

*To the extent authorized by the Governor's Executive Order N-25-20 dated March 12, 2020 ("Executive Order") issued in response to the Covid-19 outbreak, the WQA Board Reserves the Right to Suspend Application of Certain Public Meeting Requirements Under the Brown Act during the term of the Executive Order, Including Restrictions and Noticing Requirements Relating to the Conduct of Teleconferenced Board Meetings.*

*Due to the essential nature of the WQA Board Meetings in conducting Authority business, the WQA Board meeting will take place on Wednesday, March 18, 2020 at 12:00pm at the WQA office and be made available via online and teleconference. We will also be practicing social distancing at the meeting for those that decide to attend in person. Although members of the public are strongly encouraged to view the meeting remotely online the WQA Board room will be open to members of the public consistent with the requirements of the Executive Order.*

*Copies of Executive Order will be made available to members of the public upon request.*

**Please join the meeting from your computer, tablet or smartphone.**

<https://global.gotomeeting.com/join/232961517>

**Join the conference call:**

Dial-In: 888-913-8865

Participant Code: 6530454

**A REGULAR MEETING  
OF THE  
SAN GABRIEL BASIN WATER QUALITY AUTHORITY  
AT  
1720 W. CAMERON AVENUE, SUITE 100  
WEST COVINA, CALIFORNIA  
WEDNESDAY, MARCH 18, 2020 AT 12:00 P.M.**

---

**AGENDA**

**I. CALL TO ORDER** **MARQUEZ**

**II. PLEDGE OF ALLEGIANCE**

**III. ROLL CALL OF BOARD MEMBERS** **MORENO**

Jorge Marquez	_____	_____	(alt)
Bob Kuhn	_____	_____	(alt)
Lynda Noriega	_____	_____	(alt)
Valerie Munoz	_____	_____	(alt)
Mike Whitehead	_____	_____	(alt)
Mark Paulson	_____	_____	(alt)
Ed Chavez	_____	_____	(alt)

**IV. PUBLIC COMMENTS (Agendized Matters Only):** **MARQUEZ**

As provided under Government Code Section 54954.3, this time has been set aside for persons in the audience to provide comment or make inquiries on matters appearing on this Special Meeting agenda only. Please complete the appropriate request card and submit it to the Secretary, prior to the item being heard. A five-minute time limit on remarks is requested.

**V. ITEMS TOO LATE TO BE AGENDIZED - Recommended Action:** **MARQUEZ**

Approve motion determining need to take action on item(s) which arose subsequent to posting of the Agenda (ROLL CALL VOTE: Adoption of this recommendation requires a two-thirds vote of the Board or, if less than two-thirds of Board members are present, a unanimous vote)

## **VI. CONSENT CALENDAR**

**MARQUEZ**

(Consent items may all be approved by single motion) [enc]

- (a) Minutes for 2/19/20 Regular Board Meeting
- (b) Minutes for 3/11/20 Special Board Meeting
- (c) Demands on Administrative Fund
- (d) Demands on Project Fund

## **VII. PRESENTATION**

***“Presentation on Audited Financial Statements for Fiscal Year Ending June 30, 2019” [enc]***

## **VIII. COMMITTEE REPORTS**

(These items may require action)

None.

## **IX. OTHER ACTION/INFORMATION ITEMS**

**MARQUEZ**

(These items may require action)

- (a) Discussion/Action Regarding Draft of Audited Financial Statements for the Fiscal Year Ended June 30, 2019 [enc]
- (b) Discussion/Action Regarding Draft San Gabriel Basin Groundwater Quality Management and Remediation Plan “Plan” for 2020 [enc]
  - 1. Review Comments Received
  - 2. Adopt 406 Plan for 2020
- (c) Discussion/Action Regarding COVID-19 Virus Precautions

## **X. ENGINEER'S REPORT**

**SCHOELLERMAN**

(a) Project Updates:

	<u>Status</u>
1. Baldwin Park Operable Unit	
• Arrow/Lante Well (Subarea 1)	Operational
• Monrovia Wells	Operational
• SGVWC B6 Plant	Operational
• SGVWC B5 Plant	Operational
• CDWC Well No. 14	Operational
• La Puente Valley County Water District	Operational
2. El Monte Operable Unit	
• Eastern Shallow Zone	Operational
• Eastern Deep Zone	Operational
• GSWC Encinita Plant	Operational
• Western Shallow Zone	Operational
3. South El Monte Operable Unit	
• Whitmore Street. Ground Water Remediation	Operational

