

JOINT ANTELOPE VALLEY AUTHORITY  
Lincoln, Nebraska

FINANCIAL STATEMENTS  
FOR THE YEARS ENDED AUGUST 31, 2004 AND 2003

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**JOINT ANTELOPE VALLEY AUTHORITY**  
Lincoln, Nebraska

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of the Joint Antelope Valley Authority's (JAVA) financial performance provides an overview of JAVA's financial activities for the fiscal year ended August 31, 2004.

**FINANCIAL HIGHLIGHTS**

JAVA's fund balance increased \$28,248,577, as a result of expenses exceeding revenue for the year by \$49,933, equity contributions of \$31,844,644, and equity distributions of \$3,546,134.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The sole purpose of JAVA is to account for the acquisition and construction of capital assets related to the Antelope Valley Project, with only minor expenses being used for administrative costs. JAVA consists of three partners per an interlocal agreement; the University of Lincoln, the Lower Platte South Natural Resources District, and the City of Lincoln. Since the partners retain an equity interest in all the assets of JAVA, these financial statements are presented in a format that resembles that of a partnership.

**FINANCIAL ANALYSIS**

The equity interests of JAVA reflect assets over liabilities and were \$57,623,729 and \$29,375,152 as of August 31, 2004 and 2003, respectively.

	Equity Interests as of August 31,	
	2004	2003
Current and Other Asset	\$ 82,925	\$ 22,358
Capital Assets	60,651,325	30,795,019
Total assets	\$ 60,734,250	\$ 30,817,377
Other Liabilities	\$ 3,110,521	\$ 1,442,225
Total liabilities	3,110,521	1,442,225
Equity Interests	57,623,729	29,375,152
Total liabilities and equity interests	\$ 60,734,250	\$ 30,817,377

The equity interest of JAVA increased \$28,248,577 primarily due to equity contributions.

Changes in equity interests from expenses exceeding revenues for the years ended August 31, 2004 and 2003, follows:

	<u>2004</u>	<u>2003</u>
Revenues	\$ <u>-</u>	\$ <u>-</u>
Program:		
Expenses:		
General government	<u>49,933</u>	<u>36,868</u>
Total expenses	<u>49,933</u>	<u>36,868</u>
Revenue over (under) expenses	(49,933)	(36,868)
Equity Contributions	31,844,644	18,119,551
Equity Distributions	(3,546,134)	(3,503,988)
Equity Interests - Beginning of Year	<u>29,375,152</u>	<u>14,796,457</u>
Equity Interests - End of Year	<u>\$ 57,623,729</u>	<u>\$ 29,375,152</u>

Total expenses do not include capital outlay of \$28,180,404 and \$14,578,752 for the years ended August 31, 2004 and 2003, respectively.

#### **BUDGETARY HIGHLIGHTS**

JAVA does not prepare a budget because it does not levy property taxes.

#### **CAPITAL ASSET AND DEBT ADMINISTRATION**

As of August 31, 2004, JAVA had \$60,561,325 invested in land and construction in progress. This amount represents an increase of \$29,856,306 or 99% from the previous year. All assets, including capital assets, of JAVA will be distributed to the Partners upon the completion of the project.

JAVA has no debt outstanding.

#### **ECONOMIC FACTORS**

Since JAVA has not issued debt or levied taxes, it is dependent upon the capital contributions of its Partners.

#### **CONTACTING JAVA'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens and taxpayers with a general overview of JAVA's finances and to show JAVA's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Margaret Remmenga, Business Manager, Public Works and Utilities, City of Lincoln, Lincoln, Nebraska, 68508.

**Micek & Crouch, P.C.**  
Certified Public Accountants

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Kurt L. Micek, C.P.A.  
Janalee Crouch, C.P.A.

