and 2018

(10) Loans Payable, continued

SRF Loan Payable – Upper Narrows Pipeline Replacement

On September 30, 2013, the Authority entered into a loan agreement to receive up to \$4,295,703 from the California State Water Resources Control Board to construct the Upper Narrows Pipeline Replacement. Terms of the agreement call for annual principal and interest payments due on December 31st at the rate of 1.900%, maturing in fiscal year 2033.

Future long-term debt service requirements to maturity are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 200,921	56,824	257,745
2021	204,738	53,007	257,745
2022	208,628	49,117	257,745
2023	212,592	45,153	257,745
2024	216,632	41,114	257,746
2025-2029	1,146,486	142,243	1,288,729
2030-2033	800,769	32,858	833,627
Total	2,990,766	420,316	3,411,082
Less current	(200,921)		
Total non-current	\$ 2,789,845		

SRF Loan Payable – Subregional Wastewater Reclamation Plant – City of Hesperia

On May 20, 2014, the Authority entered into a loan agreement with the California State Water Resources Control Board to construct a subregional wastewater reclamation plant in the City of Hesperia. The final amended agreement totaled \$37,758,385 which included construction costs and construction period interest. Terms of the agreement call for annual principal and interest payments due on February 28th, at the rate of 1.000%, maturing in fiscal year 2048.

Future long-term debt service requirements to maturity are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 1,096,175	366,675	1,462,850
2021	1,107,137	355,713	1,462,850
2022	1,118,209	344,642	1,462,850
2023	1,129,391	333,460	1,462,850
2024	1,140,685	322,166	1,462,851
2025-2029	5,876,824	1,437,428	7,314,252
2030-2034	6,176,601	1,137,651	7,314,252
2035-2039	6,491,670	822,582	7,314,252
2040-2044	6,822,810	491,442	7,314,252
2045-2048	5,707,990	143,410	7,314,252
Total	36,667,492	5,755,169	43,885,510
Less current	(1,096,175)		
Total non-current	\$ 35,571,317		

Victor Valley Wastewater Reclamation Authority
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2019 and 2018

(10) Loans Payable, continued

SRF Loan Payable – Subregional Wastewater Reclamation Plant – Town of Apple Valley

On May 22, 2014, the Authority entered into a loan agreement with the California State Water Resources Control Board to construct a subregional wastewater reclamation plant in the Town of Apple Valley. The final amended loan agreement totaled \$26,455,229 which included construction costs and construction period interest. Terms of the agreement call for annual principal and interest payments due on February 28th, at the rate of 1.000%, maturing in fiscal year 2048. As of June 30, 2019, the Authority did not have an outstanding loan receivable balance. As of June 30, 2018, the Authority had \$82,946 in loan receivable.

Future long-term debt service requirements to maturity are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 768,039	256,912	1,024,951
2021	775,719	249,232	1,024,951
2022	783,476	241,474	1,024,951
2023	791,311	233,640	1,024,951
2024	799,224	225,727	1,024,951
2025-2029	4,117,616	1,007,138	5,124,754
2030-2034	4,327,656	797,099	5,124,754
2035-2039	4,548,410	576,345	5,124,754
2040-2044	4,780,424	344,330	5,124,754
2045-2048	3,999,323	100,480	5,124,754
Total	25,691,198	4,032,377	30,748,525
Less current	(768,039)		
Total non-current	\$ 24,923,159		

SRF Loan Payable – Nanticoke Gravity Interceptor

On August 14, 2014, the Authority entered into a loan agreement with the California State Water Resources Control Board to construct the Nanticoke Pump Station Bypass Sewer project. The final amended loan agreement totaled \$4,495,213 which included construction costs and construction period interest. Terms of the agreement call for annual principal and interest payments due on June 30th, at the rate of 1.900%, maturing in fiscal year 2037.

Future long-term debt service requirements to maturity are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	193,574	78,059	271,633
2021	197,252	74,381	271,633
2022	201,000	70,633	271,633
2023	204,819	66,814	271,633
2024	208,710	62,923	271,633
2025-2029	1,104,561	253,602	1,358,163
2030-2034	1,213,559	144,605	1,358,164
2035-2037	784,884	30,013	814,897
Total	4,108,359	781,030	4,889,389
Less current	(193,574)		
Total non-current	\$ 3,914,785		

Victor Valley Wastewater Reclamation Authority
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2019 and 2018

(10) Loans Payable, continued

Southern California Edison Loan 2015

On September 9, 2014, the Authority entered into an Energy Management Solutions loan agreement as an incentive to encourage the Authority to develop an energy saving project. The loan agreement with Southern California Edison includes a zero-percent interest loan in the amount of \$117,298 to provide funds for the acquisition of energy efficient equipment used in the Aeration Efficiency project. Terms of the agreement call for monthly principal payments with an expected maturity in fiscal year 2022.

Future long-term debt service requirements to maturity are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 17,412	-	17,412
2021	17,412	-	17,412
2022	4,920	-	4,920
Total	39,744	-	39,744
Less current	(17,412)		
Total non-current	\$ 22,332		

Southern California Edison Loan 2016

On January 25, 2016, the Authority entered into an Energy Management Solutions loan agreement as an incentive to encourage the Authority to develop an energy saving project. The loan agreement with Southern California Edison loan includes a zero-percent interest loan in the amount of \$153,392 to provide funds for the acquisition of energy efficient equipment used for the Aeration Efficiency project. Terms of the agreement call for monthly principal payments with an expected maturity in fiscal year 2018. As of June 30, 2018, the loan was paid-in-full.

(11) Other Post-employment Benefits (OPEB) Plan

General Information about the OPEB Plan

Plan Description

The Authority offers post-employment medical benefits to retired employees who satisfy the eligibility rules, subject to certain restrictions as determined by the Authority. Dependents are also eligible to receive benefits. Retirees may enroll in any plan available through the Authority's CalPERS Medical Program.

The Plan is a single-employer defined benefit OPEB plan administered by the Authority. The Authority's Board has the authority to establish and amend the benefit terms and financing requirements of the Plan. The Authority does not have an OPEB trust established and no assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided

The Authority's Plan is open to qualified employees who have attained age 50, retired from and were employed by the Authority at least five years.

Victor Valley Wastewater Reclamation Authority
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2019 and 2018

(11) Other Post-employment Benefits (OPEB) Plan, continued

Employees Covered by Benefit Terms

At June 30, the following employees were covered by the benefit terms:

	<u>2019</u>	<u>2018</u>
Inactive employees or beneficiaries currently receiving benefit payments	17	16
Inactive employees entitled to but not receiving benefit payments	7	-
Active employees	<u>32</u>	<u>35</u>
Total Plan membership	<u>56</u>	<u>51</u>

Contributions

The Plan and its contribution requirements for eligible retired employees of the Authority are established and may be amended by the Board of Commissioners. The Authority pays 100% of the cost of health insurance for retirees under any group plan offered by CalPERS, subject to certain restrictions as determined by the Authority. The Authority's cap is \$571 per month which is in compliance with California Government Code Section 22892. The annual contribution is based on the actuarially determined contribution.

As of the fiscal year ended June 30, the contributions were as follows:

	<u>2019</u>	<u>2018</u>
Contributions – employer	\$ <u>114,948</u>	<u>94,258</u>

As of June 30 2019 and 2018, employer pension contributions of \$114,948 and \$94,258 were recognized as a reduction of the total OPEB liability in the fiscal year ended June 30, 2019 and 2018, respectively.

Total OPEB Liability

The Authority's total OPEB liability was measured as of June 30, 2019 and 2018, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of June 30, 2019 and 2018, respectively. Standard actuarial update procedures were used to project and discount from valuation to measurement dates.

Victor Valley Wastewater Reclamation Authority
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2019 and 2018

(11) Other Post-employment Benefits (OPEB) Plan, continued

Total OPEB Liability, continued

Actuarial Assumptions

As of the June 30, 2019 and 2018, the total OPEB liability was determined using the following actuarial assumptions and applied to all periods included in the measurement, unless otherwise specified:

Funding method	Entry age normal cost, level percent of pay
Asset valuation method	Market value of assets (\$0, plan is not yet funded)
Municipal bond index	Bond Buyer General Obligation 20-Bond Municipal Bond Index
Inflation	2.75 percent
Salary increases	3.25 and 2.75 percent
Discount rate	3.51 and 3.80 percent
Healthcare cost trend rates	7.00 and 4.00 percent per year
Participants valued	100% percent of projected health insurance premiums for retirees at age 50 with a minimum 5 years of service subject to certain restrictions determined by the Authority.

Discount Rate

As of June 30, 2019 and 2018, the discount rate used to measure the total OPEB liability was 3.51 and 3.80 percent, respectively. The projection of cash flows used to determine the discount rate assumed that Authority contributions will be made at rates equal to the actuarially determined contribution rates.

Changes in the Total OPEB Liability

	Total OPEB Liability 2018-2019	Total OPEB Liability 2017-2018
Balance at beginning of year	\$ 2,285,368	2,257,004
Changes for the year:		
Service cost	38,990	37,946
Interest	86,142	84,676
Changes in benefit terms	-	-
Differences between expected and actual experience	85,165	-
Changes in assumptions	779,126	-
Benefit payments	(114,948)	(94,258)
Net changes	874,475	28,364
Balance at end of year	\$ 3,159,843	2,285,368

Victor Valley Wastewater Reclamation Authority
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2019 and 2018

(11) Other Post-employment Benefits (OPEB) Plan, continued

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

The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.80 percent) or 1-percentage-point higher (4.80 percent) than the current discount rate:

At June 30, 2019, the discount rate comparison was the following:

	Discount Rate - 1% (2.51%)	Current Discount Rate (3.51%)	Discount Rate + 1% (4.51%)
Authority's total OPEB liability \$	3,574,867	3,159,843	2,818,864

At June 30, 2018, the discount rate comparison was the following:

	Discount Rate - 1% (2.80%)	Prior Year Discount Rate (3.80%)	Discount Rate + 1% (4.80%)
Authority's total OPEB liability \$	2,603,574	2,285,368	2,024,772

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (3.00 percent decreasing to 2.00 percent) or 1-percentage-point higher (5.00 percent decreasing to 4.00 percent) than the current healthcare cost trend rates:

At June 30, 2019, the healthcare cost trend rate comparison was the following:

	1% Decrease (6.00% decreasing to 5.00%)	Healthcare Cost Trend Rates (7.00% decreasing to 6.00%)	1% Increase (8.00% decreasing to 7.00%)
Authority's total OPEB liability \$	2,992,360	3,159,843	3,503,196

At June 30, 2018, the discount rate comparison was the following:

	1% Decrease (3.00% decreasing to 2.00%)	Cost Trend Rates (4.00% decreasing to 3.00%)	1% Increase (5.00% decreasing to 4.00%)
Authority's total OPEB liability \$	2,196,518	2,285,368	2,367,740

For the year ended June 30, 2019 and 2018, the Authority recognized OPEB expense of \$150,016 and \$122,622, respectively.

Victor Valley Wastewater Reclamation Authority
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2019 and 2018

(11) Other Post-employment Benefits (OPEB) Plan, continued

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

At June 30, 2019, the Authority reported the following deferred outflows of resources or deferred inflows of resources related to OPEB.

Description	June 30, 2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 74,047	-
Changes in assumptions	677,412	-
Total	<u>\$ 751,459</u>	<u>-</u>

At June 30, 2018, the Authority reported no deferred outflows of resources or deferred inflows of resources related to OPEB.

Schedule of Changes in the Authority's Total OPEB Liability and Related Ratios

See the Required Supplementary Schedule.

(12) Defined Benefit Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Authority's separate Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website or may be obtained from their executive office: 400 P Street, Sacramento, CA, 95814.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: The Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013. The new legislation closed the Authority's CalPERS 2.5% at 55 Risk Pool Retirement Plan to new employee entrants, not previously employed by an agency under CalPERS, effective December 31, 2013. All employees hired after January 1, 2013 are eligible for the Authority's CalPERS 2.0% at 62 Retirement Plan under PEPRA.

Victor Valley Wastewater Reclamation Authority
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2019 and 2018

(12) Defined Benefit Pension Plan, continued

Benefits Provided, continued

The Plans' provision and benefits in effect at June 30, 2019, are summarized as follows:

	Miscellaneous Plan	
	Tier 1	Tier 2
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.5% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates	8.000%	6.250%
Required employer contribution rates	10.022%	6.842%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates, for all public employers, be determined on an annual basis by the actuary and shall be effective on July 1st, of each fiscal year following notice of the change in rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Authority is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

As of the fiscal year ended June 30, the contributions to the Authority's Plan were as follows:

	Miscellaneous Plan	
	2019	2018
Contributions – employer	\$ 607,170	528,660
Contributions – employee (paid by employer)	-	51,957
Total employer paid contributions	\$ 607,170	580,617

Net Pension Liability

As of the fiscal year ended June 30, the Authority reported a net pension liability for its proportionate share of the net pension liability of the Plan was as follows:

	Proportionate Share of Net Pension Liability	
	2019	2018
Miscellaneous Plan	\$ 5,641,328	5,750,574

Victor Valley Wastewater Reclamation Authority
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2019 and 2018

(12) Defined Benefit Pension Plan, continued

Net Pension Liability, continued

The Authority's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2018 and 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017, rolled forward to June 30, 2018 and June 30, 2016, rolled forward to June 30, 2017, respectively, using standard update procedures. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The Authority's change in the proportionate share of the pension liability for the Plan as of the measurement date: June 30, 2018, was as follows:

<u>Proportion at Measurement Date</u>	<u>Miscellaneous Plan</u>
Proportion – June 30, 2017	0.05799%
Proportion – June 30, 2018	0.05854%
Change – Increase (Decrease)	<u>0.00056%</u>

The Authority's change in the proportionate share of the pension liability for the Plan as of the measurement date: June 30, 2017, was as follows:

<u>Proportion at Measurement Date</u>	<u>Miscellaneous Plan</u>
Proportion – June 30, 2016	0.05792%
Proportion – June 30, 2017	0.05799%
Change – Increase (Decrease)	<u>0.00007%</u>

As of June 30, 2019 and 2018, the Authority recognized pension expense of \$976,217 and \$989,426, respectively.

Victor Valley Wastewater Reclamation Authority
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2019 and 2018

(12) Defined Benefit Pension Plan, continued

Deferred Pension Outflows (Inflows) of Resources

As of the fiscal year ended June 30, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>June 30, 2019</u>		<u>June 30, 2018</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to the measurement date	\$ 607,170	-	528,660	-
Net differences between actual and expected experience	142,793	-	-	(89,437)
Net changes in assumptions	485,515	-	769,187	-
Net differences between projected and actual earnings on plan investments	27,890	-	188,318	-
Net differences between actual contribution and proportionate share of contribution	-	(27,310)	1,258	-
Net adjustment due to differences in proportions of net pension liability	-	(61,316)	255,049	-
Total	\$ 1,263,368	(88,626)	1,742,472	(89,437)

As of June 30, 2019 and 2018, employer pension contributions of \$607,160 and \$528,660, reported as deferred outflows of resources related to contributions subsequent to the measurement date were and will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2020 and 2019, respectively.

At June 30, 2019, the Authority recognized other amounts reported by the Plan actuarial as deferred outflows of resources and deferred inflows of resources related to the pension liability. Pension related amounts will be recognized as pension expense as follows.

<u>Fiscal Year Ending June 30:</u>	<u>Deferred Outflows/(Inflows of Resources</u>
2019	\$ 478,615
2020	298,692
2021	(170,727)
2022	(39,008)
2023	-
Thereafter	-

Victor Valley Wastewater Reclamation Authority
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2019 and 2018

(12) Defined Benefit Pension Plan, continued

Actuarial Assumptions

The total pension liability in the June 30, 2018 and 2017 actuarial valuation reports were determined using the following actuarial assumptions:

The following is a summary of the actuarial assumptions and methods:

Valuation dates	June 30, 2017 and 2016
Measurement dates	June 30, 2018 and 2017
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2018 – 2.50% 2017 – 2.75%
Salary increases	Varies by Entry Age and Service
Investment Rate of Return	7.50 % Net of Pension Plan Investment and Administrative Expenses; includes inflation
Mortality Rate Table*	Derived using CalPERS' Membership Data for all Fund:
Period upon which actuarial Experience Survey assumptions were based	2018 – 1997–2015 2017 – 1997–2011
Post Retirement Benefit	2018 – Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter 2017 – Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

* The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 Experience Study report. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 7.15% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, the amortization and smoothing periods recently adopted by CalPERS were utilized. The crossover test was performed for a miscellaneous agent plan and a safety agent plan selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investments.

Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

Victor Valley Wastewater Reclamation Authority
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2019 and 2018

(12) Defined Benefit Pension Plan, continued

Discount Rate, continued

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

At June 30, 2019, the long-term expected real rate of return by asset class was as follows:

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1-10*</u>	<u>Real Return Year 11+**</u>
Global Equity	50.0%	4.80%	2.98%
Global Fixed Income	28.0%	1.00%	2.62%
Inflation Sensitive	0.0%	77.00%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Infrastructure and Forestland	0.0%	0.00%	0.00%
Liquidity	1.0%	0.00%	-0.92%
Total	<u>100.0%</u>		

* An expected inflation of 2.5% used for this period

** An expected inflation of 3.0% used for this period

At June 30, 2018, the long-term expected real rate of return by asset class was as follows:

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1-10*</u>	<u>Real Return Year 11+**</u>
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%
Total	<u>100.0%</u>		

* An expected inflation of 2.5% used for this period

** An expected inflation of 3.0% used for this period

Victor Valley Wastewater Reclamation Authority
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2019 and 2018

(12) Defined Benefit Pension Plan, continued

Sensitivity of the Proportionate Share of Net Pension Liability to Changes in the Discount Rate

The following table presents the Authority's proportionate share of the net position liability for the Plan, calculated using the discount rate, as well as what the Authority's proportional share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

At June 30, 2019, the discount rate comparison was the following:

	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Authority's Net pension liability	\$ 8,371,767	5,641,328	3,387,395

At June 30, 2018, the discount rate comparison was the following:

	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Authority's Net pension liability	\$ 8,495,325	5,750,574	3,477,323

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in separately issued CalPERS financial reports. See the Required Supplementary Schedules.

Payable to the Pension Plan

At June 30, 2019 and 2018, the Authority reported no payables for the outstanding amount of contribution to the pension plan.