- Treatment Facility
- City of M.P. Well No. 5 VOC Treatment Facility Operational
- City of M.P. Well No. 12 VOC Treatment Facility Operational
- City of M.P. Well No. 15 Operational
- City of M.P. Well Nos. 1, 3, 10 VOC Treatment Facility Operational
- GSWC Wells SG-1 & SG-2 Operational
- SGVWC Plant No. 8 Operational
- 4. Puente Valley Operable Unit
  - Shallow Zone Design
  - Deep Zone Construction
- 5. Area 3 Operable Unit
  - City of Alhambra Phase 1 Operational
  - City of Alhambra Phase 2 Operational
  - City of South Pasadena Wilson Treatment Operational

**XI. ATTORNEY'S REPORT** **PADILLA**

**XII. EXECUTIVE DIRECTOR'S REPORT** **MANNING**

**XIII. FUTURE AGENDA ITEMS** **MARQUEZ**

**XIV. INFORMATION ITEMS [enc]** **MARQUEZ**

- (a) San Gabriel Basin Water Calendar

**XV. FUTURE BOARD/COMMITTEE MEETINGS** **MARQUEZ**

- (a) The next Administrative/Finance Committee meeting will be held on Tuesday, April 14, 2020 at 10:00 A.M. at WQA
- (b) The next Engineering Committee meeting will be held on Tuesday, April 14, 2020 at 11:00 A.M. at WQA
- (c) The next Legislative/Public Information Committee meeting will be held on Wednesday, April 15, 2020 at 11:00 A.M. at WQA
- (d) *The next WQA Board meeting will be held on Wednesday, April 15, 2020 at 12:00 P.M. at WQA\**  
*\*Consider moving to April 22, 2020 at 12:00P.M.\**

**XVI. BOARD MEMBERS' COMMENTS/REPORTS** **MARQUEZ**

**XVII. CLOSED SESSION** **MARQUEZ**

- (a) Pursuant to Government Code Section 54957(b)(1) – Public Employment

Title: Executive Director

## **XVIII. ADJOURNMENT**

**MARQUEZ**

*Pursuant to Government Code section 54957.5, non-exempt public records that relate to open session agenda items and are distributed to a majority of the Board less than seventy-two (72) hours prior to the meeting will be available for public inspection in the lobby of the Authority's business office located at 1720 W. Cameron Ave., Suite 100, West Covina, CA 91790, during regular business hours. When practical, these public records will also be made available on the Authority's internet web site, accessible at [www.wqa.com](http://www.wqa.com).*

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OF THE  
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Jorge Marquez	_____	_____	(alt)
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Approve motion determining need to take action on item(s) which arose subsequent to posting of the Agenda (ROLL CALL VOTE: Adoption of this recommendation requires a two-thirds vote of the Board or, if less than two-thirds of Board members are present, a unanimous vote)

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(Consent items may all be approved by single motion) [enc]

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## VII. PRESENTATION

*“Presentation on Audited Financial Statements for Fiscal Year Ending June 30, 2019” [enc]*

## VIII. COMMITTEE REPORTS

(These items may require action)

None.

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**MARQUEZ**

(These items may require action)

- (a) Discussion/Action Regarding Draft of Audited Financial Statements for the Fiscal Year Ended June 30, 2019 [enc]
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    - City of South Pasadena Wilson Treatment
- Operational  
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Construction  
  
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**XII. EXECUTIVE DIRECTOR'S REPORT** **MANNING**

