ANTELOPE VALLEY STATE WATER CONTRACTORS ASSOCIATION

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

For the Fiscal Years Ended
June 30, 2025 and 2024

NIGRO & NIGRO PC

ANTELOPE VALLEY STATE WATER CONTRACTORS ASSOCIATION
For the Fiscal Years Ended June 30, 2025 and 2024
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INDEPENDENT AUDITORS' REPORT

Governing Board
Antelope Valley State Water Contractors Association
Palmdale, California

Opinion

We have audited the accompanying financial statements of the Antelope Valley State Water Contractors Association (Association) as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of June 30, 2025 and 2024, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Jeff Nigro, CPA, CFE | Shannon Bishop, CPA | Peter Glenn, CPA, CFE | Paul J. Kaymark, CPA | Jessica Berry, CPA | Angelika Vartikyan, CPA | Jared Solmonsen, CPA

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Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards,* we:

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

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

Required Supplementary Information

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

Nigro & Nigro, PC

Murrieta, California
August 3, 2026

ANTELOPE VALLEY STATE WATER CONTRACTORS ASSOCIATION
Balance Sheets
June 30, 2025 and 2024

	2025	2024
ASSETS		
Cash and cash equivalents (Note 2)	$ 227,425	$ 157,868
Accounts receivable	182,424	110,000
Prepaid items	1,543	546
Total assets	$ 411,392	$ 268,414
LIABILITIES		
Accounts payable	$ 192,561	$ 8,548
Total liabilities	192,561	8,548
NET POSITION		
Unrestricted	218,831	259,866
Total net position	218,831	259,866
Total liabilities and net position	$ 411,392	$ 268,414

ANTELOPE VALLEY STATE WATER CONTRACTORS ASSOCIATION

Statements of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years Ended June 30, 2025 and 2024

	2025	2024
Operating revenues		
Member agency contributions	$ 34,253	$ 160,073
Contributions – other	38,310	35,710
Total operating revenues	72,563	195,783
Operating expenses		
Contracted services	106,551	124,781
General and administrative	7,215	6,280
Total operating expenses	113,766	131,061
Operating income(loss)	(41,203)	64,722
Non-operating revenues		
Investment earnings	168	67
Other revenue	-	134
Water replacement revenue (Note 3)	182,424	378,189
Water replacement expense (Note 3)	(182,424)	(378,189)
Total non-operating revenues	168	201
Change in net position	(41,035)	64,923
Net position		
Beginning of year	259,866	194,943
End of year	$ 218,831	$ 259,866

ANTELOPE VALLEY STATE WATER CONTRACTORS ASSOCIATION
Statements of Cash Flows
For the Fiscal Years Ended June 30, 2025 and 2024

	2025	2024
Cash flows from operating activities:		
Cash received from member agencies	$ 216,677	$ 538,396
Cash received from contributions – other	(216,538)	686,492
Cash payments for operating expenses	69,250	(1,221,039)
Net cash provided by (used in) operating activities	69,389	3,849
Cash flows from investing activities:		
Investment income	168	67
Net cash provided by investing activities	168	67
Net increase(decrease) in cash and cash equivalents	69,557	3,916
Cash and cash equivalents:		
Beginning of year	157,868	153,952
End of year	$ 227,425	$ 157,868
Reconciliation of operating income(loss) to net cash provided by (used in) operating activities:		
Operating loss	$ (41,203)	$ 64,722
Adjustments to reconcile operating income(loss) to net cash provided by (used in) operating activities:		
Other revenue	-	134
Water replacement revenue	182,424	378,189
Water replacement expense	(182,424)	(378,189)
(Increase) decrease in accounts receivable	(72,424)	1,028,971
(Increase) decrease in prepaid items	(997)	-
Increase (decrease) in accounts payable	184,013	(1,089,978)
Net cash provided by (used in) operating activities	$ 69,389	$ 3,849

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Operations of the Reporting Entity

The Antelope Valley State Water Contractors Association (Association) was consolidated on May 26, 1999 as a joint powers authority in an effort to optimize the use of state water resources and protect surface water and groundwater storage within the Antelope Valley. Three public agencies combined to form the Association in serving the Antelope Valley: Antelope Valley – East Kern Water Agency, Littlerock Creek Irrigation District, and Palmdale Water District, which constitutes the member agencies. Each member agency appoints two members to the Governing Board.