Victor Valley Wastewater Reclamation Authority
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2019 and 2018

(13) Net Position

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

	2019	2018
Net investment in capital assets:		
Capital assets – not being depreciated	\$ 3,375,430	3,081,101
Capital assets, net – being depreciated	190,831,924	200,947,253
Lease payable	(339,222)	(429,152)
Loans payable	(83,775,764)	(87,756,167)
Total net investment in capital assets	110,092,368	115,843,035
Restricted net position:		
Restricted for debt service	5,147,861	5,285,091
Total restricted net position	5,147,861	5,285,091
Unrestricted net position:		
Non-spendable net position:		
Materials and supplies inventory	85,674	83,104
Prepaid expenses and deposits	153,115	121,705
Total non-spendable net position	238,789	204,809
Spendable net position are designated as follows:		
Undesignated net position reserve	4,617,292	6,155,471
Total spendable net position	4,617,292	6,155,471
Total unrestricted net position	4,856,081	6,360,280
Total net position	\$ 120,096,310	127,488,406

(14) Adjustment to Net Position

Other Post-employment Benefits (OPEB) – GASB 75 Implementation

In fiscal year 2018, the Authority implemented GASB pronouncements 75 to recognize its total other post-employment benefits (OPEB) liability. As a result of the implementation, the Authority recognized the OPEB liability and recorded a prior period adjustment, a decrease to net position, of \$2,257,004 at July 1, 2017. The Authority recorded a prior period adjustment, an increase to net position, to reclassify from liabilities to net position, the prior year's OPEB liability, recognized in accordance with GASB 45, of \$1,419,041 at July 1, 2017.

The adjustment to net position was as follows:

Net position at July 1, 2017, as previously stated	\$ 130,604,896
Effect of adjustment to record total other post-employment benefits liability	(2,257,004)
Effect of adjustment to remove other post-employment benefits liability under GASB 45	1,419,041
Subtotal adjustments to net position	(837,963)
Net position at July 1, 2017, as restated	\$ 129,766,933

Victor Valley Wastewater Reclamation Authority
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2019 and 2018

(15) Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority is a member of the California Sanitation Risk Management Authority (CSRMA), an intergovernmental risk sharing joint powers authority currently operating as a common risk management and loss prevention program for 60 California Sanitation Authorities. The Authority pays an annual premium to CSRMA for its public liability and workers compensation risk coverage. The Agreement for formation of the CSRMA provides that CSRMA will be self-sustaining through member premiums and will provide specific excess insurance through commercial companies. The CSRMA is allowed to make additional assessments to its members based on a retrospective premium adjustment process.

At June 30, 2019, the Authority participated in the CSRMA programs as follows:

- General and automotive liability, including errors and omissions and employment practices liability (EPL): The Authority is insured through the CSRMA. Coverage includes excess liability applicable to the general and automobile liability section, excess layer of \$10,000,000 over the \$15,500,000 excess of the first \$500,000 insured layer with a \$5,000 deductible, \$2,500 deductible for errors and omissions, a \$25,000 deductible for EPL per occurrence, and a sewer backup deductible of \$10,000. Re-insurance is purchased above the \$500,000 layer to \$15,000,000 through CSRMA.
- Workers' compensation and employer's liability: The Authority is insured through the CSRMA up to \$750,000 with a deductible of \$0 per claim. The Authority purchased through CSRMA, additional excess workers' compensation coverage and excess employer's liability coverage of \$1,000,000 excess of the first \$750,000.

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

- Master Crime Policy up to \$2,000,000 per loss includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction coverage with a deductible of \$2,500 per claim.
- Special form property coverage up to \$181,389,282, with a deductible of \$5,000 per claim.
- Mobile Vehicle Program coverage up to \$1,012,252, subject to a deductible of \$1,000 per claim and \$2,000 in total.
- Pollution and remediation legal liability coverage up to \$5,000,000 subject to a deductible of \$25,000 per claim.
- Public entity pollution liability coverage up to \$25,000,000, subject to \$2,000,000 per pollution condition, \$75,000 per pollution condition retention.
- Cyber liability coverage up to \$2,000,000, subject to \$2,000,000 per computer security, \$50,000 per pollution condition retention.
- Fraud Master Policy identity theft coverage up to \$25,000 with a \$0 deductible.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the Authority's insurance coverage during the years ending June 30, 2019, 2018, and 2017. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2019, 2018, and 2017.

Victor Valley Wastewater Reclamation Authority
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2019 and 2018

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

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2019, that has effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 84

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

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

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

The provisions of this Statement are effective for reporting periods beginning after December 15, 2018. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 87

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

The provisions of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 89

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

Victor Valley Wastewater Reclamation Authority
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2019 and 2018

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

Governmental Accounting Standards Board Statement No. 89, continued

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

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

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 90

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

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

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Victor Valley Wastewater Reclamation Authority
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2019 and 2018

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

Governmental Accounting Standards Board Statement No. 91

In August 2018, the GASB issued Statement No. 91 – Conduit Debt Obligations. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

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

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

The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

(17) Commitments and Contingencies

Grant Awards

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

Construction Contracts

The Authority has a variety of agreements with developers and private parties relating to the installation, improvement or modification of facilities and distribution systems within its service areas. The financing of such improvements is provided primarily from loans for construction and the Authority's capital replacement reserve. At June 30, 2019, the Authority had no open construction contracts. As of June 30, 2018 the Authority had \$239,400 in open construction contracts.

Biogas Power Generation and Services Agreement

On March 25, 2013, the Authority entered into an agreement with Anaergia Services, LLC to provide a biogas energy generation services facility at the Authority's wastewater treatment and reclamation plant facility. The purpose of the converted biogas is to provide electrical energy for use in plant operations. Anaergia has constructed the Biogas Facility and Ancillary Facilities at its sole cost and expense. Excess energy can be delivered by the Authority to the grid. The term of the agreement is 20 years from the operation date of July 1, 2015, and matures on June 30, 2035. The Authority will purchase all energy output from Anaergia at a fixed cost of \$734,000 per year, payable in monthly installments of \$61,167. At June 30, 2019 and 2018, the future minimum remaining commitment amounted to \$11,744,000 and \$12,478,000, respectively.

Victor Valley Wastewater Reclamation Authority
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2019 and 2018

(17) Commitments and Contingencies, continued

Litigation

In the ordinary course of operations, the Authority is subject to claims and litigation from outside parties.

Other Items

During the year ended June 30, 2016, the Office of Inspector General, Office of Emergency Management Oversight, U.S. Department of Homeland Security, conducted an audit on funding provided by the Federal Emergency Management Agency (FEMA) passed through the California Office of Emergency Services (Cal OES), for the replacement of the Upper Narrows interceptor line (Project) which was lost during an historic flood. In 2016, and then again in April 2017, the OIG, prepared two draft reports to FEMA regarding the funding of the project. The OIG report issued in April 2017, questioned whether the Project was a "replacement" or new construction. The OIG suggested that the Project was not a replacement because the interceptor line, which had originally been located in the Mojave River, was now placed in a tunnel used to cross the Mojave River. The OIG concluded that tunneling was its reasoning for excessive costs. The OIG has suggested that FEMA claw back expended project costs exceeding \$33 million. The Authority has responded to the OIG draft reports and is awaiting a response. As of date of this report, FEMA has not responded to the OIG's report. Management believes that the Authority will prevail; however, a negative determination would have a serious fiscal impact on the Authority.

Funding Future Obligations

The Authority expects to continue as a going concern through the fiscal year-end June 30, 2020. However, certain pertinent conditions and events have given rise to the assessment of doubt about the Authority's ability to continue as a going concern for a reasonable period of time thereafter. At June 30, 2017, the Authority determined several issues that could, if unmitigated, negatively impact the Authority's revenue and necessary cash flows to fund ongoing operations and to service the debt obligations authorized by the governing Members of the Authority. Among the issues are: 1) the current diversion of wastewater flows by a member agency; 2) a member agency's late payment for connection fees, and; 3) the pending determination by the Federal Emergency Management Agency (FEMA) to "claw back" grant awards as recommended in a draft report issued by the Office of the Inspector General's Office. The Board of Commissioners and management believe that each of these matters individually and in the aggregate would negatively affect operations and effectively cause the Authority to default on servicing debt obligations in accordance with contractual agreements during fiscal year 2020.

The Authority's plan to mitigate these issues are as follows: 1) the Member Entities are in mediation to resolve the wastewater flow dispute and all parties are seeking resolution; 2) the outstanding balance owed to the Authority by the member agency is expected to be collected in full based on the terms of the Joint Powers Agreement; 3) the Authority anticipates a positive determination by FEMA with regard to grant awards to the Authority. At June 30, 2019, all of the above noted issues remained outstanding.

(18) Related Party

In April of 2016, a member agency (agency) informed the Authority of their intent to withdraw from the Service Agreement per the 30-year notice requirement.

The Board of Commissioners has engaged a judicial review on the issue of the member agency's flow diversion for the purpose of rendering a non-binding opinion. The flow diversion by the member agency has resulted in a dispute that is being resolved with the assistance of a retired judge who has issued an advisory, non-binding opinion. As a result of the dispute regarding the flow diversion, another member agency has retained a portion of its connections fees. After issue of the judge's non-binding opinion, the Authority and its member entities have begun negotiating a settlement of both the flow diversion and the withholding of fees by the member agency.

Victor Valley Wastewater Reclamation Authority
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2019 and 2018

(18) Related Party, continued

Management believes that the dispute arising out of the flow diversion has a negative impact on cash flow and operations that may or may not be addressed by a rate increase.

(19) Subsequent Events

Management is not aware of any events or transactions, including estimates that provide additional evidence about conditions that existed at June 30, 2019, or arose subsequent to that date and are considered inherent in the process of preparing these financial statements.

Final Draft Subject to Board Approval

Required Supplementary Information

Final Draft Subject to Board Approval

Victor Valley Wastewater Reclamation Authority
Schedules of Changes in the Total OPEB Liability and Related Ratios
As of June 30, 2019
Last Ten Years*

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Total OPEB Liability		
Service cost	\$ 38,990	37,946
Interest	86,142	84,676
Difference between expected and actual experience	85,165	-
Changes in assumptions	779,126	-
Employer contributions	<u>(114,948)</u>	<u>(94,258)</u>
Net change in total OPEB liability	874,475	28,364
Total OPEB liability – beginning	<u>2,285,368</u>	<u>2,257,004</u>
Total OPEB liability – ending	\$ <u>3,159,843</u>	<u>2,285,368</u>
Covered payroll	\$ <u>2,882,328</u>	<u>3,004,335</u>
Total OPEB liability as a percentage of covered payroll	<u>109.63%</u>	<u>76.07%</u>

Summary of key assumptions:

Valuation date	June 30, 2019	June 30, 2018
Actuarial cost method	Entry Age Normal	Entry Age Normal
Inflation	2.75%	2.75%
Healthcare cost trend rates	7.00% in 2020, step down 0.50% each year to 5.00% in 2024	4.00% per year
Salary increases	3.25%	2.75%
Discount rate	3.51%	3.80%
Retirement age	From 50 to 75	From 50 to 75
Mortality	CalPERS 2017 Experience Study; Projected with MW Scale 2018	CalPERS 2014 Experience Study

Notes:

* Historical information presented above follows the measurement periods for which GASB 75 was applicable. The fiscal year ended June 30, 2019, (valuation date of June 30, 2019) was the second year of implementation required by GASB 75; therefore only two years are shown.

Victor Valley Wastewater Reclamation Authority
Schedules of the Proportionate Share of the Net Pension Liability
As of June 30, 2019
Last Ten Years*

Description	Fiscal Year 6/30/2019	Fiscal Year 6/30/2018	Fiscal Year 6/30/2017	Fiscal Year 6/30/2016	Fiscal Year 6/30/2015
Authority's Proportion of the Net Pension Liability	0.05854%	0.05799%	0.05792%	0.06074%	0.05341%
Authority's Proportionate Share of the Net Pension Liability	\$ 5,641,328	5,750,574	5,011,624	4,169,063	3,323,316
Authority's Covered Payroll	\$ 2,546,478	3,397,714	3,004,335	3,004,402	2,945,462
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	221.53%	169.25%	166.81%	138.77%	112.83%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	72.05%	71.18%	71.30%	75.01%	79.19%

Notes:

Changes in Benefit Terms – For the measurement date June 30, 2018, there were no changes in the benefit terms.

Changes of Assumptions – For the measurement dates June 30, 2018 and 2017, the discount rate was 7.15% percent.

* Historical information presented above follows the measurement periods for which GASB 68 & 71 were applicable. The fiscal year ended June 30, 2015, was the first year of implementation required by GASB 68 & 71, therefore only five years are shown.

**Victor Valley Wastewater Reclamation Authority
Schedules of Pension Plan Contributions
As of June 30, 2019
Last Ten Years***

	Fiscal Year 6/30/2019	Fiscal Year 6/30/2018	Fiscal Year 6/30/2017	Fiscal Year 6/30/2016	Fiscal Year 6/30/2015
Schedule of Pension Plan Contributions:					
Actuarially Determined Contribution	\$ 690,639	\$ 589,365	\$ 561,105	\$ 507,931	\$ 464,069
Contribution's in Relation to the Actuarially Determined Contribution	(607,170)	(528,660)	(503,376)	(503,175)	(464,069)
Contribution Deficiency (Excess)	\$ 83,469	\$ 60,705	\$ 57,729	\$ 4,756	\$ -
Covered Payroll	\$ 2,546,478	\$ 3,397,714	\$ 3,004,335	\$ 3,004,402	\$ 2,945,462
Contribution's as a percentage of Covered Payroll	27.12%	17.35%	18.68%	16.91%	15.76%

Notes:

* Historical information presented above follows the measurement periods for which GASB 68 & 71 were applicable. The fiscal year ended June 30, 2015, was the first year of implementation required by GASB 68 & 71; therefore only five years are shown.

Supplemental Information

Victor Valley Wastewater Reclamation Authority
Schedule of Operating Expenses
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Salaries and benefits:		
Salaries	\$ 3,322,889	3,067,516
Employee benefits	1,688,819	1,746,363
Total salaries and benefits	<u>5,011,708</u>	<u>4,813,879</u>
Maintenance:		
Equipment and supplies	773,793	878,988
Instrumentation	331,158	192,802
Tools	34,922	36,043
Ground repairs and maintenance	262,933	180,448
Vehicle repairs and maintenance	140,329	126,984
Sewer repairs and maintenance	140,828	41,511
Other	196,485	198,015
Total Maintenance	<u>1,880,448</u>	<u>1,654,791</u>
Operations:		
Process chemicals	262,336	311,566
Utilities	1,743,535	1,576,574
Trash and sludge disposal	135,839	142,565
Fuel and lubricants	102,712	104,137
Lab supplies and services	369,751	406,935
Safety equipment	149,555	46,939
Custodial	49,710	39,982
Equipment rental	48,909	173,995
Uniforms	27,078	21,141
Security	12,726	27,449
Sewer location services	26,507	25,886
Other	46	-
Total operations	<u>\$ 2,928,704</u>	<u>2,877,169</u>

Continued on next page

Victor Valley Wastewater Reclamation Authority
Schedule of Operating Expenses
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Administration:		
Telephone and communications	\$ 91,615	106,658
Computers and office equipment	108,401	98,753
Computer and office supplies	8,601	9,272
Printing and advertising	18,420	19,513
Postage and freight	12,007	13,269
Travel and education	105,976	174,007
Membership and commissioner fees	56,409	63,517
Books and periodicals	20,254	21,695
Professional services	903,281	367,689
Legal services	352,168	543,662
Temporary labor	82,748	43,393
Insurance	205,409	127,625
Permit fees	134,619	128,809
Rent	51,079	45,256
Construction services	9,783	17,571
Other	1,497	2,565
Total administration	<u>2,162,267</u>	<u>1,783,254</u>
Total operating expenses	<u>11,983,127</u>	<u>11,129,093</u>
Depreciation	<u>12,468,103</u>	<u>9,226,174</u>
Total operating expense including depreciation expense	<u>\$ 24,451,230</u>	<u>20,355,267</u>

Victor Valley Wastewater Reclamation Authority
Combining Schedule of Revenues and Expenses
For the Year Ended June 30, 2019

	Operations and Maintenance	Repairs and Replacements	Capital Outlay	Total
Operating revenues:				
Wastewater service charges	\$ 13,706,977	-	-	13,706,977
Septage receiving facility fees	614,617	-	-	614,617
ADM-FOG tipping fees	274,186	-	-	274,186
Pretreatment permit fees	53,600	-	-	53,600
Total operating revenues	14,649,380	-	-	14,649,380
Operating expenses:				
Salaries and benefits	5,011,708	-	-	5,011,708
Maintenance	1,620,396	260,052	-	1,880,448
Operations	2,908,271	20,433	-	2,928,704
General and administration	2,075,818	73,001	13,448	2,162,267
Total operating expense	11,616,193	353,486	13,448	11,983,127
Operating income (loss) before depreciation expense	3,033,187	(353,486)	(13,448)	2,666,253
Depreciation	(12,468,103)	-	-	(12,468,103)
Operating loss	(9,434,916)	(353,486)	(13,448)	(9,801,850)
Non-operating revenue (expense):				
Investment earnings	1,412	-	280,208	281,620
Interest expense	(762,250)	-	(421,122)	(1,183,372)
Other, net	(1,129)	-	-	(1,129)
Capital contribution to local government	(71,132)	-	-	(71,132)
Total non-operating expense, net	(833,099)	-	(140,914)	(974,013)
Net loss before capital contributions	(10,268,015)	(353,486)	(154,362)	(10,775,863)
Capital contributions:				
Capital grants – Other agency	-	-	294,907	294,907
Connection fees	-	-	3,088,860	3,088,860
Total contributed capital	-	-	3,383,767	3,383,767
Change in net position	\$ (10,268,015)	(353,486)	3,229,405	(7,392,096)

See accompanying notes to the basic financial statements

Victor Valley Wastewater Reclamation Authority
Combining Schedule of Revenues and Expenses
For the Year Ended June 30, 2018

	Operations and Maintenance	Repairs and Replacements	Capital Outlay	Total
Operating revenues:				
Wastewater service charges	\$ 13,463,583	247,500	-	13,711,083
Septage receiving facility fees	621,154	-	-	621,154
ADM-FOG tipping fees	311,600	-	-	311,600
Pretreatment permit fees	52,700	-	-	52,700
Total operating revenues	14,449,037	247,500	-	14,696,537
Operating expenses:				
Salaries and benefits	4,813,879	-	-	4,813,879
Maintenance	1,596,945	57,846	-	1,654,791
Operations	2,775,629	101,540	-	2,877,169
General and administration	1,783,254	-	-	1,783,254
Total operating expense	10,969,707	159,386	-	11,129,093
Operating income (loss) before depreciation expense	3,479,330	88,114	-	3,567,444
Depreciation	(9,226,174)	-	-	(9,226,174)
Operating loss	(5,746,844)	88,114	-	(5,658,730)
Non-operating revenue (expense):				
Investment earnings	1,061	-	64,747	65,808
Interest expense	(1,104,556)	-	(662,075)	(1,766,631)
Other, net	380	-	1,344	1,724
Capital contribution to local government	(170,804)	-	-	(170,804)
Total non-operating expense, net	(1,273,919)	-	(595,984)	(1,869,903)
Net loss before capital contributions	(7,020,763)	88,114	(595,984)	(7,528,633)
Capital contributions:				
Capital grants – Title 16	10,367	-	6,627	16,994
Capital grants – State of California	559,205	-	357,524	916,729
Capital grants – Water Recycling Grant	269,863	-	172,536	442,399
Capital grants – Other agency	-	-	991,745	991,745
Connection fees	-	-	2,882,239	2,882,239
Total contributed capital	839,435	-	4,410,671	5,250,106
Change in net position	\$ (6,181,328)	88,114	3,814,687	(2,278,527)

See accompanying notes to the basic financial statements

A high-speed photograph of a water splash, with water droplets and streams forming a circular shape around the text. The water is clear and blue, set against a white background.