**XIII. FUTURE AGENDA ITEMS** **MARQUEZ**

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Title: Executive Director

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# **DRAFT**

## **A REGULAR MEETING OF THE SAN GABRIEL BASIN WATER QUALITY AUTHORITY FEBRUARY 19, 2020 AT 12:00 P.M.**

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<b>CALL TO ORDER</b>	The Chairman called the regular meeting of the San Gabriel Basin Water Quality Authority to order and reviewed the actions anticipated on the agenda for the meeting.
<b>ROLL CALL OF BOARD MEMBERS</b>	Jorge Marquez, Bob Kuhn, Lynda Noriega (alternate), Valerie Munoz, Michael Whitehead and Ed Chavez
<b>BOARD MEMBERS ABSENT</b>	Mark Paulson
<b>STAFF MEMBERS PRESENT</b>	Ken Manning, Executive Director; Randy Schoellerman, Assistant Executive Director/Sr. Engineer; Mary Saenz, Director of Finance; Stephanie Moreno, Executive Assistant/Outreach Coordinator; Michelle Sanchez, Admin/Accounting Assistant; Richard Padilla, Legal Counsel
<b>MEMBERS OF THE PUBLIC PRESENT</b>	Dan Arrighi, San Gabriel Valley Water Company; Lenet Pacheco, Valley County Water District; Jennifer Santone, Upper District; Al Contreras, Upper District; David Muse, Valley County Water District
<b>PUBLIC COMMENT</b>	None.
<b>ITEMS TOO LATE TO BE AGENDIZED</b>	None.
<b>CONSENT CALENDAR</b>	Mr. Kuhn moved to approve the consent calendar. Ms. Munoz seconded the motion and it was approved. Mr. Whitehead abstained from Project Demand E90739 and Ms. Noriega abstained from Project Demand E90738.
<b>COMMITTEE REPORTS</b>	
<i>Administrative/Finance Committee Report</i>	Mr. Manning reported that the minutes for the committee meeting were enclosed for review.
<i>Discussion/Action Regarding San Gabriel Valley Economic Partnership Membership Renewal</i>	Mr. Manning reported that the WQA holds a Leader Level Membership with the annual renewal amount of \$20,000 which is discounted from the regular price of \$25,000. He indicated that the WQA's membership has been beneficial in putting the WQA's issues out in front of the community by allowing the WQA to participate in local events with local and state legislators. Lastly, he noted that it also gives the WQA a seat on the Board of the Directors.

After brief discussion, Ms. Noriega moved to approve the annual renewal of the WQA's membership to the San Gabriel Valley Economic Partnership. Mr. Whitehead seconded the motion and it was unanimously approved.

***Legislative/Public Information  
Committee Report***

Mr. Manning reported that the minutes for the committee meeting were enclosed for review.

**OTHER  
ACTION/INFORMATION  
ITEMS**

Ms. Munoz enters the meeting.

***Draft San Gabriel Basin  
Groundwater Quality  
Management and Remediation  
Plan "§406 Plan" for 2020***

Ms. Schoellerman described how the 406 Plan changed as a result of SB413 and that it now includes elements from the discontinued 404 Update reports.

***Open of 25-day Public Comment  
Period***

After some discussion, Ms. Munoz moved to open a 25-day public comment period for the 2020 Draft 406 Plan. Ms. Noriega seconded the motion and it was unanimously approved.

***Discussion/Action Regarding  
Operation and Maintenance Task  
Order for Avocet, Inc.***

Mr. Manning reported that staff was recommending WQA continue to retain Avocet, Inc. for an additional year of operation and maintenance of the Whitmore Street Groundwater Remediation Facility.

Ms. Noriega moved to approve the operation and maintenance task order for Avocet, Inc. Mr. Kuhn seconded the motion and it was unanimously approved.

***Discussion/Action Regarding  
Stetson Engineers Amended Task  
Order to Provide Support for Prop  
68 Applications***

Mr. Manning reported that Stetson's original scope of work for this effort included one application and one set of submittals that included all 20+ eligible projects in our basin. He noted that Stetson compiled project information from the numerous water purveyors and prepared several grant deliverables including the project background, scope of work and budgets. However, in the course of reviewing project data it was determined that the City of El Monte's service area qualified as a Disadvantaged Community (lower match requirement) and would require the preparation of a second application with separate deliverables for their four projects. He also noted that based on input from the State Water Board Division of Financial Assistance staff, Stetson's scope of work was modified to include a cost benefit analysis for each project in both applications. He recommended adding an additional \$10,000 to Stetson's previous \$40,000 task order to cover the unexpected work items.

After brief discussion, Mr. Kuhn moved to approve an amended task order to Stetson Engineers not to exceed \$50,000 to provide support for Prop 68 applications. Ms. Munoz seconded the motion and it was unanimously approved.

## **ENGINEER'S REPORT**

Mr. Schoellerman reported that the Prop 68 applications were filed last month, which included \$4.4M for City of El Monte and \$16.8M for all of the other projects.