Any member of the Association shall have the right to withdraw its membership upon serving prior written notice of intention so to do on the other members at least one hundred twenty (120) days before the close of any fiscal year. Unless sooner revoked, such withdrawal shall become effective upon the expiration of the fiscal year during which such notice was given; provided, however, that no such withdrawal shall release the withdrawing member from any financial obligation theretofore incurred by it hereunder.

Each member of the Association shall be obligated to pay its pro-rata share of the funds required to be appropriated by any approved budget. Approval of any budget by a member shall constitute an agreement of such member to pay said allocation, conditioned only on the approval thereof by each of the other members.

Basis of Accounting and Measurement Focus

The Association 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 Association is that the costs of providing services be financed or recovered primarily through user (member) 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.

Financial Reporting

The Association's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States Board (GAAP), as applied to enterprise funds, The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Association solely operates as a special-purpose government which means it is only engaged in business-type activities; accordingly, activities are reported in the Association's proprietary fund.

Operating revenues and expenses result from exchange transactions associated with the principal activity of the Association 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.

Cash and Cash Equivalents

The Association's cash and cash equivalents are considered to be cash on hand and short-term investments with original maturities of three months or less from the date of acquisition.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Prepaid Items
Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

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

> **Unrestricted** – 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.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Member Contributions
Contribution revenue consists of payments from members that are planned to match operating expenses. The activities of the Association consist solely of development and protection of the water supply for the Antelope Valley groundwater basin.

Grants
Grant revenues are recorded when earned on grants that have been approved and funded by the grantor. The grant source is the Safe Drinking Water Grant Fund from the State of California Department of Water Resources.

Member's Equity
In the event of a member withdrawal, member termination, or dissolution of the Association, any property interest remaining in the Association, following a discharge of all obligations shall be disposed of pursuant to the Joint Powers Agreements as adopted by the Governing Board.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following:

Description	2025	2024
Demand deposits with financial institutions	$ 227,425	$ 157,868

Demand Deposits
At June 30, 2025 and 2024, the carrying amount of the Association's demand deposits were $227,425 and $157,868, respectively, and the financial institution's balance was $227,425 and $157,868, respectively. There are no outstanding checks, deposits-in-transit and/or other reconciling items.

NOTE 2 – CASH AND CASH EQUIVALENTS (continued)

Custodial Credit Risk – Deposits
Custodial credit risk is the risk that in the event of a bank failure, the Association's deposits may not be returned to it. The ROP does not have a policy for custodial credit risk for deposits. Cash balances held in banks are insured up to $250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, the *California Government Code* requires that a financial institution secure deposit 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 market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

NOTE 3 – WATER REPLACEMENT ASSESSMENT

In accordance with the agreement dated October 23, 2019, the Antelope Valley Watermaster (Watermaster) is required to impose a Replacement Water Assessment (RWA) fee on groundwater production on parties in excess of any party's right to produce groundwater. On December 10, 2024, the Watermaster has assessed an RWA and collected funds from the parties for 310.98 AF of Replacement Water which is to be provided by the Association. The Watermaster passed through payments from the parties to the Association in the amount of $182,424. The Association in turn purchased the required replacement water from Antelope Valley East Kern Water Agency, Palmdale Water District and Littlerock Creek Irrigation District for $169,354, $12,885, and $185, respectively, for a total of $182,424 for the year ended June 30, 2025.

NOTE 4 – RISK MANAGEMENT

The Association has purchased commercial general liability insurance coverage to cover claim contingencies against the Association.

NOTE 5 – COMMITMENTS AND CONTINGENCIES

Excluded Leases – Short-Term Leases and De Minimis Leases
The Association does not recognize a lease receivable and a deferred inflow of resources for short-term leases. Short-term leases are certain leases that have a maximum possible term under the lease contract of 12-months (or less), including any options to extend, regardless of their probability of being exercised.

Also, d*e minimis* lessor or lessee leases are certain leases (i.e., room rental, copiers, printers, postage machines) that regardless of their lease contract period are *de minimis* with regards to their aggregate total dollar amount to the financial statements as a whole.

Litigation
In the ordinary course of operations, the Association is subject to claims and litigation from outside parties. Nevertheless, after consultation with legal counsel, the Association believes that these actions, when finally, concluded and determined are not likely to have a material adverse effect on the Association's financial position, results of operations, or cash flows.

NOTE 6 – SUBSEQUENT EVENTS

The Association has evaluated subsequent events through August 3, 2026, the date which the financial statements were available to be issued.