Statistics Section

Victor Valley Wastewater Reclamation Authority

Statistical Section Table of Contents

This part of Authority's comprehensive annual financial report presents detailed information as a context for understanding what the information in the accompanying financial statements and notes to the financial statements say about the Authority's overall financial health.

	<u>Page No.</u>
Financial Trends	
These schedules contain information to help the reader understand how the Authority's financial performance and well-being have changed over time.	64 – 65
Revenue Capacity	
These schedules contain information to help the reader assess the factors affecting the Authority's ability to generate revenues.	66 – 71
Debt Capacity	
These schedules present information to help the reader assess the affordability of the Authority's current levels of outstanding debt and the Authority's ability to issue additional debts in the future.	72
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place and to help make comparisons over time and with other agencies.	73 – 76
Operating Information	
These schedules contain information about the Authority's operations and resources to help the reader understand how the Authority's financial information relates to the services the Authority provides and the activities it performs.	77 – 84

**Victor Valley Wastewater Reclamation Authority
Net Position by Component
Last Ten Fiscal Years**

June 30	2019	2018	2017	2016	2015
Net Investment in Capital Assets	\$ 110,092,368	\$ 115,843,035	\$ 122,731,832	\$ 119,848,757	\$ 110,982,384
Restricted	5,147,861	5,285,091	9,004,801	6,367,601	3,150,314
Unrestricted	4,856,081	6,360,280	(1,131,737)	1,295,274	5,692,256
Total Net Position	\$ 120,096,310	\$ 127,488,406	\$ 130,604,896	\$ 127,511,632	\$ 119,824,954

June 30	2014	2013	2012	2011	2010
Net Investment in Capital Assets	\$ 89,340,144	\$ 92,011,190	\$ 92,132,472	\$ 92,316,194	\$ 92,011,371
Restricted	2,322,650	2,961,518	2,147,445	1,166,446	3,455,773
Unrestricted	10,061,819	5,729,404	5,936,342	11,190,359	9,802,016
Total Net Position	\$ 101,724,613	\$ 100,702,112	\$ 100,216,259	\$ 104,672,999	\$ 105,269,160

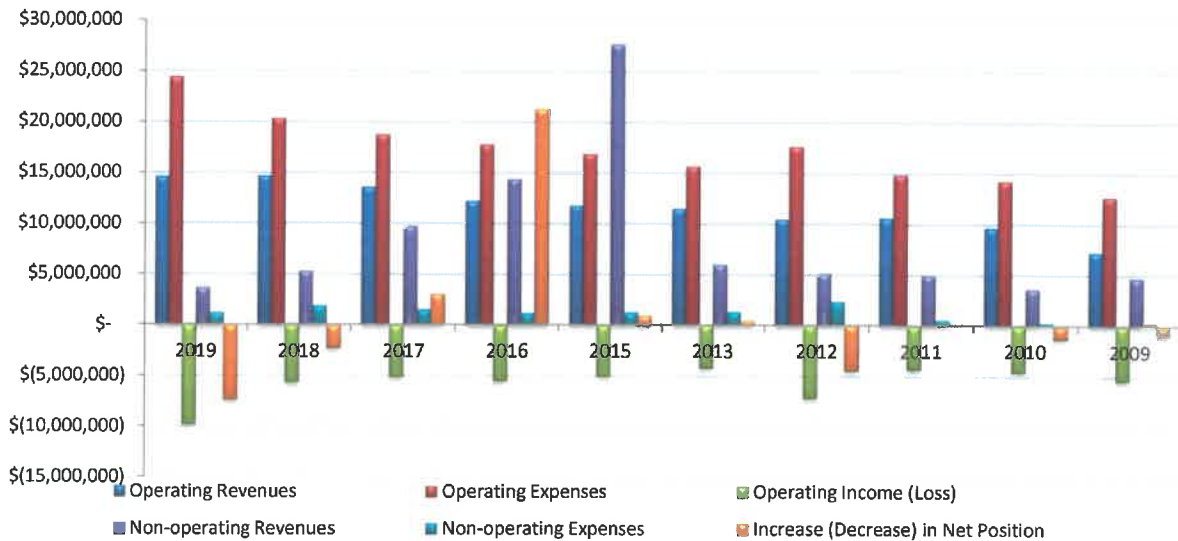


Source: Victor Valley Wastewater Reclamation Authority

**Victor Valley Wastewater Reclamation Authority
Changes in Net Position
Last Ten Fiscal Years**

June 30	2019	2018	2017	2016	2015
Operating Revenues	\$ 14,649,380	\$ 14,696,537	\$ 13,655,631	\$ 12,305,439	\$ 11,850,841
Operating Expenses	24,451,230	20,355,267	18,804,718	17,820,239	16,901,749
Operating Income (Loss)	(9,801,850)	(5,658,730)	(5,149,087)	(5,514,800)	(5,050,908)
Non-operating Revenues	3,665,387	5,317,638	9,797,819	14,416,430	27,703,303
Non-operating Expenses	1,255,633	1,937,435	1,555,468	1,214,952	1,335,646
Increase (Decrease) in Net Position	\$ (7,392,096)	\$ (2,278,527)	\$ 3,093,264	\$ 21,316,749	\$ 987,700

June 30	2014	2013	2012	2011	2010
Operating Revenues	\$ 10,744,312	\$ 11,526,052	\$ 10,469,338	\$ 10,616,850	\$ 9,715,020
Operating Expenses	16,703,301	15,738,220	17,677,977	14,933,992	14,302,713
Operating Income (Loss)	(5,958,989)	(4,212,168)	(7,208,639)	(4,317,142)	(4,587,693)
Non-operating Revenues	8,482,186	6,054,793	5,141,787	5,041,540	3,636,256
Non-operating Expenses	1,535,497	1,356,772	2,389,888	572,285	304,779
Increase (Decrease) in Net Position	\$ 987,700	\$ 485,853	\$ (4,456,740)	\$ 152,113	\$ (1,256,216)



Source: Victor Valley Wastewater Reclamation Authority

VICTOR VALLEY WASTEWATER RECLAMATION AUTHORITY
Revenues by Source
Last Ten Fiscal Years

Operating Revenues					
June 30	Service Charges	Septage Receiving Facility Fees	ADM-FOG Tipping Fees	Pretreatment Permit Fees	Total Operating Revenues
2019	\$ 13,706,977	\$ 614,617	\$ 274,186	\$ 53,600	\$ 14,649,380
2018	13,711,083	621,154	311,600	52,700	14,696,537
2017	12,719,827	649,362	234,160	52,282	13,655,631
2016	11,645,881	604,958	-	54,600	12,305,439
2015	11,260,317	538,367	-	52,157	11,850,841
2014	10,695,640	390,682	-	48,672	11,134,994
2013	11,480,756	190,261	-	45,296	11,716,313
2012	10,422,738	197,688	-	46,600	10,667,026
2011	10,570,050	256,828	-	46,800	10,873,678
2010	9,665,620	279,947	-	49,400	9,994,967

Non-Operating Revenues										
June 30	Connection Fees	Other Non-Operating Revenues	FEMA Reimbursement*	Title 16 Grant	Proposition 1 Grant	Proposition 84 Grant	Water Recycling Grant	CEC Grant	Loan Forgiveness	Total Non-Operating Revenues
2019	\$ 3,088,860	\$ 281,620	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 294,907	\$ -	\$ 3,665,387
2018	2,882,239	67,532	-	16,994	916,729	-	442,399	991,745	-	5,317,638
2017	2,951,667	78,595	978,766	-	3,844,476	-	1,808,434	135,881	-	9,797,819
2016	1,146,089	69,906	2,396,510	1,899,930	4,189,343	3,000,000	1,714,652	-	-	14,416,430
2015	1,387,175	107,030	24,544,825	1,637,192	-	-	27,081	-	-	27,703,303
2014	1,524,577	204,545	6,256,569	105,813	-	-	-	-	-	8,091,504
2013	1,620,728	74,852	1,047,586	121,366	-	-	-	-	3,000,000	5,864,532
2012	2,012,423	160,348	1,685,630	1,085,698	-	-	-	-	-	4,944,099
2011	2,205,637	134,276	2,444,799	-	-	-	-	-	-	4,784,712
2010	3,166,772	189,537	-	-	-	-	-	-	-	3,356,309

Total Revenues			
June 30	Total Operating Revenues	Total Non-Operating Revenues	Total Revenues
2019	\$ 14,649,380	\$ 3,665,387	\$ 18,314,767
2018	14,696,537	5,317,638	20,014,175
2017	13,655,631	9,797,819	23,453,450
2016	12,305,439	14,416,430	26,721,869
2015	11,850,841	27,703,303	39,554,144
2014	11,134,994	8,091,504	19,226,498
2013	11,716,313	5,864,532	17,580,845
2012	10,667,026	4,944,099	15,611,125
2011	10,873,678	4,784,712	15,658,390
2010	9,994,967	3,356,309	13,351,276

*VVWRA will be reimbursed 93.75% of the extraordinary expenses incurred during FY 16-17 through FEMA and Cal EMA.
Source: Victor Valley Wastewater Reclamation Authority's Statements of Revenues, Expenses and Changes in Net Position

VICTOR VALLEY WASTEWATER RECLAMATION AUTHORITY
Expenses by Function
Last Ten Fiscal Years

June 30	Operating Expenses						Total Operating Expenses	Total Non-Operating Expenses	Combined Expenses
	Personnel	Maintenance	Operations	Administration	Depreciation				
2019	\$ 5,011,708	\$ 1,880,448	\$ 2,928,704	\$ 2,162,267	\$ 12,468,103	\$ 24,451,230	\$ 1,255,633	\$ 25,706,863	
2018	4,813,879	1,654,791	2,877,169	1,783,254	9,226,174	20,355,267	1,937,435	22,292,702	
2017	4,435,790	1,936,625	2,444,093	2,087,840	7,900,370	18,804,718	1,555,468	20,360,186	
2016	5,090,845	1,892,127	2,359,892	1,831,796	6,645,579	17,820,239	1,214,952	19,035,191	
2015	4,610,511	1,902,719	1,865,289	1,734,702	6,788,528	16,901,749	1,335,646 *	18,237,395	
2014	4,475,438	1,647,896	2,183,544	1,784,021	6,612,402	16,703,301	1,535,497 *	18,238,798	
2013	4,386,713	1,377,024	2,169,317	2,044,400	5,760,766	15,738,220	1,356,772	17,094,992	
2012	4,398,077	3,041,988	2,828,368	1,788,697	5,620,847	17,677,977	2,389,888	20,067,865	
2011	4,356,129	883,688	2,521,414	1,498,077	5,674,684	14,933,992	572,285	15,506,277	
2010	4,596,477	652,862	2,023,628	1,365,467	5,664,279	14,302,713	304,779	14,607,492	

*Per prior year adjustment

Source: Victor Valley Wastewater Reclamation Authority's Statements of Revenues, Expenses and Changes in Net Position

Victor Valley Wastewater Reclamation Authority

Revenue Base

Last Ten Fiscal Years

June 30	Wastewater Received (MG)*
2019	3,864
2018	3,888
2017	3,845
2016	3,834
2015	4,171
2014	4,423
2013	4,704
2012	4,821
2011	4,881
2010	4,805

*MG = Million Gallons



Source: Victor Valley Wastewater Reclamation Authority

Victor Valley Wastewater Reclamation Authority

Principal Customers

Last Ten Fiscal Years

June 30	2019		2018		2017	
	Wastewater Received (MG)*	Percentage of Total	Wastewater Received (MG)*	Percentage of Total	Wastewater Received (MG)*	Percentage of Total
San Bernardino County	218	5.7%	222	5.7%	220	5.7%
Apple Valley	643	16.6%	653	16.8%	645	16.8%
Hesperia	707	18.3%	703	18.1%	695	18.1%
Victorville	2,296	59.4%	2,310	59.4%	2,285	59.4%
Principal Customers Total	3,864	100.0%	3,888	100.0%	3,845	100.0%
Total Water Received	3,864	100.0%	3,888	100.0%	3,845	100.0%

June 30	2016		2015		2014	
	Wastewater Received (MG)	Percentage of Total	Wastewater Received (MG)	Percentage of Total	Wastewater Received (MG)	Percentage of Total
San Bernardino County	219	5.7%	233	5.6%	287	6.5%
Apple Valley	644	16.8%	672	16.1%	611	13.8%
Hesperia	694	18.1%	697	16.7%	752	17.0%
Victorville	2,277	59.4%	2,569	61.6%	2,576	58.2%
Principal Customers Total	3834	100.0%	4,171	100.0%	4,226	95.5%
Total Water Received	3834	100.0%	4,171	100.0%	4,423	100.0%

Victor Valley Wastewater Reclamation Authority

Principal Customers

Last Ten Fiscal Years

June 30	2013		2012		2011	
	Wastewater Received (MG)	Percentage of Total	Wastewater Received (MG)	Percentage of Total	Wastewater Received (MG)	Percentage of Total
San Bernardino County	306	6.5%	528	11.0%	322	6.6%
Apple Valley	650	13.8%	666	13.8%	692	14.2%
Hesperia	799	17.0%	819	17.0%	818	16.8%
Victorville	2,739	58.2%	2,808	58.2%	3,049	62.4%
Principal Customers Total	4,494	95.5%	4,821	100.0%	4,881	100.0%
Total Water Received	4,704	100.0%	4,821	100.0%	4,881	100.0%

June 30	2010	
	Wastewater Received (MG)	Wastewater Received (MG)
San Bernardino County	290	290
Apple Valley	719	719
Hesperia	608	608
Victorville	2,990	2,990
Principal Customers Total	4,607	4,607
Total Water Received	4,805	4,805

*MG=Million Gallons

Source: Victor Valley Wastewater Reclamation Authority

Victor Valley Wastewater Reclamation Authority

Revenue Rate

Last Ten Fiscal Years

June 30	Service Charges (\$/MG)*	Connection Fees (\$/EDU)**
2019	\$3,503	\$4,000
2018	3,503	4,000
2017	3,274	4,000
2016	3,004	4,000
2015	2,756	4,000
2014	2,528	3,750
2013	2,528	3,750
2012	2,200	3,750
2011	2,200	3,750
2010	2,100	3,750

*MG = Million Gallons

**EDU = Equivalent Dwelling Unit (245 gallons/day or 20 fixture units)

Source: Victor Valley Wastewater Reclamation Authority

High Strength Surcharge Rates (\$/LB)			
June 30	BOD	TSS	NH3
2019	\$0.3685	\$0.2470	\$4.1368
2018	0.3323	0.2262	3.9800
2017	0.3679	0.2124	3.5430
2016	0.2701	0.2333	2.6887
2015	0.2989	0.2336	2.9252
2014	0.2318	0.2057	2.9118
2013	0.3231	0.1842	3.2876
2012	0.2812	0.1603	2.8611
2011	0.2671	0.1520	3.0159
2010	0.1419	0.0785	1.0963

Source: Victor Valley Wastewater Reclamation Authority

Victor Valley Wastewater Reclamation Authority
Ratio of Outstanding Debt by Type
Last Ten Fiscal Years

June 30	State Revolving Fund Loans	Advances from Member Agencies	Lease Payable	California Edison	Cal PERS Side Fund	Total Debt	Debt Per Capita	As a Share of Personal Income
2019	\$ 83,736,020	\$ -	\$ 339,222	\$ 39,744	\$ -	\$ 84,114,986	*	*
2018	87,698,996	-	429,152	57,171	-	88,185,319	297.55	0.74%
2017	81,478,053	-	-	83,387	-	81,561,440	278.81	0.72%
2016	52,619,607	-	-	223,062	-	52,842,669	180.72	0.48%
2015	29,773,664	-	-	107,376	-	29,881,040	102.55	0.28%
2014	25,844,065	-	-	-	670,612	26,514,677	93.12	0.27%
2013	24,024,452	-	-	-	696,459	24,720,911	87.40	0.27%
2012	25,553,520	-	-	-	718,434	26,271,954	93.10	0.29%
2011	13,976,968	-	-	-	735,025	14,711,993	52.52	0.17%
2010	11,516,803	2,719,048	-	-	748,274	14,984,125	54.45	0.18%

* Data not Available

Source: Victor Valley Wastewater Reclamation Authority
California Department of Finance

Victor Valley Wastewater Reclamation Authority

Demographic and Economic Statistics

Last Ten Calendar Years

Dec. 31	Population in Service Area ¹	Personal Income (In Millions)	Personal Income Per Capita ²	Unemployment Rate ²
2018	296,369	\$11,948	\$40,316	4.00%
2017	292,534	\$11,306	\$38,648	5.60%
2016	292,399	\$10,992	\$37,592	6.80%
2015	291,392	\$10,581	\$36,311	7.50%
2014	284,741	\$9,772	\$34,320	8.10%
2013	282,851	\$9,179	\$32,453	10.10%
2012	282,204	\$8,955	\$31,733	12.00%
2011	280,125	\$8,703	\$31,068	13.20%
2010	275,211	\$8,137	\$29,566	14.20%
2009	270,616	\$5,897	\$21,792	13.00%

* Data Not Available per

Service Area Population by Cities

Dec. 31	Apple Valley ¹	Victorville ¹	Hesperia ¹
2017	73,464	126,543	96,362
2016	74,701	123,565	94,133
2015	74,656	123,510	93,226
2014	71,396	121,168	92,177
2013	70,755	120,590	91,506
2012	70,436	120,368	91,400
2011	70,033	119,059	91,033
2010	69,135	115,903	90,173
2009	70,040	112,097	88,479

* Data Not Available

Note 1: VVWRA also serves County of San Bernardino, No. 42 (Oro Grande), No. 64 (Spring Valley Lake), and Mojave Narrows. The population in service area represents most of the population in the area that VVWRA serves.