Mr. Whitehead questioned if any of the applications included treatment for PFAS. Mr. Schoellerman reported that Prop 68 funding was intended for existing treatment systems and that capital costs for new PFAS treatment systems could be included in Prop 1 Round 3 applications later in the year.

He also reported that the final Prop 1 report for the Whitmore project was completed. He noted that staff was in the process of negotiating the grant agreement for the South El Monte Prop 1 site investigation award. He lastly noted that there was still ongoing negotiations for the agreement with ALR for access to MW5-13.

## **ATTORNEY'S REPORT**

Mr. Padilla indicated that there was a need for a closed session.

## **EXECUTIVE DIRECTOR'S REPORT**

Mr. Manning reported on his trip to Washington, D.C. with Mr. Marquez, Mr. Kuhn and Mr. Monares, and indicated that everyone they met with really enjoyed WQA's animation of contaminant movements in the basin. He noted that USBR funding had not yet been allocated. Congresswoman Napolitano's office would be following up with the USBR Commissioner. He reminded everyone that the ACWA Conference was scheduled for May 5-7, the CGC Legislative Symposium was scheduled for March 11<sup>th</sup> and the San Gabriel Water Forum was scheduled for April 16<sup>th</sup>. He lastly noted that he went to an event at the Claremont University where Char Miller spoke on water history.

## **FUTURE AGENDA ITEMS**

None.

## **FUTURE BOARD AND COMMITTEE MEETINGS**

The next Administrative/Finance Committee meeting was scheduled for Tuesday, March 10, 2020 at 10am.

The next Engineering Committee meeting was scheduled for Tuesday, March 10, 2020 at 11am.

The next Legislative/Public Information meeting was scheduled for Wednesday, March 11, 2020 at 11:00am.

The next WQA Board Meeting was scheduled for Wednesday, March 18, 2020 at 12:00pm.

## **BOARD MEMBERS' COMMENTS/REPORTS**

Mr. Whitehead commended staff on the updated 406 Plan.

Mr. Chavez reported that Upper District was in the process of purchasing a new building and noted that he was elected as President for the fourth year in a row.

## **CLOSED SESSION**

***Pursuant to Government Code  
Section 54957(b)(1) – Public  
Employment***

***Title: Executive Director***

**ADJOURNMENT**

Mr. Padilla reported that a closed session was held. He indicated that an update was given and there was no final action taken.

The Chairman asked if there were any other items of business to come before the Board. There being none, the meeting was adjourned to March 18, 2020.

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Jorge Marquez  
Chairman

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Valerie Munoz  
Secretary

# **DRAFT**

## **A SPECIAL MEETING OF THE SAN GABRIEL BASIN WATER QUALITY AUTHORITY MARCH 11, 2020 AT 11:00 A.M.**

---

<b>CALL TO ORDER</b>	The Chairman called the regular meeting of the San Gabriel Basin Water Quality Authority to order and reviewed the actions anticipated on the agenda for the meeting.
<b>ROLL CALL OF BOARD MEMBERS</b>	Jorge Marquez, Bob Kuhn, Lynda Noriega, Valerie Munoz, Michael Whitehead, Mark Paulson and Ed Chavez
<b>BOARD MEMBERS ABSENT</b>	None.
<b>STAFF MEMBERS PRESENT</b>	Ken Manning, Executive Director; Randy Schoellerman, Assistant Executive Director/Sr. Engineer; Mary Saenz, Director of Finance; Stephanie Moreno, Executive Assistant/Outreach Coordinator; Michelle Sanchez, Admin/Accounting Assistant; Richard Padilla, Legal Counsel
<b>MEMBERS OF THE PUBLIC PRESENT</b>	Al Contreras, Upper District
<b>PUBLIC COMMENT</b>	None.
<b>CLOSED SESSION</b>	
<i>Pursuant to Government Code Section 54957(b)(1) – Public Employment</i>	The Chairman reported that a closed session was held. He reported that there was no action taken.
<i>Title: Executive Director</i>	
<b>ADJOURNMENT</b>	The Chairman asked if there were any other items of business to come before the Board. There being none, the meeting was adjourned.

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Jorge Marquez  
Chairman

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Valerie Munoz  
Secretary

**DRAFT**

The following demands on the Administration Fund Account at Bank of the West are hereby submitted for payment.