INDEPENDENT AUDITORS' REPORT

To the Partners  
Joint Antelope Valley Authority  
Lincoln, Nebraska

We have audited the balance sheets of the Joint Antelope Valley Authority, a joint administrative entity, as of August 31, 2004 and 2003, and the related statements of revenues, expenses and changes in equity interests, statements of equity interests, and cash flows for the years then ended. These financial statements are the responsibility of the Authority's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Joint Antelope Valley Authority as of August 31, 2004 and 2003, and the results of its operations and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 28, 2004, on our consideration of the Joint Antelope Valley Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Micek & Crouch, P.C.*

Lincoln, Nebraska  
December 28, 2004

JOINT ANTELOPE VALLEY AUTHORITY  
Lincoln, Nebraska

BALANCE SHEETS  
August 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 58,332	\$ 4,430
Prepaid insurance	<u>24,593</u>	<u>17,928</u>
Total current assets	<u>82,925</u>	<u>22,358</u>
Capital Assets:		
Land acquisition	26,315,874	16,951,216
Construction in progress	<u>34,335,451</u>	<u>13,843,803</u>
Total capital assets	<u>60,651,325</u>	<u>30,795,019</u>
Total assets	<u>\$ 60,734,250</u>	<u>\$ 30,817,377</u>

LIABILITIES AND EQUITY INTERESTS

Current Liabilities:		
Retainage and accounts payable	\$ 3,110,521	\$ 1,442,225
Equity Interests	<u>57,623,729</u>	<u>29,375,152</u>
Total liabilities and equity interests	<u>\$ 60,734,250</u>	<u>\$ 30,817,377</u>

The accompanying notes are an integral part of these financial statements.

JOINT ANTELOPE VALLEY AUTHORITY  
Lincoln, Nebraska

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN EQUITY INTERESTS  
For the Years Ended August 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Revenues	\$ <u>-</u>	\$ <u>-</u>
Expenses:		
Operating expenses:		
Management services	15,842	7,839
Audit and legal	8,112	4,608
Insurance	23,313	23,359
Office supplies	2,534	867
Postage	132	195
Total operating expenses	<u>49,933</u>	<u>36,868</u>
Revenue over (under) expenses	(49,933)	(36,868)
Equity Contributions	31,844,644	18,119,551
Distributions	(3,546,134)	(3,503,988)
Equity Interests - Beginning of Year	<u>29,375,152</u>	<u>14,796,457</u>
Equity Interests - End of Year	<u>\$ 57,623,729</u>	<u>\$ 29,375,152</u>

The accompanying notes are an integral part of these financial statements.

JOINT ANTELOPE VALLEY AUTHORITY  
Lincoln, Nebraska

STATEMENTS OF EQUITY INTERESTS  
For the Years Ended August 31, 2004 and 2003

	City of Lincoln	University of Nebraska	Lower Platte South Natural Resources District	Total
Equity Interests:				
Balance - September 1, 2002	\$ 14,724,582	\$ 4,736	\$ 67,139	\$ 14,796,457
Equity contributions	12,708,800	4,229,450	1,181,301	18,119,551
Revenue over (under) expenses	-	(12,289)	(24,579)	(36,868)
Distributions	-	(3,503,988)	-	(3,503,988)
Balance - August 31, 2003	27,433,382	717,909	1,223,861	29,375,152
Equity contributions	20,408,790	3,625,675	7,810,179	31,844,644
Revenue over (under) expenses	-	(21,400)	(28,533)	(49,933)
Distributions	-	(3,546,134)	-	(3,546,134)
Balance - August 31, 2004	<u>\$ 47,842,172</u>	<u>\$ 776,050</u>	<u>\$ 9,005,507</u>	<u>\$ 57,623,729</u>

The accompanying notes are an integral part of these financial statements.

JOINT ANTELOPE VALLEY AUTHORITY  
Lincoln, Nebraska

STATEMENTS OF CASH FLOWS  
For the Years Ended August 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Cash Flows From Operating Activities:		
Payments for services and supplies	\$ (64,204)	\$ (46,590)
Cash Flows From Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(28,180,404)	(14,578,752)
Cash contributions	31,844,644	18,119,551
Cash distributions	<u>(3,546,134)</u>	<u>(3,503,988)</u>
Net cash provided by capital and related financing activities	<u>118,106</u>	<u>36,811</u>
Net increase (decrease) in cash and cash equivalents	53,902	(9,779)
Cash and Cash Equivalents - Beginning of Year	<u>4,430</u>	<u>14,209</u>
Cash and Cash Equivalents - End of Year	<u>\$ 58,332</u>	<u>\$ 4,430</u>
Reconciliation of Revenues Over (Under) Expenses to Net Cash Provided by Operating Activities:		
Revenues over (under) expenses	\$ (49,333)	\$ (36,868)
(Increase) in prepaid insurance	(6,665)	(17,928)
Increase (decrease) in operating expenses accrual	<u>(8,206)</u>	<u>8,206</u>
	<u>\$ (64,204)</u>	<u>\$ (46,590)</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS  
For the Years Ended August 31, 2004 and 2003