Note 2: Personal income for the service area is calculated by multiplying the population in the service area by Personal Income Per Capita.

¹ California Department of Finance and U.S. Census Bureau

² State of California Employment Development Department (Data shown is for the County)

Victor Valley Wastewater Reclamation Authority
Principal Employers
Current Year and Nine Years Ago

June 30, 2019

Employer	Business Category
Leading Edge	Aviation
Southern California Aviation	Aviation
Victorville Aerospace	Aviation
TXI Cement	Cement
Robar Enterprises	Cement/Steel
Goodyear	Distribution
Lowe's Home Improvement Warehouse	Distribution
Newell Rubbermaid	Distribution
Walmart Distribution Center	Distribution
Apple Valley Unified School District	Education
Hesperia Unified School District	Education
Victor Elementary School District	Education
Victor Valley College	Education
Victor Valley Union High School District	Education
City of Hesperia	Government
City of Victorville	Government
County of San Bernardino	Government
Hesperia Recreation and Park District	Government
Town of Apple Valley	Government
Stater Bros.	Grocery
WinCo Foods	Grocery
Desert Valley Hospital / Medical Group	Health
St. Mary Medical Center	Health
Victor Valley Community Hospital	Health
Nutro Foods	Pet Food Processing
Arizona Pipeline Company	Pipe Fabricator
Federal Correction Complex Victorville	Prison
In-N-Out	Restaurant
Wood Grill Buffett	Restaurant
K-Mart	Retail
Target Stores, Inc	Retail
The Home Depot	Retail
Walmart Store	Retail
Double Eagle Transportation	Trucking / Repairs
Verizon	Utility – telephone

June 30, 2010

Employer	Business Category
Leading Edge	Aviation
Southern California Aviation	Aviation
Victorville Aerospace	Aviation
TXI Cement	Cement
Robar Enterprises	Cement/Steel
Goodyear	Distribution
Newell Rubbermaid	Distribution
Wal-Mart Distribution Center	Distribution
Apple Valley Unified School District	Education
Hesperia Unified School District	Education
Victor Elementary School District	Education
Victor Valley College	Education
Victor Valley Union High School District	Education
City of Hesperia	Government
City of Victorville	Government
County of San Bernardino	Government
Hesperia Recreation and Park District	Government
High Desert Law & Justice Center	Government
Town of Apple Valley	Government
Albertson's Supermarket	Grocery
Stater Bros.	Grocery
WinCo Foods	Grocery
Apple Valley Christian Care Centers	Health
Desert Valley Hospital / Medical Group	Health
St. Mary Medical Center	Health
Victor Valley Community Hospital	Health
Nutro Foods	Pet Food Processing
Arizona Pipeline Company	Pipe Fabricator
Federal Correction Complex Victorville	Prison
In-N-Out	Restaurant
McDonald's	Restaurant
Red Robin	Restaurant
Wood Grill Buffett	Restaurant
Best Buy	Retail
K-Mart	Retail
Lowe's Home Improvement	Retail
Target Stores, Inc	Retail
Walmart Store	Retail
Double Eagle Transportation	Trucking / Repairs
Verizon	Utility – telephone

Note: Total number of employees for each employer is confidential per 20 CFR Part 603.

Source: Victor Valley Economic Development Authority

Victor Valley Wastewater Reclamation Authority
Investment In Capital Assets
Last Ten Fiscal Years

June 30	2019	2018	2017	2016	2015
Land	\$ 779,136	\$ 779,136	\$ 779,136	\$ 779,136	\$ 779,136
Land Improvements	9,738,124	9,738,124	9,738,124	9,630,803	9,421,375
Plant Buildings	218,514,351	218,162,852	133,494,901	132,421,707	131,778,715
Interceptor Lines	69,200,504	67,544,012	62,653,035	27,606,672	27,606,672
Office Equipment	1,064,592	775,612	766,585	766,585	530,213
Trucks/Auto	861,825	841,568	911,116	911,116	911,116
Construction in Progress (1)	2,596,294	2,301,965	82,908,664	79,877,599	42,492,810
Accumulated Depreciation	(108,547,472)	(96,114,915)	(86,958,289)	(79,302,192)	(72,656,613)
Total	\$ 194,207,354	\$ 204,028,354	\$ 204,293,272	\$ 172,691,426	\$ 140,863,424

June 30	2014	2013	2012	2011	2010
Land	\$ 650,136	\$ 650,136	\$ 650,136	\$ 650,136	\$ 650,136
Land Improvements	7,792,390	7,757,640	7,757,640	7,757,640	7,564,164
Plant Buildings	131,601,527	112,079,795	105,576,501	105,387,194	104,419,502
Interceptor Lines	27,606,672	27,606,672	27,606,672	24,510,412	23,619,909
Office Equipment	530,213	465,609	406,239	406,239	406,239
Trucks/Auto	911,116	858,726	858,726	814,281	708,755
Construction in Progress (1)	11,960,240	25,896,952	28,349,200	15,130,636	11,567,209
Accumulated Depreciation	(65,868,085)	(59,279,888)	(53,519,122)	(48,363,376)	(42,688,692)
Total	\$ 115,184,209	\$ 116,035,642	\$ 117,685,992	\$ 106,293,162	\$ 106,247,222

Note:

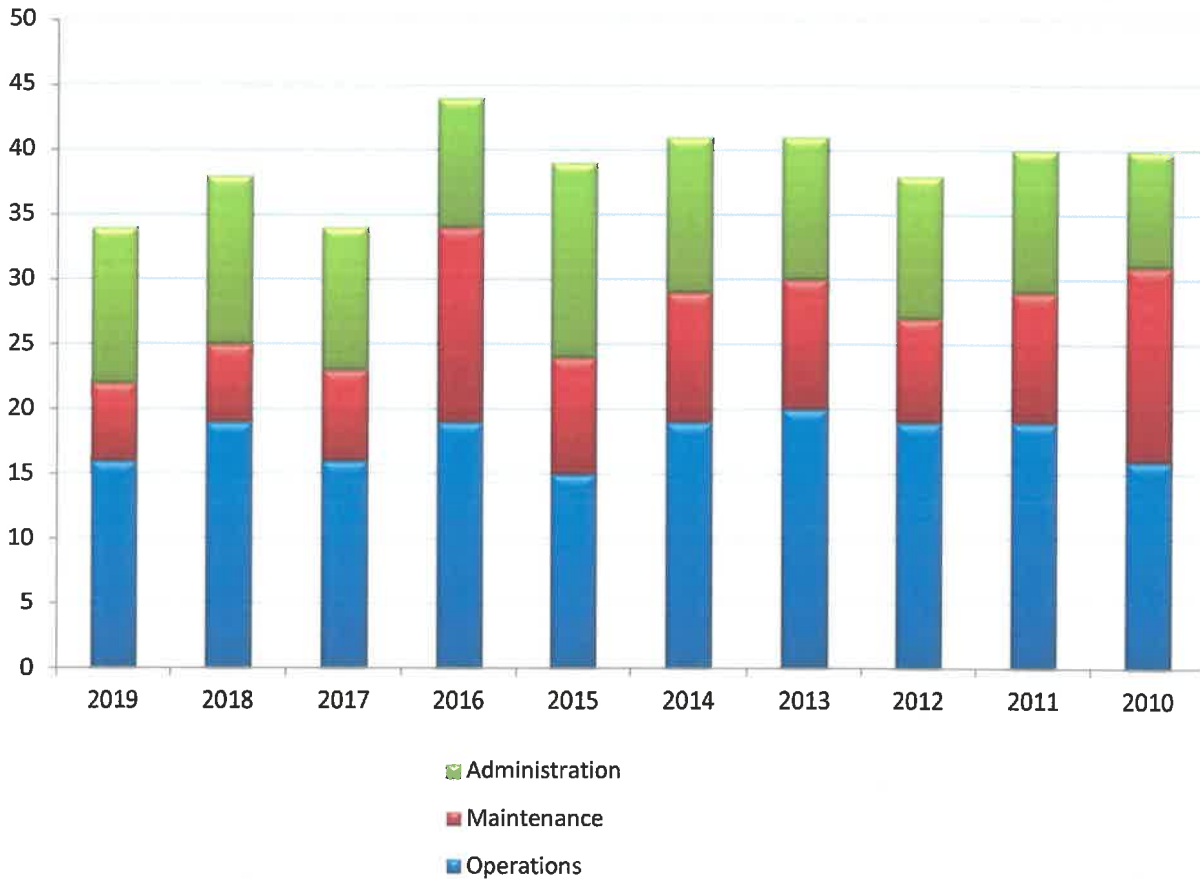
- (1) Construction in progress significantly increased in Fiscal Years 2015, 2016 and 2017 due to the construction of Upper Narrows Pipeline and Subregional Water Reclamation Plants in Hesperia and Apple Valley.
- (2) Construction in progress significantly decreased in Fiscal Years 2018 due to the completion of Subregional Water Reclamation Plants in Hesperia and Apple Valley.

Source: Victor Valley Wastewater Reclamation Authority

**Victor Valley Wastewater Reclamation Authority
Full-Time Equivalent Employees by Function
Last Ten Fiscal Years**

June 30	2019	2018	2017	2016	2015
Operations	16	19	16	19	15
Maintenance	6	6	7	15	9
Administration	12	13	11	10	15
Total	34	38	34	44	39

June 30	2014	2013	2012	2011	2010
Operations	19	20	19	19	16
Maintenance	10	10	8	10	15
Administration	12	11	11	11	9
Total	41	41	38	40	40



Source: Victor Valley Wastewater Reclamation Authority

**Victor Valley Wastewater Reclamation Authority
Operating and Capital Indicators (Facts and Figures)
June 30, 2019**

Throughout the last three years Victor Valley Wastewater Reclamation Authority (VWVRA) has identified areas in which to improve its operational reliability and efficiency, financial policies and procedures and capital improvement plans. Part of our ongoing effort is to track those improvements and make sure that when change occurs that it is incorporated in to our organizational structure. Benchmarking is a measurement tool used to track the Authority's progress towards achieving its goals. The process encourages transparency, innovation and accountability. Not surprisingly, the Authority has received numerous awards at both local and state levels recognizing its achievements in wastewater treatment and financial reporting. These analyses are included in the Authority's Comprehensive Annual Financial Report and used for financial planning purposes related to budget and evaluating financing options.

Benchmarking is akin to a self evaluation. It is an excellent tool to build credibility, but it is also important given VWVRA's increasing role as a part of the broader water solution locally and statewide. The California Water Plan Update 2005 sets forth statewide goals and provides that sustainability of our water supplies to 2030 will require three actions:

1. Use water efficiently
2. Protect water quality
3. Manage water in ways that protect and restore the environment

VWVRA is actively pursuing these three goals within its service areas and within its organizational culture. To attain these goals, the Capital Improvement Plan (CIP) includes three elements in each project to improve and meet (1) the capacity, (2) performance efficiency and (3) regulatory needs for wastewater treatment for its Member Agencies.

As any good steward of our limited resources would do, we have conducted a benchmarking analysis to identify areas where VWVRA could improve its operation. The primary objective is to create a performance measurement system to evaluate and improve the Authority's operational efficiency. The manual "Benchmarking, Performance Indicators for Water and Wastewater Utilities: 2012 Annual Survey Data and Analysis Report" was utilized as an industry standard reference. The manual is published by the American Water Works Association (AWWA), a national organization dedicated to promoting sound water policy.

We have used information from the U.S. Department of Labor, Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers (CPI-U) to adjust for inflation. The CPI-U is 2.7% for 2018 and 2.1% for 2017. We have adjusted the AWWA wastewater performance data with 2017 CPI-U.

Four indices were chosen which provide a broad perspective on the operational efficiency of VWVRA, these include:

1. **Sewer Overflow Rate**: the purpose of this indicator is to provide "...a measure of collection system piping condition and the effectiveness of routine maintenance by quantifying the number of sewer overflows per 100 miles of collection piping."

**Victor Valley Wastewater Reclamation Authority
Operating and Capital Indicators (Facts and Figures)
June 30, 2019**

- a. Reporting period: Year ended June 30, 2019
 - b. Source: State Water Resources Control Board, California Integrated Water Quality System Project (CIWQS)
2. **Million Gallons per Day (mgd) of Wastewater Processed per Employee:** This is a measure of employee productivity and includes all staff.



Apple Valley Sub-regional Plant

- a. Reporting Period: Year ended June 30, 2019
- b. Source: Actual inflow data measured by VVWRA and data provided by Member Agencies and other users.
- c. Source: based on actual employee numbers as of June 30, 2019

3. **Operations and Maintenance Cost per Million Gallons Processed:**

This represents the total operations and maintenance costs (without depreciation) divided by the volume processed during the year.

- a. Reporting Period: Year ended June 30, 2019
 - b. Source: Actual inflow data measured by VVWRA and data provided by Member Agencies and other users.
 - c. Source: VVWRA Audited Financial Statements June 30, 2019, pages 13
4. **Debt Ratio:** It quantifies the utilities level of indebtedness.
- a. Reporting Period: Fiscal Year 2018-2019
 - b. Source: VVWRA Audited Financial Statements June 30, 2019, page 12

The performance indicators are analyzed, comparing to wastewater facilities that are nationwide, West States Region IV, and serving a population size of 100,001 to 500,000.

There are significant regional variations due to population, regulatory complexity and the cost of living associated with wastewater treatment. West States Region IV consists of Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, New Mexico, Nevada, Oregon, Utah, Washington, and Wyoming.

**Victor Valley Wastewater Reclamation Authority
Operating and Capital Indicators (Facts and Figures)
June 30, 2019**

Sewer Overflow Rate

Nationwide

	Top Quartile	Median	Bottom Quartile	VVWRA June 30, 2019
Sewer Overflow Rate	0.7	2.2	3.3	0

West States Region IV

	Top Quartile	Median	Bottom Quartile	VVWRA June 30, 2019
Sewer Overflow Rate	<i>Data Not Available</i>	0.7	2.4	0

Population 100,001-500,000

	Top Quartile	Median	Bottom Quartile	VVWRA June 30, 2019
Sewer Overflow Rate	0.6	1.6	4.4	0

VVWRA's Sewer Overflow Rate is 0. VVWRA had 0 reported spill at during year ended June 30, 2019. VVWRA has completed the construction of a permanent interceptor to replace the temporary bypass line that was completed during 2011 to divert the wastewater flow from a damaged interceptor. In addition, VVWRA is finished constructing the Sub-regional wastewater treatment plant each in Apple Valley and Hesperia. The Capital Improvement Plan requires a multi-million dollar funding to address the construction needs.



Hesperia Sub-regional Plant

**Victor Valley Wastewater Reclamation Authority
Operating and Capital Indicators (Facts and Figures)
June 30, 2019**

Million Gallons per Day of Wastewater Processed per Employee

Nationwide

	Top Quartile	Median	Bottom Quartile	VVWRA June 30, 2019
MGD Wastewater processed per employee	0.39	0.23	0.20	0.31

West States Region IV

	Top Quartile	Median	Bottom Quartile	VVWRA June 30, 2019
MGD Wastewater processed per employee	0.31	0.23	0.14	0.31

Population 100,001-500,000

	Top Quartile	Median	Bottom Quartile	VVWRA June 30, 2019
MGD Wastewater processed per employee	0.29	0.22	0.18	0.31

VVWRA places between the top and median quartiles of the Nationwide quartile, the West States. VVWRA places above the top quartile in the population category.

**Victor Valley Wastewater Reclamation Authority
Operating and Capital Indicators (Facts and Figures)
June 30, 2019**

Operations and Maintenance Cost per Million Gallons Processed

Nationwide

	Top Quartile	Median	Bottom Quartile	VVWRA June 30, 2019
O&M Cost per MG Processed	<i>Data Not Available</i>	\$2,631	<i>Data Not Available</i>	\$3,101

West States Region IV

	Top Quartile	Median	Bottom Quartile	VVWRA June 30, 2019
O&M Cost per MG Processed	\$1,844	\$4,336	\$6,305	\$3,101

Population 100,001-500,000

	Top Quartile	Median	Bottom Quartile	VVWRA June 30, 2019
O&M Cost per MG Processed	\$1,948	\$3,213	\$4,698	\$3,101

VVWRA is performing between the median and the top quartile in the West States and the population categories however lower than the median quartile nationally. Unfortunately the numbers generated as indices in the AWWA Benchmarking analysis did not differentiate basis upon level of treatment or regulatory requirements. There were also significant differences in personnel costs in the Midwest and South which may have skewed the National Results.

**Victor Valley Wastewater Reclamation Authority
Operating and Capital Indicators (Facts and Figures)
June 30, 2019**

Debt Ratio

Nationwide

	Top Quartile	Median	Bottom Quartile	VVWRA June 30, 2019
Debt Ratio (%)	<i>Data Not Available</i>	22	<i>Data Not Available</i>	45

West States Region IV

	Top Quartile	Median	Bottom Quartile	VVWRA June 30, 2019
Debt Ratio (%)	18	33	56	45

Population 100,001-500,000

	Top Quartile	Median	Bottom Quartile	VVWRA June 30, 2019
Debt Ratio (%)	23	32	44	45

The Authority's debt ratio is below the median quartile when compared to all categories.

Average Cost per Employee

A final analysis is needed to determine how VVWRA's personnel cost compares to southern California agencies. The results indicate that the VVWRA's median per employee cost was approximately \$147,403, showing that VVWRA's personnel cost was one of the lowest. See next page.

**Victor Valley Wastewater Reclamation Authority
Operating and Capital Indicators (Facts and Figures)
June 30, 2019**

Financial and Statistical summary of Selected Wastewater Agencies – Year Ended June 30, 2019							
Wastewater Agencies	Arrowhead	Inland Empire	Big Bear RWA	VVWRA	Orange County San. Dist.	Encina WA	Leucadia WD
Cost of Services	\$7,150,694	\$46,046,000	\$2,150,153	\$5,011,708	\$95,834,200	\$11,461,182	\$3,277,372
Positions	55.5	343	15	34	636	70	19
Average personnel cost per position	\$128,841	\$134,245	\$143,344	\$147,403	\$150,683	\$163,731	\$172,493

Sources: VVWRA's cost of services and personnel cost are **actual** for the fiscal year ended June 30, 2019, while data for other agencies are from their **budgets** for June 30, 2019.

Discussion

As the data above indicates, VVWRA's performance seems to be at average or better. There is always room for improvement which is why VVWRA routinely evaluates its performance efficiency to reduce costs and considers alternatives to costly upgrades to address regulatory requirements. The Authority has an approved CIP which is designed to address capacity issues within the interceptor system. These projects include Sub-regional facilities and interceptor upgrades. The Authority is also uniquely positioned in the High Desert to address potable water shortages through improved use of reclaimed water. VVWRA is not unique in this respect, the Little Hoover Commission produced a report in January 2009 dealing with the California water situation and organizational challenges. The report states, in pertinent part:



Equipment at the Hesperia Sub-regional Plant

And while implementation of the Federal Clean Water Act and the state's Porter-Cologne Water Quality Control Act, the two key laws governing water quality, have made profound improvements in wastewater treatment discharges, wastewater remains a critical statewide problem. Local governments, representing small, poor communities as well as larger, richer urban areas, are struggling to pay for upgrades needed to protect the state's waters and ensure they are safe to swim in, fish in or drink. An EPA report noted that California would need to spend more than \$18 billion to properly upgrade and expand wastewater treatment.

**Victor Valley Wastewater Reclamation Authority
Operating and Capital Indicators (Facts and Figures)
June 30, 2019**

VVWRA is aggressively pursuing funds to meet the needs of the Member Agencies and the State Regulatory Agencies and to ensure that the communities it serves continue to have reliable wastewater treatment and a source of reclaimed water. The first key step is obvious: to manage the assets the Authority currently operates as efficiently as possible. The second step is to incorporate elements of sustainable land use planning, which are exemplified within the Ahwahnee Water Principles, specifically Water Principle 7-Water Recycling. The reuse of “waste” water is an opportunity for the community to diversify their water portfolios and create a drought proof supply of water to meet landscape irrigation, industrial and commercial needs. Furthermore, since reuse began in 1929 in California, not one single health problem has been reported. VVWRA will continue to partner with the Member Agencies to promote the local reuse of wastewater while actively seeking the resources to provide reliable wastewater treatment services.



Hesperia Sub-regional Plant

In addition to this benchmarking analysis, VVWRA will be preparing itself for the future through a strategic planning and continuous improvement process. All managerial staff has reviewed a book entitled, “Managing the Water and Wastewater Utility” with the goal of producing a Business Plan to help guide the Authority as issues arise. The purpose is to continuously create an organization which proactively recognizes problems and addresses them early rather than reacting to them once they have occurred and responding to the fallout. The book states the goals of this process will be to:

1. Respond to external threats to the utility;
2. Seize opportunities presented by technological, financial, or political change to the advantage of the customers we serve;
3. Maximize the quality of customer service within available resources;
4. Cut costs, while providing excellent customer service;
5. Maintain or improve the safety and quality of employee work life; and
6. Create an organization that will continuously improve and revitalize itself in response to an ever-changing world.

Through a process of self evaluation and creative problem solving, VVWRA intends to meet the needs of the Member Agencies while serving the broader community. It would assist VVWRA in this process if any of the Member Agencies conduct their own benchmarking analysis and they would be willing to share it with us in confidence. This approach would ensure that our effort mirrors theirs such that comparable results are generated. The ultimate goal is to plan and create an organization capable of responding to our local issues and needs, while keeping in mind the broader policy issues, which may impact our ability to execute our goals locally.

Report on Internal Controls and Compliance

**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***

Board of Commissioners
Victor Valley Wastewater Reclamation Authority
Victorville, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the Victor Valley Wastewater Reclamation Authority (Authority) as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated January 19, 2020.

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

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

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

Compliance and Other Matters

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

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

Purpose of this Report

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

Fedak & Brown LLP
Cypress, California
January 19, 2020



**VICTOR VALLEY WASTEWATER RECLAMATION AUTHORITY
Board of Commissioners Staff Report**

TO: VVWRA Board of Commissioners
FROM: Darron Poulsen, General Manager *DRP*
SUBMITTED BY: *MA* Marcos Avila, Maintenance Lead and Alton Anderson, Construction Manager
DATE: January 16, 2020
SUBJECT: Recommendation to ratify the General Manager’s declaration of an emergency and per the emergency declaration provision in the VVWRA Finance Policies; approve the purchase of a Netzsch Nemo Progressive Cavity Pump model NM125SY03S14Z not to exceed \$90,931.14

<input checked="" type="checkbox"/> For Action	<input checked="" type="checkbox"/> Fiscal Impact	\$ 90,931.14
<input type="checkbox"/> Information Only	<input checked="" type="checkbox"/> Account Code:	07-02-155-6105-999
	<input checked="" type="checkbox"/> Funds Budgeted/ Approved:	<i>[Signature]</i>

STAFF RECOMMENDATION

It is recommended that the Board of Commissioners ratify the General Manager’s declaration of an emergency, and per the emergency declaration provision in the VVWRA Finance Policies, approve the purchase of a Netzsch Nemo progressive cavity pump model nm125sy03s14z not to exceed \$90,931.14 from MISCOWATER as shown in the attached Quote JBZ-B000364224.

PREVIOUS ACTION(S)

No previous action

BACKGROUND INFORMATION

Staff identified a dewatering issue in the drying beds in the fall of 2019. They began the process to identify a more significant solution to deal with the concern, beyond the temporary fix that had been put in place in early 2019 due to the significant rain events. A solution was identified and staff was prepared to move forward with the standard purchasing process at the beginning of the new year, 2020. As a result of the significant storm events in late November and December, the significant lead times to receive the necessary pump and the stern directive from Lahontan to deal with the significant water in the ponds, the General Manager made a decision to declare the current condition in the sludge drying beds an emergency. The VVWRA Finance Policies allow for the purchase of equipment and services in the event of an emergency. Staff performed their due diligence given the circumstances to get multiple quotes to provide the most cost effective solution.

VVWRA currently has very limited capacity in our sludge drying beds. Drying bed capacity has been identified as a critical item of focus. VVWRA uses a Gravity Belt thickener (GBT) for our sludge thickening operation. During this process the solids concentration of the sludge is increased and the total sludge volume is correspondingly decreased by the removal of water. The higher sludge concentration and the lower sludge volume increases drying bed capacity. See map of GBT operations and pictures of full sludge drying beds. (Exhibit A)

This process was originally available for 2 of our 11 drying beds. Recognizing the need for more capacity, VVWRA staff added 2 pump stations with NETZSCH progressive cavity pumps from existing equipment inventory to expand the thickening operation to 4 drying beds. Last winter's abnormally high rainfall took drying bed capacity to a critical level. In order to make it through last winter, we had a contractor raise the side wall height of 2 of the largest drying beds last winter to double their volume. To stay proactive in regaining capacity, last spring VVWRA staff installed another pump station with a NETZSCH progressive cavity pump at the farthest point of the thickened sludge pipeline to provide the ability to utilize 7 drying beds. This pump station is powered by a generator due to its location away from the GBT process area. This generator costs \$8,000 per month for rental and operation costs. At this point staff has identified that we need to be able to send thickened sludge to all of our drying beds to ensure there is enough capacity to get through this winter and the predicted wet spring. The 4 additional drying beds are our largest in volume and also happen to be the farthest away from the GBT thereby requiring increased pumping capacity.

The ability to send thickened sludge to all available drying beds is critical to the continued operation of the solids process. It will also ensure we maintain enough capacity for VVWRA's ADM/FOG program. Staff met with pump manufacturers on site to discuss the problems and to establish design parameters to send out for quotes.

The specifications and required delivery date of 8 weeks were sent to 5 pump manufacturers with 4 responding as indicated below.

1. Quote 1 from Multi W Systems was rejected due to the additional delivery time and specification concerns. 12 weeks puts delivery to mid-April and past the rainy season.
2. Quote 2 from Cortech was rejected because they only utilize a split stator and at the pressures that we will need this can greatly increase the maintenance costs and down time.
3. Quote 3 is from Misco Water and utilizes Netzsch pumps which staff is very familiar with and we have several pumps from this supplier in use. Staff has selected Quote 3 in the amount of \$90,931.14 as our recommendation for approval.
4. Quote 4 meets all the scoped criteria but is higher priced, \$119,590.97.

With Board approval we anticipate the pumps to be ordered January 17th, delivered to the site by March 13th, installed and operational before the end of March 2020. Without the new pump, drying bed space could reach a level this spring which could limit or stop the VVWRA from accepting ADM/FOG and limit the subregional facilities.

Attachment(s):

Exhibit A- Map and pictures of the VVWRA drying beds and GBT operations

Exhibit B- MiscoWater quote JBZ-B0003664224

EXHIBIT A

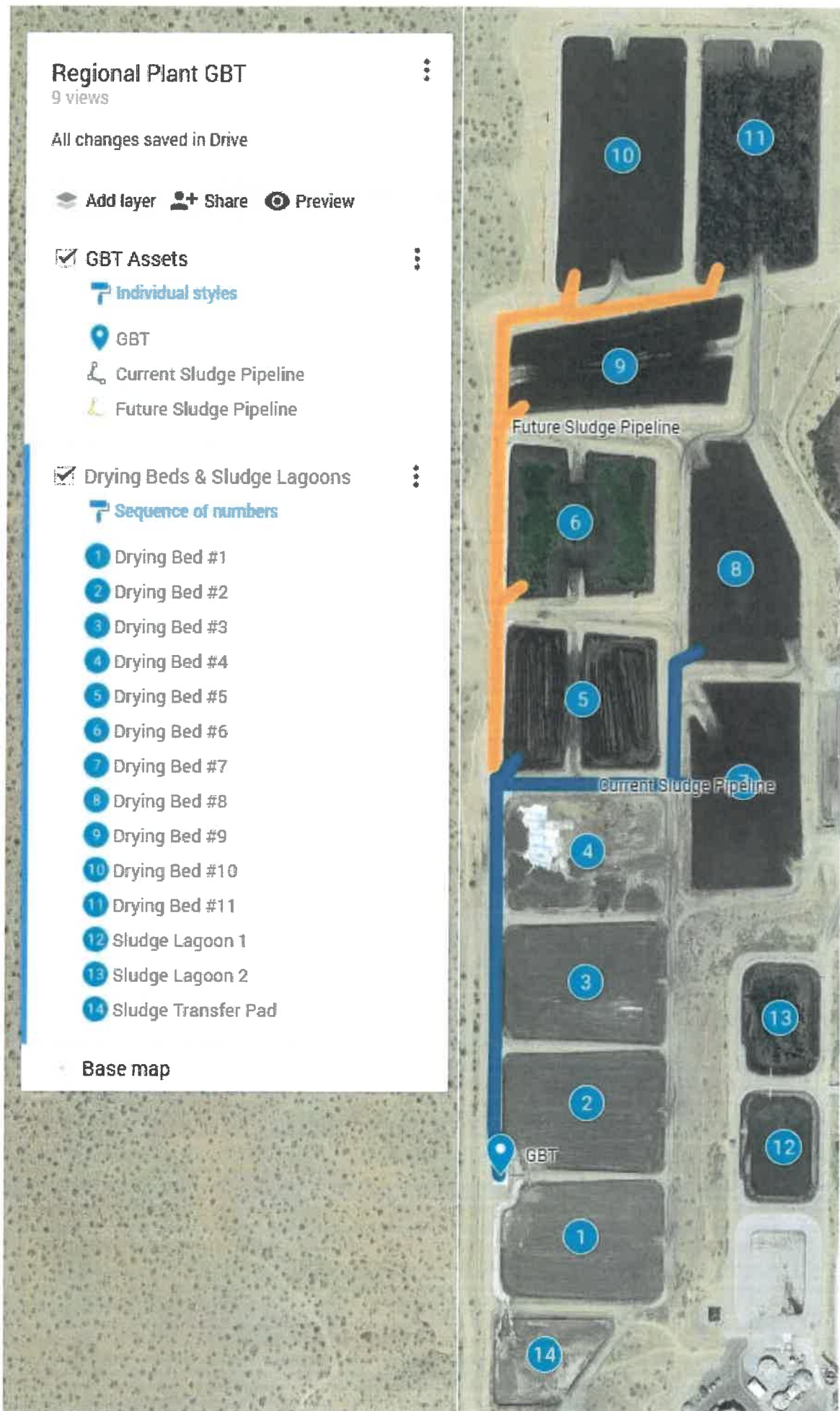


EXHIBIT B



MISCOWATER
 27101 Burbank, Suite B
 Foothill Ranch, CA 92610
 (949) 458-5555

Quote

Date	Quotation #
1/8/2020	010820-8SW

Customer
Victor Valley WWRA 20111 Shay Road Victorville, CA 92394

Ship To
Victor Valley WWRA 20111 Shay Road Victorville, CA 92394

Description	Qty	Rate	Total
NETZSCH NEMO Progressive Cavity Pump FSIP® design model NM125SY03S14Z with a 50 hp gear motor mounted inline on a Carbon Steel - 1020 baseplate as per the technical.	1	76,277.00	76,277.00
Protection against dry running by installing a thermal protection device to monitor the operating temperature of the stator. (Probe shipped mounted in stator and controller shipped loose)	1	1,170.00	1,170.00
Estimated Freight	1	7,482.00	7,482.00
7.75% Sales Tax Sales tax rates can change between the time an order is placed and the time the order is shipped, which could affect the calculation of sales tax. The amount quoted may differ from the sales tax ultimately charged and is the responsibility of the customer.	1	6,002.14	6,002.14
LEAD TIME: Equipment 8 Weeks after receipt of order Submittals not included			
PAYMENT TERMS: Subject to prior credit approval, the terms of payment are; 100% upon equipment shipment (or offer to ship), Net 30 Days			
TERMS & CONDITIONS: MISCOWater's standard Terms and Conditions of Sale apply and are an integral part of this quotation unless specifically noted otherwise in this proposal.			
SHIPPING & BILLING: Please provide Shipping Address for Delivery and Billing Address for Invoice			

Please Make Purchase Order Out To:
MISCOWATER

Total	\$90,931.14
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MISCOWATER – TW ASSOCIATES
TERMS & CONDITIONS OF SALE

1. ACCEPTANCE

When the Buyer signifies acceptance of this quotation by submission of a Purchase Order or signed MISCOWATER Quotation, it shall become a binding contract when accepted and signed by an authorized signer of the Seller (MISCOWATER). Any changes or amendments to this proposal made by the Buyer must have MISCOWATER's approval in writing to become a part of this contract.

2. DELIVERY

Any shipment or delivery date recited represents our best estimate, but no liability, direct or indirect, is assumed by MISCOWATER for failure to ship or deliver on such dates. Unless otherwise directed, MISCOWATER shall have the right to make early or partial shipments and invoices covering the same to Buyer shall be due and payable in accordance with payment terms hereof. FOB shall be origin.

3. APPROVAL DRAWINGS

Any preliminary drawings or literature attached to our quotation are for illustration purposes only to show approximate arrangements. Specific drawings and submittal data will be furnished for approval as required after receipt and acceptance of the Buyer's order. Fabrication of products or equipment ordered will not begin until approval and direction to proceed is received in writing.

4. PAYMENT

Payment terms, upon credit approval, are Net 30 Days from the date of each invoice issued for each partial or final shipment. Flowdown provisions are not accepted. Retention is not allowed. In the event any payment becomes past due, a charge of 1.5% will be assessed monthly.

5. TAXES AND BONDS

Taxes and bonds are NOT included in our pricing. Any applicable taxes or bonds will be added to the price and shown separately on each invoice.

6. CLAIMS AND BACKCHARGES

Buyer agrees to examine all materials immediately upon delivery and report to Seller (MISCOWATER) in writing any defects or shortages noted no later than 10 days following the date of receipt. The parties agree that if no such claim is made within said time, it shall be considered acceptable and in good order with respect to any defect or shortage which would have been revealed by such an inspection. In no event will MISCOWATER be responsible for any charge for modification, servicing, adjustment or for any other expense without written authorization from MISCOWATER prior to the performance of any such work.

7. SECURITY INTEREST & TITLE

Until all amounts due MISCOWATER have been paid in full, Seller shall retain a security interest in the product and have all rights of a secured party under the California Uniform Commercial Code, including the right to repossess the product or equipment without legal process.

8. WARRANTY

MISCOWATER warrants that the product furnished will be free from defects in material and workmanship when installed, operated and maintained under design conditions and in accordance with the manufacturer's written instructions. Warranties will expire (18) months after shipment or twelve (12) months after start-up, whichever occurs first. Expandable items such as filter or scrubber media are excluded from this warranty.

THIS WARRANTY, INCLUDING THE STATED REMEDIES, IS EXPRESSLY MADE BY SELLER AND ACCEPTED BY PURCHASER IN LIEU OF ALL OTHER WARRANTIES. SELLER MAKES NO WARRANTIES, EXPRESSED OR IMPLIED, OF MERCHANTABILITY, FITNESS OR OTHERWISE, WHICH EXTEND BEYOND THE DESCRIPTION OF THE PRODUCT HEREIN. SELLER WILL NOT BE LIABLE FOR ANY CONSEQUENTIAL, INCIDENTAL OR LIQUIDATED DAMAGES, AND IN NO EVENT SHALL BE LIABLE FOR ANY AMOUNT IN EXCESS OF THE PURCHASE PRICE OF THE PRODUCT PURCHASED ON THIS ORDER.

The foregoing is Seller's only obligation and Buyer's exclusive remedy for breach of warranty, and, except for gross negligence and willful misconduct, the foregoing is Buyer's exclusive remedy against Seller for all claims arising hereunder or relating hereto. Buyer's failure to submit a timely claim as provided shall specifically waive all claims for damages or other relief.

9. CANCELLATION

Should this order be cancelled, Buyer shall be obligated to pay for the level of work performed and products shipped. Work performed includes any engineering, calculations, preparation of submittals, drawings, and/or travel to job site in relation to this order.

10. FIELD WORK

Unless specifically stated on our quotation, installation, start-up service, supervision, operation and training are not included in our pricing of product.

11. COMPLETE AGREEMENT

These terms are intended by the parties as a final expression of their agreement and are intended also as a complete and exclusive statement of the terms of their agreement. No course or prior dealings between the parties and no usages of the trade shall be relevant to supplement or explain any term used in this agreement. This agreement supersedes all prior representations and agreements with respect to the matters set forth herein and may be modified only by a written agreement to and signed by each of the parties.

MISCOWATER: _____

By: _____

Title: _____

Title: _____

Date: _____

Date: _____

Technical Pump Quotation

Check us out

NM125SY03S14Z

Quote: JBZ-B000364224 Rev4

Date: 1/8/2020

Project: Victor Valley (VWVRA)

Drying beds challenge

Product:		Content	nominal	minimum	maximum
Name / Composition				Sludge	
Product temperature	assumed	°F	Ambient		
Specific gravity	assumed		1.0		
Particle size	assumed	mm			20
pH value	assumed			6	8
Solids content (w/w)	assumed	%TS		5	6
Dynamic viscosity		CPS	Not Given		
Abrasive	assumed			Low	

"Materials of construction are only recommended based on the information provided. Customer needs to verify materials will be compatible with the process fluid or application."