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Note 1 - General Statement and Summary of Significant Accounting Policies:

- a) General Statement and Reporting Entity – Joint Antelope Valley Authority is a joint administrative entity created April 15, 2000, in accordance with Article XV, Section 18 of the Constitution of the State of Nebraska and Nebraska Revenue Statutes Section 13.801 through 13.827 (1997) authorizing the creation of a joint entity by public agencies. Per an interlocal cooperative agreement by and between the Board of Regents of the University of Nebraska, a public body corporate, the City of Lincoln, Nebraska, a municipal corporation, and the Lower Platte South Natural Resources District, a political subdivision of the State of Nebraska, this joint administrative entity was created to be known as Joint Antelope Valley Authority (JAVA). JAVA constitutes a separate administrative entity, exercising the public power granted by the interlocal cooperation agreement on behalf of the three aforementioned "Partners" to coordinate planning and implementation of a public project described in the Antelope Valley Study and the U.S. Army Corps of Engineers Antelope Creek Feasibility Study (the "Project"). The Project generally includes community revitalization, transportation, and drainage/flood control improvements.

JAVA is delegated powers by the "Partners" to carry out activities as follows:

During its "Preparation Period":

- public information and review;
- project design;
- receive gifts, grants, bequests, devises, exchanges, and appropriations; and
- contracting or purchasing authority that Each Partner may possess.

During its "Implementation Period":

- the right to acquire property including by condemnation if necessary;
- relocation of residences, business and structures;
- demolition;
- material and equipment leasing and purchasing;
- pre-construction activities;
- construction and construction management;
- mitigate adverse impacts and conditions;
- utility relocation and installation;
- acquisition, development, and construction of the Northeast Park; and
- any other power necessary or convenient to implement the Phase One Components.

After the completion of a specific component of the Project, JAVA will transfer all real estate and improvements thereon to the appropriate individual Partner, subject to the necessary and agreed upon easements which will be conveyed to such Partner or other appropriate public or private entity, or reserved by such a Partner, for the operation, maintenance, repair and inspection of each specific component.

During the Implementation Period of this Agreement, JAVA shall have the power and authority to acquire and condemn property rights, borrow, mortgage, pledge, or secure loans and bond its appropriated revenues and assets; provided however, that JAVA shall have no power and authority to bond the credit or revenues of The Three Partners or Each Partner, or levy taxes.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
For the Years Ended August 31, 2004 and 2003

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Note 1 - General Statement and Organization and Summary of Significant Accounting Policies  
(Continued):

- b) Basis of Accounting/Presentation – JAVA prepare its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, revenues are recorded when earned and expenses are recorded when incurred.

JAVA applies all Governments Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements unless those pronouncements conflict with or contradict GASB pronouncements.

- c) Risk Management – JAVA or one of the Partners shall provide general liability and property insurance coverage. In connection with the employment of its own employees, each Partner at its own expense, shall provide workers' compensation coverage.
- d) Cash and Investments – JAVA's cash and investments are maintained and controlled through pooled cash and investments with the City of Lincoln. JAVA considers highly liquid investment with an original maturity of three months or less when purchased to be cash equivalents.

Investments are reported at fair value which is determined using selected bases. Short-term investments are reported at cost, which approximates fair value. Cash deposits are reported at carrying amount which reasonably estimates fair value.

- e) Capital Assets – All capital assets are recorded at historical cost. Costs of capital assets include construction costs, design and engineering fees, land acquisition costs, easement and right-of-way costs.
- f) Retainage Payable – Retainage payable represents amounts billed to JAVA by contractors for which payment is not due pursuant to retained percentage provisions in construction contracts until substantial completion of performance by contractor and acceptance by JAVA.
- g) Equity Interests – Equity interests represent contributions from JAVA partners net of their respective share of revenues over (under) expenses and reduced by any distributions.
- h) Estimates – The use of estimates are required to present the financial statements in conformity with accounting principles generally accepted in the United States of America.