Application details:		Content	nominal		maximum
Flow rate (Q)	approx.	GPM	420		500
Differential pressure		PSI	135		135
Suction pressure	assumed	PSI	Flooded		Flooded
Discharge pressure	approx.	PSI	135		135
Pump operating speed	approx.	RPM	220		250
Sliding velocity	approx.	ft./s	7.2		8.1
Frequency	approx.	Hz	50		56
Power required at drive shaft	approx.	HP	38.2		43.5
Running torque	approx.	ft./lbs.	914.0		914.0
Starting torque	approx.	ft./lbs.	1500.0		1500.0

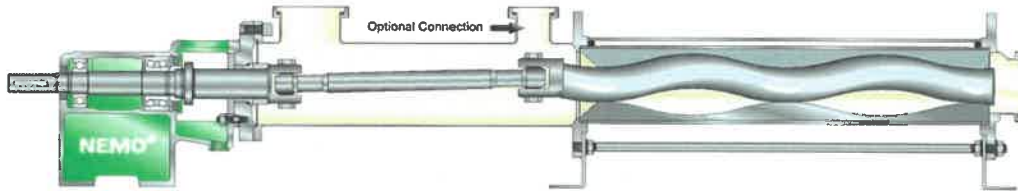
Assembly specification	Installation:	Horizontal
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General operating conditions	
Installation area	Outside
Ambient Temperature	Approx. 20 - 115 °F
Humidity	Customer must heat trace the suction tank, piping, and pump to ensure freezing does not occur. up to 75%
Application type	Continuous operation
Operating hours per day	8
Service voltage	3ph, 60hz, 230/460V

Painting	Coating system	NIL System I RAL 7031 NETZSCH gray NCS 355B60G teal (stator only)
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Operating and Maintenance Instructions
Standard documentation in accordance with the 98/37/EG Machinery Directive.
Special documentation is available on request and would be charged for.
Download the Operating and Maintenance Instructions and cover document for each of your specific pumps at www.NETZSCHusa.com/OM
You may use this new conveniently located tool as often as you like.
Paper copies are still available at a cost of \$25.00 per manual.

Pump: NM125SY03S14Z



Picture is for reference only and may not be exact model specified

Characteristics and benefits of the NEMO® BY Block pump:

- Reliable and sophisticated construction
- Space-saving construction
- Modular construction system
- 4 different stator – rotor geometries available for most sizes
- Low investment and operating costs
- Low maintenance expenses

General characteristics	
name plate on the pump	in English (Stainless steel)
direction of rotation	To the left, counter clockwise(as viewed from drive end)

Pump Pedestal	Cast Iron
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Pump housing / End connection	
Housing material	Cast Iron
Housing Connection position	Vertically Upwards (as viewed from drive end)
Function of housing connection	Suction Connection
Function of end connection	Discharge Connection
Suction Connection design	Standard
Nom. dia. & pressure for pump housing	10" 125# ANSI Flange
Discharge Connection design	standard
Nom. dia. & pressure of discharge flange	8" TBD# ANSI Flange (Customer to choose either 125# or 250# flange)
Housing seals	FKM

Shaft seal	
Design	Packing with lantern ring and grease connection
Shaft seal type	Gland packing
Shaft seal materials	Teflon / kevlar

Rotating parts	
Extension shaft Material	AISI 420 - Steel
Coupling Rod Material	AISI 420 - Steel
Coupling Rod Design	Standard

Joints

Joint type	Pivot Joint
Joint sealing material	Buna/316 Stainless Steel
Joint lubrication	Mineral Oil



Rotor

Rotor material	SAE 4140 VCP - Chrome Plated Steel
Rotor Size	Standard
Temperature range	32-84°F

Stator

Stator material	NEMOLAST® S61L / S62L (Buna)
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“Materials of construction are only recommended based on the information provided. Customer needs to verify materials will be compatible with the process fluid or application.”

Drive

Premium Efficient Gearmotor	
Manufacturer	Nord
Type	SK972.1-225SP/4
Output speed n2 @60Hz (RPM)	266
Output speed min/max (RPM)	54/266
Gear Ratio	6.68
Mounting position	M1
Power (HP)	50
Voltage range (V)	230/460
Frequency (Hz)	60
Number of poles / phases	4/3
Motor speed n1 @60Hz (RPM)	1780
Protection type / insulation class	IP55/F

Baseplate:	Carbon steel (top-hat profile)	Coupling:	Rotex or equal
Arrangement	Inline		
Options	<input type="checkbox"/> 4" Grout Holes <input type="checkbox"/> Anchor bolts <input type="checkbox"/> Casters and handle bar <input type="checkbox"/> Motor mount shims <input type="checkbox"/> Lifting lugs <input type="checkbox"/> 0.75" Drip Rim w/0.75" NPT drain plug		

Approximate Weights -- (lbs.)	
Bareshaft Pump	1408
Complete Assembly including pump, gear reducer, motor, and baseplate	2915



CAPITALIZING ON THE WINS

Successful Business Strategies For Codigestion At WRRFs

Editor's Note: This article is excerpted from a soon-to-be-published report for the Water Research Foundation on business strategies for codigestion of food waste at wastewater resource recovery facilities (WRRFs). It summarizes the report's key findings about WRRF codigestion experiences and successful business strategies, including solutions to impediments and risks that have slowed the adoption of codigestion.

Photo courtesy of City of Dubuque, Iowa



A NEW report — “Food Waste Codigestion at Wastewater Resource Recovery Facilities: Business Case Analysis” — represents the last logical link in a series of topics covered in the Water Environment and Reuse Foundation (now the Water Research Foundation (WRF)) program of research exploring the technology and economics of implementing codigestion. Other research in the series examined strategies to address operational and regulatory risks (Van Horne *et al.* 2017, Appleton *et al.* 2017).

These studies were motivated by the unrealized potential for codigestion in the wastewater sector. Though codigestion can provide financial benefits to WRRFs, as well as a broad range of environmental and community benefits, fewer than 1 in 10 of the 14,000 wastewater treatment plants use anaerobic digestion (AD) to process wastewater solids, and fewer than 1 in 10 of those codigest food waste. The literature has identified various financial, operational, regulatory, stakeholder/political, and organizational

New report's primary focus is on codigestion strategies that water resource recovery facilities can develop to create value, and to manage the associated financial risks.

Carol Adaire Jones

The City of Dubuque utilized an opportunity to include investment in AD and energy generation as part of a very large-scale capital improvement project to update its WWTP.

risks and impediments to adoption of codigestion and energy generation projects, which are outside core wastewater treatment services.

The new report's primary focus is on strategies WRRFs can develop to create value, and to manage the associated financial risks. These risks may include issues of inadequate, and/or uncertain, financial benefit streams (e.g., due to lack of reliability in quantity, quality and/or price of feedstock supply; or lack of reliability in quantity produced and/or sales price of WRRF end-products); and uncertainty about access to capital, and related challenges in getting approval of investment projects, financing, and rate increases. The report is concerned with other sets of impediments and risks (studied in prior reports in the WRF series) to the extent

Table 1. Data from 6 major case studies

Characteristic	VWRA ¹	City of Stevens Point (WI) WTP	City of Dubuque (IA) WRRF	DTMA WTF ²	CMSA ³	LACSD JWPCP ⁴
WW Treatment (MGD) avg daily dry weather flow	11.3	2.8	7	4	7.5	280
Tipping fee rates: FOG (\$/gal)	0.04	Dropped FOG for more valuable feedstocks	0.06	1.16	Sliding scale: 0.06 (first 1500 gal.) to no charge (> 15,000 gal.)	-
Food processing residuals (\$/gal)	0.04	0.00606, from service area, 0.03988, from outside service area	0.03-0.06	0.0378	NA	-
Food scraps slurry (\$/gal)	0.04	NA	NA	0.0378	0.0938	25/ton (0.021/gal, CY 2020)
Total tipping fee revenues for food waste (\$)	249,693 (2017)	110,000/yr on average	189,644 (FY 2019)	FOG: 387,400 (2018) HSOW: 50,000(2018)	150,000 (2017-2018)	1.5 million (FY2019-20)
Feedstock contracting	No contracts	Long-term agreement with brewery	No contracts	G2E ⁵ ; MOU for food scrap slurry with Divert	Longterm MOU for food scrap slurry with Marin Sanitary Services	Current 1-yr contracts for food scrap slurries (multiple private haulers; county facility)
Onsite feedstock pretreatment equipment	No equipment	Bar screen, rock trap, grit sump pump, chopper pump	No equipment	Aerobic FOG conditioning, rock trap, grinder, chopper pump	Rock trap grinder, paddle finisher	Pending: grit and plastics removal
Food waste as share of total AD feedstock ⁶	10% of volume, 20% of TSS	34.1% of volume, 39.7% of TVS	22% of volume, 44% of TSS	12% of volume, 33% of TVS	20% of volume	9% of volume, 30% TSS (in 1 codigesting AD out of 24 total for demo project)

that they affect the economics or access to capital.

Our initial hypothesis was that we could identify alternative business models for codigestion at wastewater treatment plants from which utilities could select to suit their context. However, we quickly concluded there is no straightforward menu of options. Rather each utility needs to tailor its business strategy to its mission, resources, and scale, as well as its external market and policy environments.

The report offers general principles and case study examples of how to create value and manage risks in a food waste codigestion program, plus a framework for utility self-assessment to analyze the opportunities and the business case for codigestion. Six major case studies, plus 25 thumbnail sketches, are reported, which together represent the full range of WRRF's based on WRRF characteristics (size, region), policy and market environ-

ments, and strategic choices in food waste feedstocks, energy uses, biosolids uses, contracting and financing options. The report also provides examples of WRRF's that decided against adopting codigestion, or that have suspended or cutback programs in place. To inform our analysis, structured interviews were conducted with more than 65 organizations, including wastewater utilities, and representatives from the solid waste, energy, technology, project development, and government sectors.

WRRF CODIGESTION EXPERIENCES

The report summarizes key takeaways from our study of over 30 WRRF's. Table 1 summarizes findings for the six major case studies in the report.

Financial Drivers: Most frequently mentioned by WRRF's were rising energy costs, and financial support programs to promote greenhouse gas mitigation, renewable energy, and food

scrap diversion. Some also cited their opportunity to add investments to support codigestion as part of large facility upgrade investment projects, which allowed them to scale planned AD, energy, and/or biosolids management investments to accommodate codigestion.

For example, the City of Dubuque, Iowa, capitalized on an opportunity to include investment in AD and energy generation as part of a very large-scale investment project to upgrade the outdated and inefficient wastewater plant. Incorporating resource recovery and transforming the plant into a Water and Resource Recovery Center addressed the City's sustainability goals.

Operational Drivers: These included underutilized AD or energy infrastructure, more stringent requirements for biosolids management, and the need to divert growing quantities of pretreatment program wastes to AD in order to preserve wastewater treat-

Table 1. Data from 6 major case studies (cont'd.)

Characteristic	VVWRA ¹	City of Stevens Point (WI) WTP	City of Dubuque (IA) WRRF	DTMA WTF ²	CMSA ³	LACSD JWPCP ⁴
Biogas production (% increase; Total scfd with codigestion)	120; 685,000 (2016)	100; 100,000	33-78; 300,000-400,000	78; 267,000	80; 280,000 (2018)	33 in codigesting AD, 1.4 overall; 7,300,000 (demo project)
Biogas uses (beyond boilers) ⁷	1) CHP; 2) Microgrid/battery storage, RNG production (pending)	1)CHP; 2) Biosolids thermal dryer (pending)	1) CHP; 2) RNG to pipeline injection	1) Biosolids thermal dryer; 2) CHP engine; 3) Addtl. CHP (pending)	1) CHP; 2) New CHP for electricity (pending)	1) CHP; 2) CNG for fueling station sales (pending); More CHP or RNG pipeline injection (pending)
WRRF energy sales tariffs ⁸	1) No energy sales; 2) Net metering sales (pending)	Wisconsin Public Service Renewable Energy Tariff: \$0.10/kWh (peak) \$0.05/kWh (offpeak)	5% of gross RNG and RIN sales revenue	No energy sales	Electricity sales to Marin Clean Energy at \$0.105/kWh	Spot market sales to CA ISO Grid
P3 structure ⁸	1) PPA and lease with Anaergia; 2) Negotiating a DBFOM with Anaergia for RNG pipeline injection	P3: Brewery & WRRF share costs of dedicated pipeline & HSOW receiving station	DBFOM with BioResources Development for RNG pipeline injection	Future performance-based contract for expanded codigestion under Pennsylvania's GESA	PPA with Marin Clean Energy (10-year contract)	NA
Biosolids: Change with codigestion	No change	12% increase	Minimal change	15% increase	Minimal change	No detectable change (demo project)
Financing and Grants ⁹	Private sector P3 funding, CA grants	1) Wisconsin Focus on Energy grants, Build America Bonds; 2) WI Clean Water Fund bonds	State Revolving Fund loans	1) Municipal bonds; 2) Municipal bonds, Pennsylvania Green Energy Grant	Utility Capital Investment Accounts	Internal funds, CA grants

Key: CHP: Combined heat and power; DBFOM: Design-build-finance-operate-maintain; FOG: Fats, oil, grease; GESA: Pennsylvania's Guaranteed Energy Savings Act; HSOW: High strength organic waste; MOU: Memo of Understanding; NA: Not Applicable; PPA: Power purchase agreement; RNG: Renewable natural gas; SCFD: standard cu. ft./day

¹VVWRA: Victor Valley Water Reclamation Authority, Victorville, CA; ²DTMA: Derry Township Municipal Authority Waste Treatment Facility, Hershey, PA; ³CMSA: Central Marin Sanitation Agency, San Rafael, CA; ⁴LACSD: Los Angeles County (CA) Sanitation Districts Joint Water Pollution Control Plant; ⁵G2E: Grind to Energy; ⁶TSS: total suspended solids. TVS: total volatile solids; ⁷1), 2) and 3) refer to separate codigestion projects; ⁸1) and 2) refer to separate codigestion projects.

ment capacity and the economic development potential to attract new "wet" businesses to the area. For example, Stevens Point, Wisconsin, considered codigestion to be essential to process the dramatic increase in brewery pretreatment wastewaters that resulted from the escalating expansion of its local brewery.

Environmental and Community Drivers: Examples include: providing a service to FOG (fats, oils, grease), food processing and food scrap waste generators (particularly ones from their service area) that are facing more stringent regulatory requirements; supporting economic development; and contributing to community goals for sustainability, renewable energy, greenhouse gas (GHG) reduction, and food scrap diversion. The Los Angeles County Sanitation Districts (LACSD) is a joint solid waste-wastewater agency. Its codigestion initiative is motivated in part to serve the

needs of its solid waste stakeholders, now required to comply with a state-wide food scrap recycling mandate. LACSD created its own food scrap slurring facility at its Puente Hills Material Recovery Facility, so that small to medium-sized hauling companies could have an affordable processing option that would allow them to remain competitive (see "Sanitation Districts Gears Up For Food Waste Codigestion" in this issue).

Decision Criteria For Investments: Many codigestion projects were required to meet return on investment (ROI) or payback period tests, though the thresholds for approval varied widely. For non-core mission projects, LACSD uses 5 to 10 years as a maximum payback target, whereas Stevens Point requires a robust ROI on a 20-year cash flow analysis. WRRFs also placed different requirements on these projects

in non-core business lines, including maintaining or improving water quality, no detrimental impact on facility operations, and no impact on water rates.

Project Scope And Costs: Successful codigestion programs are typically implemented over time in a series of projects or phases. The scale of investment for the initial project varies tremendously across WRRFs, depending upon the facilities currently available, the type and quality of incoming feedstock supply, and the stage of commitment to codigestion. For example, the Victor Valley WRA (VVWRA) spent \$10,000 to convert an existing tank to a FOG receiving station, whereas Central Marin Sanitation Agency in San Rafael, CA, spent \$2 million on a new organics receiving station, which includes a 300,000-gallon tank, mixing pumps, rock trap grinder, paddle finisher and odor control system.



"Codigestion At Water Resource Recovery Facilities"

Photo courtesy of Los Angeles County Sanitation Districts



Food waste prior to preprocessing into a slurry at the Los Angeles County Sanitation Districts' Puente Hills MRF.

Among energy projects, the costs of renewable natural gas (RNG) pipeline injection vary widely depending upon interconnection requirements — which vary across states and utilities — and pipeline proximity and the related factors that affect the cost of pipeline access.

Cost Savings and Revenues: The sources of financial gain most frequently cited by WRRFs included: tip fee revenues (which can contribute revenue streams to support major AD upgrades, as well as receiving station investments), energy cost savings and/or revenue, savings in wastewater aeration costs by diverting liquid wastes from the headworks to the digester, and savings in biosolids management costs by supporting thermal dryers to create Class A EQ biosolids. Also cited were financial incentive programs providing grants or green payments.

Source separated food waste collected by Marin Sanitary Service is preprocessed on a sorting line and in a vertical grinder (1), then hauled to the Central Marin Sanitation Agency's WRRF (2) where it is unloaded into a receiving tank (3). Anaerobic digesters at CMSA (4).

Biogas and Biosolids Production: Biogas production increased substantially from the addition of codigestion substrates, with rates of increase depending upon share of high strength organic wastes (HSOW) in digester feedstocks, and share of total digesters involved in codigestion.

Plant managers for four out of the six major case studies reported biosolids did not increase with codigestion.

Resource Recovery Product Lines: As innovative arrangements are being introduced to supply food scrap slurries, more WRRFs are slowly beginning to tap into the underutilized potential of food scraps as AD feedstock. When the relative values of energy subsidy programs shifted more in favor of production of vehicle fuel a few years ago, many more WRRFs began evaluating projects to produce RNG for use as vehicle fuel or pipeline injection (typically for vehicle fuel) as an alternative, or as a complement, to producing renewable heat and power. Current uncertainties in the federal Renewable Fuel Standards' RIN prices due to Administration policies have engendered a wait and see attitude for WRRFs planning energy projects a few years down the road.

Evolving Trends: Though WRRFs have been reluctant, and in some cases prohibited by charter, to engage in Public-Private-Partnerships (P3) in the past, they are moving into performance-based contracting for new projects outside their core area of expertise, notably energy projects, and especially RNG projects. Benefits of entering into a P3 cited by WRRFs include accessing expertise not available in-house, shifting risks, and, infrequently, accessing private financing to circumvent public

capital constraints and potentially long and politicized approval processes.

For example, the Derry Township (PA) Municipal Authority (DTMA) is developing a performance based contract with Energy Services Group for expansion of AD and feedstock supplies. Its contract will provide guarantees for tip fee revenues. VVWRA has used P3s for both of its energy development projects, and is the one example in the report of using P3s for financing as well as construction and operations.

CODIGESTION NO-GOES

Among WRRFs that evaluated codigestion, the primary reason offered for not going forward is the lack of sufficient economic returns. Contributing factors cited include uncertain or low feedstock supply and revenues, low energy prices (and, as a result, low energy savings), scale too small to attain economies of scale, and lack of incentive programs to provide financial support. Nonfinancial reasons offered for no-go decisions include NIMBY (not in my backyard) concerns and changes in political leadership, with resulting changes in priorities.

Plants have suspended codigestion due to changes in feedstock or energy markets that reduced revenues or savings, problems with feedstock quality or availability, and unanticipated requirements to invest in additional equipment. Plants have cutback codigestion due to the loss of a major supplier(s) (and no program to develop feedstock supplies). Others cite the loss of capacity to recycle biogas or biosolids, and the lack of capacity to make needed investments for additional capacity, at least in the short run.

DTMA stopped accepting food scrap slurries after losing part of its capacity to manage biosolids when its ther-



"Biogas To RNG Projects: What, Why And How" & "Market Outlook For Low Carbon Fuels"



mal dryer was taken out by a flood, but continues to accept FOG and food processing residuals. The dryer's replacement is in the capital budget schedule for approximately 5 years in the future.

SUCCESSFUL BUSINESS STRATEGIES — ESSENTIAL ELEMENTS

The business challenge WRRF's face is to create a balanced system across all the elements required to recycle food waste, recover products and create value. These elements include coordinating plant AD capacity, feedstock supplies and feedstock receiving station capacity — with plant capacity to recycle the biogas and biosolids into valuable products. For each WRRF, the specifics of a successful business strategy for codigestion vary depending upon the policy and market environment in the region, as well as utility long-term strategic goals, organizational culture, and resources.

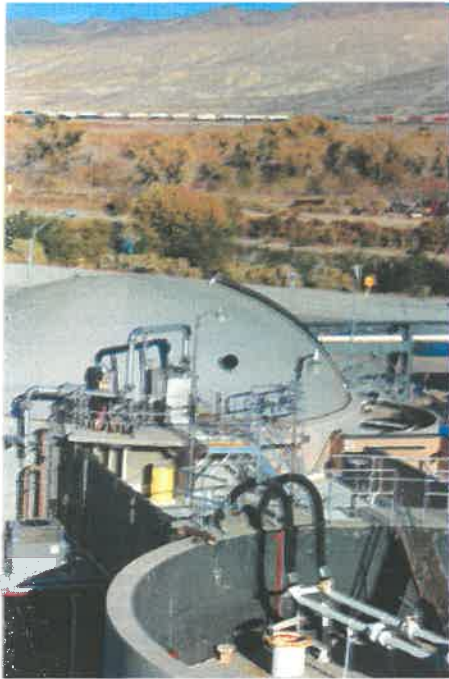
The Victor Valley Water Reclamation Authority (digesters shown on left) has used public-private partnerships for both of its energy development projects.

To create a successful codigestion program, a utility needs to have certain elements in place:

- Codigestion champion in the utility or municipal government.
- Enough site space for vehicles to deliver feedstocks and for other equipment needs
- Business mindset to resource recovery
- Visionary utility board or municipal decision-makers who will support projects beyond the core wastewater mission that make economic sense to ratepayers
- Location with access to a sufficient supply of feedstock at a good price

Key elements of a successful business strategy include the following:

- The business strategy ensures codigestion operations will not compromise plant compliance with its environmental permits, and the WRRF's responsibilities for public health and environmental quality, which are central to its mission.
- The business strategy employs a life cycle perspective, taking into account revenues and costs from the time of initial investments through repair and replacement investments.



Photos courtesy of Marin Sanitary Service

How To Resolve Codigestion Impediments And Risks

Q The lack or high uncertainty of economic returns has stymied codigestion project development. How does my utility respond to these concerns, which include access to capital?

A Explore all business options to generate cost savings and/or revenues, including tip fees, energy cost savings, and sale of energy and/or RNG and nutrients. Also explore possible grants, green payments, below-market Clean Water State Revolving Fund loans, the use of internal capital reserve funds and access to private funds through Public/Private Partnerships (P3).

Q What are options to address variable and uncertain quantity, quality and price (tip fees) of feedstock supplies?

A Conduct a market assessment of potential feedstock supplies, and implement a program for market development and supplier retention. Leverage regulations for more stringent requirements for FOG, liquid industrial wastes, and food scraps to attract more suppliers, and consider partnering with haulers or generators of food scraps in order to reduce contamination and ensure a reliable supply. Consider private market sources of slurries, or installing onsite depackaging and slurrying capacity to create your own. Explore collaborations with solid waste agencies as a processor for collected organics and encourage them to enforce recycling mandates where they exist. Establish long-term contracts where possible. Finally, diversify food scrap sources to avoid reliance on a single anchor supplier.

The full benefits of codigestion typically will not accrue until the WRRF has achieved a mature program with a balanced set of AD, energy generation, and biosolids management capacity. Identifying the full costs necessitates delineating the capital requirements for maintaining and upgrading the assets that support codigestion.

- The business strategy leverages available drivers in sync with the WRRF mission. Drivers include market-based opportunities to generate revenues and cost savings, policies regulating wastes, policies providing green payments to support investments in sustainability, as well as utility and

Q What impact does accepting food scraps have on our biosolids management program?

A To manage the impact on quality and quantity of biosolids produced, optimize feedstock types and solids processing. Not all cases of codigestion result in additional biosolids. It will depend upon the relative share of high strength organic waste feedstock. With regard to quality, evaluate opportunities for producing new products from nutrients to address potential increases in nutrient loading.

Q Codigestion is a cultural shift for my wastewater agency, which tends to be risk-averse. What are approaches when introducing them to codigestion?

A For framing, develop a "Utility of the Future" perspective, shifting from a focus on disposing waste to managing critical resources — water, energy, and nutrients; focus on local benefits that will accrue, including jobs, greenhouse gas emissions mitigation, economic development, and community sustainability. Tap into available codigestion "best practice" resources. Conduct feasibility studies, and implement codigestion projects in stages, with pilot and demonstration projects providing an opportunity for stakeholders to provide feedback to improve processes and create buy-in. And involve employees in implementing codigestion and improving the process.

Note: Q&A is excerpted from Table 11-2, Chapter 11 in Full Report.

community commitments to environmental and community services.

- The business strategy incorporates elements to mitigate financial risks. Options include diversifying sources and product outlets, establishing long-term contracts for purchasing feedstocks or selling products, building in equipment redundancies to allow for scheduled or unscheduled maintenance, and using public-private partnerships/contracts to share construction and operating risks with the private sector.

- A business case for investment capital that can be successful is to highlight the financial value codigestion can contribute to larger invest-

ment projects required for regulatory compliance or for regularly scheduled maintenance and upgrades in the utility asset management plan. Further important environmental and community goals to highlight include providing a service to FOG, food processing and food scrap waste generators (particularly ones from their service area) that are facing more stringent regulatory requirements, and contributing to community goals for sustainability, renewable energy, GHG reduction, and food scrap diversion.

As a WRRF learns from experience over time and is able to improve economic performance from resource recovery, the strategic questions evolve. For example, for AD capacity, the focus evolves from identifying excess capacity, to rationing capacity to the highest value sources, and finally to examining the potential for codigestion to support expansion in AD capacity. For energy, the focus evolves from achieving onsite energy neutrality, to breaking down barriers to accessing the power grid, to exploring the potential for supplying RNG to the market.

CONCLUSION

Codigestion at WRRFs can be successful where there is a fit with the organization's culture, support from the utility decision-makers for projects outside of the core mission area, and market and policy opportunities to create economic value. It is important to recognize that codigestion does not fit in all circumstances. In some contexts, the business case analysis will indicate that the best option, under the current understanding of life cycle potential, is to not move forward at this time. It may also provide insights for a path toward a future successful codigestion program. ■

Carol Adaire Jones, an environmental economist, is a Visiting Scholar at the Environmental Law Institute (ELI) and co-leads its Food Waste Initiative. She was the Principal Investigator on the WRRF study. Coauthors were Co-Principal Investigators Craig Coker (Coker Composting & Consulting) and Ken Kirk (former Executive Director of National Association of Clean Water Agencies); and Lovinia Reynolds (ELI).

LITERATURE CITED

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 Van Horne, M., Stone, L. and Muster, T., 2017. *Lessons Learned: Developing Solutions to Operational Side Effects Associated with Co-Digestion of High Strength Organic Wastes*. Alexandria, VA.: The Water Research Foundation.

Victor Valley Wastewater Reclamation Authority



Financial and Cash Report

December 2019

Executive Summary of Financial Statements

For the Month Ended December 31, 2019

1. Cash balance at December 31, 2019 was \$11.82 million with sufficient reserves for operations including repairs and replacement. When we make our \$2.75 million SRF loan principal and interest payments in February 2020, we would need to utilize operation (O&M and/or R&R) reserve. The agreement with State Water Resources Control Board requires we maintain the loan principal and interest payment amount for the following year.

O&M Reserve: 10% of Prior Year Budgeted Operating Expenses	\$	1,372,099
R&R Reserve: 1% of Land Improvements/Plants/Interceptors PY CAFR		2,954,450
Reserve for SRF Payments (P& I) - Operating		2,749,736
Reserve for SRF Payments (P& I) - Capital		2,133,074
Cash Available for Operations and Capital		<u>2,612,058</u>
Total Cash	\$	<u>11,821,417</u>

2. The December 2019 financial statements show a deficit of \$88,537 (a cumulative year-to-date deficit of \$3,494,178) after \$1.05 million (cumulative \$6.28 million) depreciation expense. The depreciation expense is a part of financial statements but does not affect our cash flow.
3. The current month user fee revenue, billed for the month, is higher than a budgeted monthly average amount by \$86,289 (but lower by \$250,584 for the period from July 1, 2019 to December 31, 2019). The staff recorded the connection fee revenue of \$83,400 that we received during the current month. Compared to the budget, the year-to-date connection fee revenue is lower by \$298,975 for the period from July 1, 2019 to December 31, 2019. The expenses are what the staff actually processed during the month that may not show expenses to match corresponding revenues. The staff will record matching expenses at a year-end by accruing incurred costs.



Chieko Keagy, Controller

Victor Valley Wastewater Reclamation Authority
CASH AND RESERVE SUMMARY
 December 31, 2019

G/L Account	Description	Balance						
1000	DCB Checking Account	\$ 1,113,000						
1030	DCB Sweep Account	1,438,784						
1075	Cal TRUST	6,391,716						
1070	LAIF	2,877,916		\$65 mil Max				
	Total Cash	\$ 11,821,416						
			Current Balance	Restricted	Assigned	Not Assigned		
	O&M Reserve: 10% of Prior Year Budgeted Operating Expenses	\$ 1,372,099	\$		\$ 1,372,099	\$		
	R&R Reserve: 1% of Land Improvements/Plants/Interceptors PY CAFR	2,954,450			2,954,450			
	Reserve for SRF Payments (P& I) - Operating	2,749,736		2,749,736				
	Reserve for SRF Payments (P& I) - Capital	2,133,074		2,133,074				
	Cash Available for Operations and Capital	2,612,058		-				
	Total Cash	\$ 11,821,416	\$	4,882,810	\$	4,326,548	\$	-

SRF LOAN PAYMENTS:

	9.5 MGD, 11.0 MGD, NAVI, Phase III-A	Upper Narrows Replacement	Nanticoke Bypass	Sub- Regional Apple Valley	Sub- Regional Hesperia	Total
Reserve for SRF Payments (P& I) - Operating	\$ 770,707	257,745	203,725	625,220	892,339	\$ 2,749,736
Reserve for SRF Payments (P& I) - Capital	1,094,924	-	67,908	399,731	570,512	2,133,074
	\$ 1,865,631	257,745	271,633	1,024,951	1,462,850	\$ 4,882,810

Payment Schedule

Upper Narrows Replacement	December	257,745
NAVI	February	258,151
Subregional - AV	February	1,024,951
Subregional - HES	February	1,462,850
11.0 MGD	April	579,870
Phase III-A	June	1,027,610
Nanticoke	June	271,633
		\$ 4,882,810

Victor Valley Wastewater Reclamation Authority
Statement of Net Position
as of December 31, 2019

<u>Assets and Deferred Outflows of Resources</u>	<u>2019</u>
Current assets:	
Cash and cash equivalents	\$ 11,734,223
Interest receivable	18,258
Accounts receivable	3,182,193
Receivable from FEMA Grants	3,679,746
Accounts receivable - Other	5,879
Allowance for Doubtful Accounts	(89,459)
Materials and supplies inventory	91,279
Prepaid expenses and other deposits	<u>111,279</u>
Total current assets	<u>18,733,397</u>
Fixed assets:	
Capital assets not being depreciated	3,499,399
Capital assets being depreciated	<u>182,469,447</u>
Total capital assets	<u>185,968,845</u>
Total assets	<u>204,702,243</u>
Deferred outflows of resources	
Deferred outflows of resources - OPEB	-
Deferred outflows of resources - pension	<u>1,742,472</u>
Total	<u>\$ 206,444,715</u>
 <u>Liabilities, Deferred Inflows of Resources, and Net Position</u>	
Current liabilities:	
Accounts payable and accrued expenses	\$ 194,550
Accrued interest on long-term debt	275,043
Long-term liabilities - due within one year:	
Compensated absences	48,647
Lease payables	-
Loans payables	1,849,149
Other payables	<u>6,852</u>
Total current liabilities	<u>2,374,241</u>
Non-current liabilities:	
Long-term liabilities - due in more than one year:	
Compensated absences	239,371
Other post employment benefits payable	2,285,368
Lease payables	235,431
Loans payable	81,460,992
Net pension liability	5,750,574
Other payables	<u>5,104</u>
Total non-current liabilities:	<u>89,976,840</u>
Total liabilities	<u>92,351,081</u>
Deferred inflows of resources	
Deferred inflows of resources - OPEB	-
Deferred inflows of resources - pension	<u>89,437</u>
Net position:	
Net investment in capital assets	122,731,832
Restricted for capital projects	-
Restricted for SRF loan covenant	5,285,091
Unrestricted	(10,518,548)
Decrease in net position FY 2020	<u>(3,494,178)</u>
Total net position	<u>114,004,197</u>
Total	<u>\$ 206,444,715</u>

Victor Valley Wastewater Reclamation Authority
Revenues and Expenses
Operations and Maintenance
For the Month Ended December 31, 2019

	Actual December 2019	YTD Actual FY 19-20	Approved Budget FY 19-20
REVENUES			
User Charges	\$ 1,293,014	\$ 6,989,766	\$ 14,480,700
Sludge Flow Charge	8,011	55,694	120,000
High Strength Waste Surcharges	-	9,182	20,000
ADM FOG Tipping Fee Revenue	21,611	134,696	250,000
Septage Receiving Facility Charges	42,629	312,879	600,000
Reclaimed Water Sales	1,333	6,872	25,000
Potable Well Water Sales	106	662	-
Interest	112	678	-
Pretreatment Fees	5,000	28,000	50,000
Finance Charge	-	-	-
Grant - FEMA/Cal-EMA	-	-	-
Grant - Proposition 1	-	-	-
Grant- Other State and Federal	-	-	-
Grant- CEC Microgrid	-	-	-
Sale of Assets, Scrap, & Misc Income	518	104,555	1,200
Total REVENUES	\$ 1,372,333	\$ 7,642,984	\$ 15,546,900
EXPENSES			
Personnel	\$ 451,170	\$ 2,340,949	\$ 4,589,786
Maintenance	55,118	574,515	2,236,156
Operations	93,695	1,492,891	3,433,513
Administrative	19,295	926,053	1,823,605
Construction	-	11,299	-
Total EXPENSES	\$ 619,278	\$ 5,345,708	\$ 12,083,060
Revenues over Expenses before Depreciation, Debt Service and Transfers	\$ 753,055	\$ 2,297,277	\$ 3,463,840
Depreciation Expense	1,046,576	6,283,310	-
FEMA CalOES Retention	-	-	-
DEBT SERVICE			
SRF Principal	-	-	2,039,479
SRF Interest	56,825	57,113	721,656
	\$ 56,825	\$ 57,113	\$ 2,761,135
FUND TRANSFERS IN			
Salary/Benefits Charge from Capital	-	-	-
Admin Charge from Capital	-	-	-
Total FUND TRANSFERS IN	\$ -	\$ -	\$ -
FUND TRANSFERS OUT			
Transfer to Repairs and Replacements Fund	-	-	702,705
Inter-fund loan payment to Capital	-	-	-
Total FUND TRANSFERS OUT	\$ -	\$ -	\$ 702,705
Excess Revenues Over Expenses	\$ (350,345)	\$ (4,043,147)	\$ -

Victor Valley Wastewater Reclamation Authority
Revenues and Expenditures
Repairs and Replacement
For the Month Ended December 31, 2019

	Actual December 2019	YTD Actual FY 19-20	Approved Budget FY 19-20
REVENUES			
R&R Revenues	\$ _____	\$ _____	\$ _____
Total REVENUES	\$ _____ -	\$ _____ -	\$ _____ -
OTHER FINANCING SOURCES			
Interfund Transfer	\$ _____ -	\$ _____	\$ 1,963,621
CAPITAL EXPENSES			
Personnel	\$ _____ -	\$ _____ -	\$ _____ -
Maintenance	-	316,070	1,896,326
Operations	-	3,592	-
Administrative	-	82,024	145,000
Construction	-	22,818	625,000
Total CAPITAL EXPENSES	\$ _____ -	\$ 424,504	\$ 2,666,326
Revenues over Expenses before Debt Service and Transfers	\$ _____ -	\$ (424,504)	\$ (702,705)
FUND TRANSFERS IN			
Transfer from Operations and Maintenance Fund	\$ _____ -	\$ _____ -	\$ 702,705
Interfund Loan Payment from O&M	-	-	-
Total FUND TRANSFERS IN	\$ _____ -	\$ _____ -	\$ 702,705
FUND TRANSFERS OUT			
Salary/Benefits Charge to O & M	\$ _____ -	\$ _____ -	\$ _____ -
Admin Charge to O & M	-	-	-
Total FUND TRANSFERS OUT	\$ _____ -	\$ _____ -	\$ _____ -
Excess Revenues Over Expenses	\$ _____ -	\$ (424,504)	\$ _____ -