Note 2 - Deposits and Investments:

Deposits and investments, categorized for level of risk, cannot be reasonably apportioned by the City of Lincoln, controller of JAVA's cash and investments. JAVA's share of the City of Lincoln's pool is \$58,332 and \$4,430 at August 31, 2004 and 2003, respectively, which is cash on deposit carried at cost, which approximates fair market value. The cash on deposit with the City of Lincoln is secured by the City through their financial institutions' agents in the City's name.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
For the Years Ended August 31, 2004 and 2003

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Note 2 - Deposits and Investments (Continued):

GASB 31 requires investments to be carried at fair value. At August 31, 2004 and 2003, there were no investments for JAVA in the City's investment pool. Investment pools under the custody of the City are maintained in accordance with investment policies complying with State Statutes and the City Charter. Pooled funds may be invested in: (1) direct obligations of the United States government pledged by its full faith and credit, (2) certificates of deposit at savings and loan associations and federally insured banks when secured by acceptable collateral, (3) savings accounts at savings and loan associations and banks, to the extent fully insured, and (4) any bond, note, or other indebtedness issued by agencies, authorities, or public entities whose governing boards are appointed by the City Council.

Note 3 - Capital Assets:

Capital assets are summarized as follows:

	<u>2004</u>	<u>2003</u>
Land acquisition	\$ 26,315,874	\$ 16,951,216
Construction in progress:		
Design and construction services	15,217,058	8,475,404
Site construction	<u>19,118,393</u>	<u>5,368,399</u>
	<u>\$ 60,651,325</u>	<u>\$ 30,795,019</u>

Upon completion of the projects, ownership will revert to the Partners based upon their responsibility of operation and maintenance of the project.

Note 4 - Administrative Agreements:

Agreements between JAVA and the City of Lincoln have been entered to provide:

Administrative, clerical and accounting support  
Right-of-way acquisition and relocation assistance

JAVA is to reimburse the City of Lincoln on an "actual cost" basis including 100% of salary and fringe benefits for actual hours worked on JAVA business plus costs of supplies and related expenses required in the performance of these services.

Note 5 - Prior Period Adjustment:

Additional equity contributions of \$719,766 by the City of Lincoln to JAVA were not reported in the financial statements for the year ended August 31, 2003. Equity interests and construction costs in progress have been amended as of and for the year ended August 31, 2003 to account for these contributions.

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Partners  
Joint Antelope Valley Authority  
Lincoln, Nebraska

We have audited the financial statements of the Joint Antelope Valley Authority, as of and for the years ended August 31, 2004 and 2003, and have issued our report thereon dated December 28, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

COMPLIANCE

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Joint Antelope Valley Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, and the State of Nebraska Department of Roads, and is not intended to be and should not be used by anyone other than these specified parties.

*Micek & Crouch, P.C.*

Lincoln, Nebraska  
December 28, 2004

REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Partners  
Joint Antelope Valley Authority  
Lincoln, Nebraska

COMPLIANCE

We have audited the compliance of Joint Antelope Valley Authority with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended August 31, 2004. Joint Antelope Valley Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Joint Antelope Valley Authority's management. Our responsibility is to express an opinion on Joint Antelope Valley Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the statements applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Joint Antelope Valley Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Joint Antelope Valley Authority's compliance with those requirements.

In our opinion, Joint Antelope Valley Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended August 31, 2004.

INTERNAL CONTROL OVER COMPLIANCE

The management of Joint Antelope Valley Authority is responsible for establishing and maintaining effect internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Joint Antelope Valley Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, State of Nebraska Department of Roads, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Mick J. Crouth, P.C.*

JOINT ANTELOPE VALLEY AUTHORITY  
Lincoln, Nebraska

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended August 31, 2004

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Grant Identifying Number	Federal Expenditures
U.S. Department of Pass-Through Programs from:			
State of Nebraska Department of Roads:			
"Y" Street Bridge	20-265	STPC-5242(3)	\$ 1,158,644
Vine Street Bridge		STPC-5240(3)	673,792
Military Bridge		STPC-5242(4)	3,313,188
"O" Street Bridge		STPC-34-6035	45,743
"N, P, and Q" Street Bridge		N/A	126,544
Big T		CM-55(144)	869,688
East Leg		STPC-5257(1)	330,252
N/S Road "Q" to "Y" Streets		CM-55(143)	72,478
N/S Road "Q" to "K" Streets		CN-55(142)	538,909
"J" Street Bridge		STPC-5226(1)	37,206
South Street Bridge		STPC-5212(5)	<u>61,326</u>
Total expenditures of fund awards			<u>\$ 7,227,770</u>

Note to Schedule of Expenditures of Federal Awards Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Joint Antelope Valley Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.