Accrual Basis

Victor Valley Wastewater Reclamation Authority
Revenues and Expenditures
CAPITAL
For the Month Ended December 31, 2019

	Actual December 2019	YTD Actual FY 19-20	Approved Budget FY 19-20
REVENUES			
Connection Fees	\$ 83,400	\$ 828,338	\$ 2,254,625
Title 16 Grant - Subregional	-	-	-
Grant- Water Recycling	-	-	-
Sale of Assets, Scrap, & Misc Income	-	-	-
Interest	16,598	105,974	50,000
Proposition 1 Grant	-	-	-
Proposition 84 Grant	-	-	-
CEC Microgrid Grant	191,147	199,005	-
FMV Adjustment	-	-	-
Grant - FEMA/Cal-EMA	-	-	-
Total REVENUES	<u>\$ 291,146</u>	<u>\$ 1,133,316</u>	<u>\$ 2,304,625</u>
CAPITAL EXPENSES			
Personnel	\$ 29,338	\$ 153,415	\$ 384,912
Maintenance	-	-	-
Operations	-	-	170
Administrative	-	-	50,000
Construction	-	-	550,000
Total CAPITAL EXPENSES	<u>\$ 29,338</u>	<u>\$ 153,415</u>	<u>\$ 985,082</u>
Revenues over Expenses before Debt Service and Transfers	<u>\$ 261,808</u>	<u>\$ 979,901</u>	<u>\$ 1,319,543</u>
DEBT SERVICE			
SRF Principal	\$ -	-	\$ 1,981,331
SRF Interest	-	6,428	405,395
	<u>\$ -</u>	<u>\$ 6,428</u>	<u>\$ 2,386,726</u>
FUND TRANSFERS IN			
Capital Recovery - Septage from O&M	\$ -	-	\$ -
Interfund Loan Payment from O&M	-	-	(1,963,621)
Total FUND TRANSFERS IN	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,963,621)</u>
FUND TRANSFERS OUT			
Salary/Benefits Charge to O & M	\$ -	-	\$ -
Admin Charge to O & M	-	-	-
Total FUND TRANSFERS OUT	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Excess Revenues Over Expenses	<u>\$ 261,808</u>	<u>\$ 973,473</u>	<u>\$ (3,030,804)</u>

Accrual Basis

Victor Valley Wastewater Reclamation Authority
Flow Study
For the Month Ended November 30, 2019

Measured by ADS	Percentage of Total %	November Monthly MG
VSD 1 (less North Apple Valley)	7.0559%	25.0050
VSD 2	12.0786%	42.8050
VSD 3	24.3864%	86.4220
VSD 4	7.1004%	25.1630
VSD 5	0.5717%	2.0260
VSD 6	6.8809%	24.3850
VSD Total	58.0739%	205.8060
Apple Valley 03	17.2225%	61.0340
Apple Valley North	0.0818%	0.2900
Apple Total	17.3043%	61.3240
Hesperia	19.0631%	67.5570
CSA 64 SVL	4.8865%	17.3170
CSA 42 Oro Grande	0.6721%	2.3820
CSA Total	5.5586%	19.6990
Total Apportioned Flow	100.0000%	354.3860
Mojave Narrows Regional Park		0.1000
Total Study Flow		354.4860

Victor Valley Wastewater Reclamation Authority



Operations and Maintenance Report

December 2019

**Victor Valley Wastewater Reclamation Authority
Operations and Maintenance Report
December 2019**

TO: Board of Commissioners
FROM: Operations & Maintenance Staff
SUBJECT: Operations / Maintenance Report
DATE: January 16, 2020

The following information details the operation of the Victor Valley Wastewater Reclamation Authority Facility for December 2019. Included in this report is pertinent information regarding flows, process control information, process sampling, permit requirements, operations activities, and facility maintenance activities.

Pertinent Operational Data

Total Flow to Mojave	220.72 MGD	Effluent to Mojave BOD	<5.65 mg/l
Avg. Daily Mojave Flow	7.12 MGD	Plant BOD Removal %	>98.2 %
Total Flow to Perc Ponds	126.53 MGD	Effluent to Mojave TSS	<2.3 mg/l
Avg. Daily Flow to Perc Ponds	4.08 MGD	Plant TSS Removal %	>99.36 %
Effluent to Mojave avg. Turbidity	.26 NTU	Avg. Filter Effluent Turbidity	.45 NTU
Avg. Primary Sludge Flow	62,654 gpd	Avg. Primary Sludge TS%	3.4 %
Avg. Primary BOD Removal %	44.4 %	Avg. Primary TSS Removal %	66.77%
Avg. 30min Settle-O-Meter	145.2 ml/l	Avg. Settle-O-Meter Pop Time	>90 min
Avg. Secondary Turbidity	2.27 NTU	Total ADM/FOG Received	540,284 gal
Total Digester Gas Production	19,621,814 scf	Total ADM Received	478,428 gal
Digester 4 Gas Production	10,226,451 scf	Total FOG Received	61,856 gal
Digester 5 Gas Production	9,395,363scf	Avg. Digester VA/A Ratio	.012

CMMS Work Order Activity

VVWRA KPI Report

1/16/2020
9:09 AM

12/1/2019 - 12/31/2019

KPI	Count	Percent
Planned Work Total	231	
Planned Work Completed	231	100.00%
Planned Work Completed On-Time	228	98.70%
Planned Work Incomplete	0	0 %
Planned Work Completed Late	2	0.87%
Total Work Completed	573	
Reactive Work Completed	72	12.57%
PM Work Completed	469	81.85%

O & M Activities

- **Permit Continuous Monitoring Requirements**
 - All permit required, continuous monitoring equipment was on-line and working properly during the month.
 - All PH and conductivity probes cleaned and calibrated.
 - All TSS and Turbidity probes were cleaned and calibrated.
 - UVT probe cleaned and calibrated.
 - Monthly intensity probe verification completed.
- **Permit Violations**
 - No permit violations.
- **Sampling**
 - All permit required samples for the month were collected and processed.
 - Monthly gas samples collected.
- **Safety**
 - Monthly vehicle safety inspections completed.
 - Monthly gas tech monitor inspections completed.
 - Monthly eyewash safety showers inspected.
 - Monthly SCBA inspections.
 - Hazardous storage area inspection.
 - Spill kit inspections.
- **Monthly Backup Generator Tests**
 - Routine testing of the backup generators was completed and showed no issues.
- **Essential Equipment Maintenance**
 - Aqua Guard pre-treatment screen inspected and serviced.
 - Headwork's conveyor belt lubed and inspected.
 - Grit classifier monthly lubed.
 - Monthly Daft lube PM.
 - Primary clarifier shear pins replaced as needed.
 - Primary sludge pump repack PMs completed.
 - Piller blowers 1 & 6 weekly inspections complete.
 - Service Air compressors inspection and service completed.
 - Waukesha engines inspections completed.
 - Monthly tertiary filters gear box and platform drive wheel service complete.
 - Filter #1 & #2 monthly platform gear box PMs completed.
 - Monthly filter festoon inspection completed.
 - Filter #1 & #2 monthly backwash wasting pumps oil checks complete.
 - DAFT #1 and #2 Air Compressors PM services complete.
 - DAFT monthly lube completed.
 - Monthly UREA refill completed on CHPs #1 & #2.
 - CHP1&2 differential pressure readings taken within normal range, Gas DP pressure collected within normal range.

Operations / Areas of Concern

- **Sludge Thickening Operation**
 - Drying bed capacity.
 - Drying beds reachable with GBT thickened sludge.
 - Treating of filtrate from GBT.
 - Keeping the GBT operating during freezing temperatures.
- **Subregional Facilities**
 - HWRP reclaim water pump commissioning.
 - Wasting project from both AVWRP and HWRP.

Major Maintenance Activities

- **Secondary Process**
 - Aqua diamond filters Festoon trolley replacement.
- **Treatment Disposal**
 - Daft # 3 stator replacement.
- **Power generation**
 - CHP #2 2000 hour service.
- **Miscellaneous Plant**
 - Plant tank drain pump #1 removal.

Victor Valley Wastewater Reclamation Authority



Environmental Compliance Department Report

December 2019

VWRA Environmental Compliance Department
Industrial Pretreatment Program

I. Interceptors Operation and Maintenance:

1. Interceptors cleaning & CCTV: None

2. Interceptors Inspections:

The following interceptors were visually inspected for signs of damage, vandalism and evidence of sanitary sewer overflows:

- ✓ South Apple Valley & North Apple Valley.
- ✓ Schedule 1, 2, 3 & 4
- ✓ UNE Bypass HDPE pipe
- ✓ Hesperia, I Ave and Santa Fe.
- ✓ CSA 64
- ✓ Adelanto
- ✓ SCLA1

3. Damage and repair summary:

- ✓ No Damage found during inspections and no repair was needed or performed.

4. Sanitary sewer overflows (SSO) summary:

- ✓ Date of last reportable SSO: June 30th, 2018

5. Interceptors maintenance budget remaining:

- ✓ The fiscal year 2019-2020 Interceptor sewer maintenance amount remaining for sewer cleaning and inspection services is \$79,903.50

6. Dig Alert Underground tickets processed:

- ✓ A total of One hundred and Sixty (160) USA Tickets were received and processed in December 2019.

7. Flow monitoring Studies:

- ✓ A flow monitoring study by ADS Environmental is continuing.

II. Industrial pretreatment Activities:

1. **New Business Questionnaires and permits applications evaluated:**
 - ✓ Four (4) New Business Questionnaires were processed in the month of December 2019.
 - ✓ One (1) New Business Inspection was conducted in the month of December 2019.
2. **New permits issued:**
 - ✓ Zero (0) New permits were issued in the month of December 2019.
3. **Permit renewals issued:**
 - ✓ Ten (10) Class III permit renewals were issued in the month of December 2019.
4. **Work Orders:**
 - ✓ 54 Work Orders were completed in December 2019
5. **Monthly revenues collected, and invoices issued:**
 - ✓ Revenues: \$4,300.00
 - ✓ Invoiced: \$5,000.00

III. Industrial Pretreatment Activities (continued)

1. Current enforcement actions:

- ✓ No Notice of Violations were issued in December 2019.

2. Current active industrial pretreatment permits:

- ✓ The current number of VVWRA’s industrial wastewater discharge permits is 429, they are comprised as follows:

1	Class I	Categorical Industrial User
11	Class II	Non-Categorical Significant Industrial User
409	Class III	Non-Significant Industrial User
1	Class IV	Zero Discharge Industrial User
15	Class V	Sanitary Waste Haulers

- ✓ The permitted establishments include:

17	Automotive Service Facility
12	Bakery
1	Brewery/Winery
20	Car Wash/Truck Wash/Bus Wash
3	Coffee Shop
9	Dry Cleaner
302	FSE
22	Grocery Store
3	Hospital
3	Misc. Food
3	Misc. Industrial
4	Other
1	Photographic
1	Print Shop
1	Prison
3	School
4	Water Retail
15	Waste Haulers

- ✓ Permitted businesses are distributed among member entities as follows: 165 in Victorville, 127 in Apple Valley, 116 in Hesperia and 1 in Oro Grande.

Victor Valley Wastewater Reclamation Authority



Environmental Compliance Department

Septage/FOG/ADM Monthly Report

December 2019

1. Septage/FOG/ADM receiving invoices and payments monthly report:

Payments and Invoices period: December 1st thru December 31st – Septage rate per Gallon: \$ 0.0936
FOG/ADM rate per Gallon: \$ 0.04

Receiving invoices

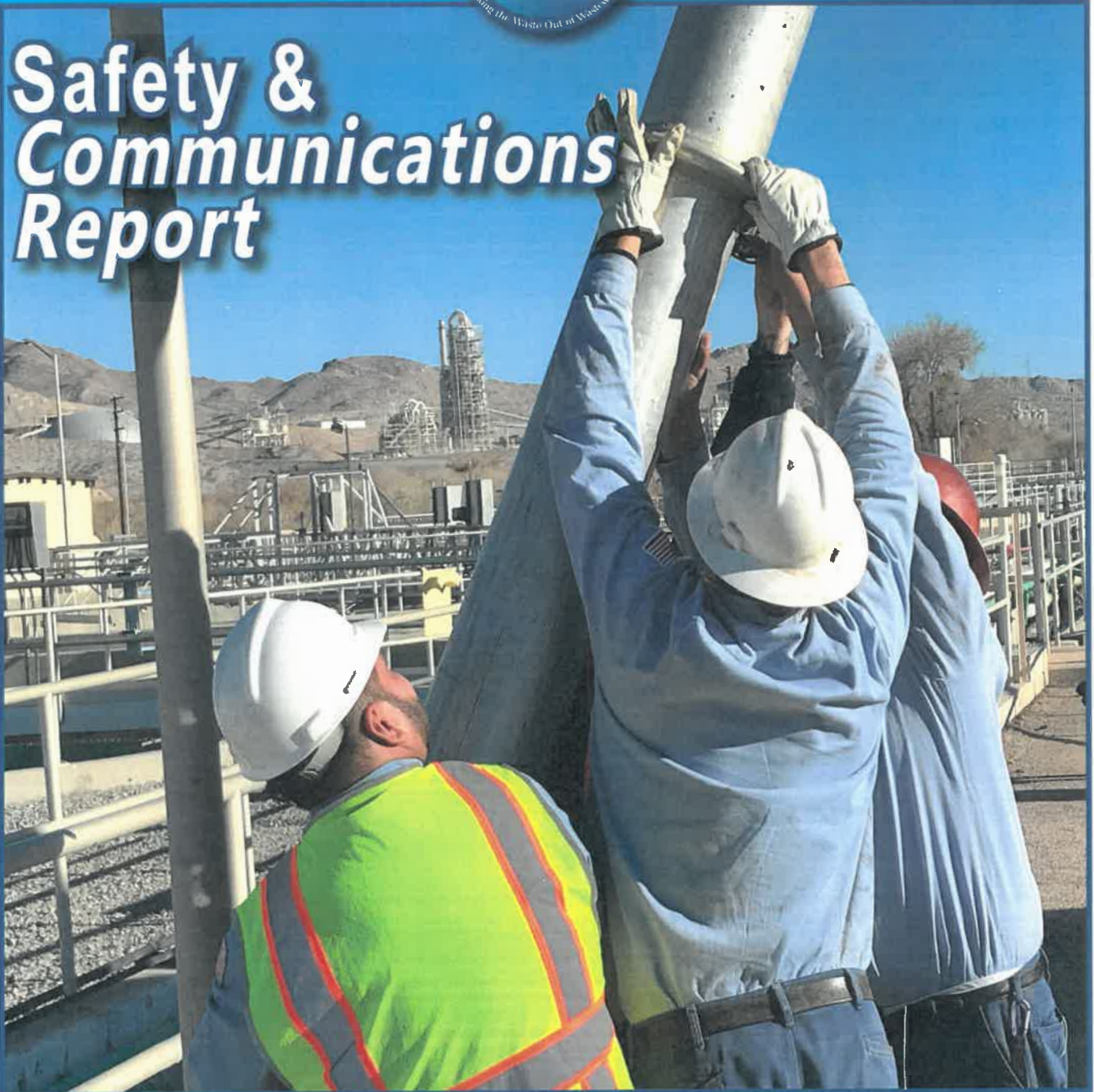
ID No	Septage Hauler	Invoice Date	Total Gallons	Invoice Amount
ABS000	Absolute Pumping	12/28/2019	33,594	\$3,144.40
ALP000	Alpha Omega Septic Service	12/28/2019	166,878	\$15,619.78
BUR000	Burns Septic	12/28/2019	84,000	\$7,862.40
HIT000	Hitt Plumbing	12/28/2019	3,435	\$321.52
HON001	Honest Johns Septic Service, Inc	12/28/2019	58,667	\$5,491.23
POO000	Pooman Pumping	12/28/2019	42,000	\$3,931.20
RIG001	Right Angle Solutions	12/28/2019	0	\$0
ROT001	T.R. Stewart Corp. dba Roto Rooter	12/28/2019	53,362	\$4,994.68
USA000	USA Septic	12/28/2019	13,500	\$1,263.60
ALP000	Alpha Omega Septic Service (Nutro)	12/28/2019	92,784	\$3,711.36
COW000	Co-West Commodities	12/28/2019	145,000	\$5,800.00
LIQ000	Liquid Environmental Solutions of CA	12/28/2019	0	\$0
SMC000	SMC Grease Specialist, Inc.	12/28/2019	302,500	\$12,100.00
WES004	West Valley MRF, LLC Burrtec Waste Industries, Inc.	12/28/2019	0	\$0
HIT000	Hitt Plumbing	12/28/2019	0	\$0
Grand Totals			995,720	\$72,102.95

Septage/FOG/ADM receiving payments:

ID No	Business Name	Payments Received
ABS000	Absolute Pumping	\$7,217.08
ALP000	Alpha Omega Septic Service	\$31,527.01
BUR000	Burns Septic	\$8,985.60
HON001	Honest Johns Septic Service, Inc	\$6,564.17
RIG001	Right Angel Solutions	\$2,407.57
ROT001	T.R. Stewart Corp. dba Roto Rooter	\$6,403.18
USA000	USA Septic	\$7,169.76
ALP000	Alpha Omega Septic Service (Nutro)	\$5,721.68
COW000	Co-West Commodities	\$12,000.00
LIQ000	Liquid Environmental Solutions of CA	\$0
SMC000	SMC Grease Specialist, Inc.	\$26,840.00
WES004	West Valley MRF, LLC Burrtec Waste Industries, Inc.	\$0
HIT000	Hitt Plumbing	\$0
Grand Total		\$118,778.57



Safety & Communications Report



December 2019



Safety

STAFF SAFETY TAILGATE/ORIENTATION

- December 2--4 safe driving tips
- December 12--Being respectful of co-workers
- December 17--Employee safety responsibility





Safety

Safety Events/ Training

- Safety tailgates
- Daily, weekly and monthly plant inspections
- Stop the Bleed training--City of Victorville
- Safety Committee

Unsafe Conditions Reported/Resolved

Date of last recordable accident/injury: November 18, 2019
Employee injured finger moving a pump.

Days since last recordable accident/injury:
43 Days



Safety

NEXT MONTH'S SCHEDULE OF STAFF TRAINING/SAFETY EVENTS :

- Safety Tailgates will be conducted at the Thursday weekly staff briefings.
- Safety Tailgates will be conducted at the bi-monthly Administrative staff meetings.
- Safety Committee meeting
- Forklift operation training

Communications

- New Winter edition of the Purple Pipe completed and released.
- Maintained VWRA website and social media sites including Facebook & Twitter.