Check No.	Payable to	Description	Amount
D01662	Bob Kuhn	Board Member Compensation for February 2020	
		6 Days WQA Business	896.58
		Meeting/Travel Expenses/Other	47.73
		Less Deferred Compensation	(827.99)
		Less Taxes Withheld	(68.59)
			47.73
D01663	Michael Whitehead	Board Member Compensation for February 2020	
		4 Days WQA Business	597.72
		Meeting/Travel Expenses/Other	0.00
		Less Deferred Compensation	0.00
		Less Taxes Withheld	(45.73)
			551.99
D01664	Ed Chavez	Board Member Compensation for February 2020	
		6 Days WQA Business	896.58
		Meeting/Travel Expenses/Other	0.00
		Less Deferred Compensation	0.00
		Less Taxes Withheld	(68.59)
			827.99
D01665	Jorge Marquez	Board Member Compensation for February 2020	
		6 Days WQA Business	896.58
		Meeting/Travel Expenses/Other	11.50
		Less Deferred Compensation	0.00
		Less Taxes Withheld	(458.32)
			449.76
D01666	Valerie Munoz	Board Member Compensation for February 2020	
		2 Days WQA Business	298.86
		Meeting/Travel Expenses/Other	16.10
		Less Deferred Compensation	0.00
		Less Taxes Withheld	(22.86)
			292.10
D01667	Lynda Noriega	Board Member Compensation for February 2020	
		2 Days WQA Business	298.86
		Meeting/Travel Expenses/Other	0.00
		Less Deferred Compensation	0.00
		Less Taxes Withheld	(22.86)
			276.00
EFT/ACH	SGBWQA - Payroll Fund	Replenish payroll fund for February 2020	
		Staff Payroll	80,046.28
		Board Deferred Compensation-Lincoln Life	827.99
		Board Payroll Taxes - Federal & State	984.17
			81,858.44
		<b>Total replenishment to payroll fund</b>	<b>84,304.01</b>
7216	SGBWQA - Petty Cash Fund	Replenish petty cash - expenses for 05/21/19 to 02/25/20	146.17
EFT/ACH	SGBWQA - Revolving Fund	Replenish revolving fund for 2/01/20 to 2/29/20 disbursements	
		Group Insurance	506.00
		Dues and Subscriptions	555.00
		Office Supplies	302.07
		Telephone Service	505.61
		Plant & Water Service	197.10
		Misc. Office Expense	310.00
		Copier Machine	411.72
		Computer Systems O&M	405.77
		Travel & Mileage Reimbursement	99.98
		Meeting & Conferences	346.94
		Project Costs	1,705.93
			5,346.12

*ms*  
3-12-2020

**DRAFT**

The following demands on the Administration Fund Account at Bank of the West are hereby submitted for payment.

Check No.	Payable to	Description	Amount
7217	ACWA/JPIA	Invoice No. 643044, Medical and life insurance premiums for April 1, 2020 to May 1, 2020	8,535.96
7218	Accent Computer Solutions, Inc.	Invoice No. 133664, Professional IT services for March 2020	1,311.21
7219	Bank of America	Invoice No. '20-02Feb-KM', Credit card expenses incurred for 02/01/20 to 02/29/20 Travel & Mileage 553.96 Meetings & Conferences 2,822.07 Project Costs <u>2,915.16</u>	6,291.19
7220	Bank of America	Invoice No. '20-02Feb-RS', Credit Card Expenses incurred for 02/01/20 to 02/29/20 Office Equipment 1,361.99 Computer Systems O&M 290.16 Internet Service 29.95 Training 150.00 Meetings & Conferences <u>1,637.00</u>	3,469.10
7221	Bank of America	Invoice No. '20-02Feb-SM', Credit card expenses incurred for 02/01/20 to 02/29/20 Graphics and Photos 55.12 Office Supplies 156.32 Computer Systems O&M 600.00 Public Relations 450.00 Meetings & Conferences <u>188.46</u>	1,449.90
7222	The Gualco Group	Invoice No '20-02Feb', Professional consulting services for February 2020	5,181.00
7223	Kadesh & Associates, LLC	Invoice No. 03-20, Professional consulting services for February 2020	15,000.00
7224	The Monares Group, LLC	Invoice No. '20-04Apr', Professional consulting services for April 2020	16,000.00
7225	The Monares Group, LLC	Invoice No. '20-02Feb-Exp', Professional consulting services, Reimbursable expenses for February 2020	1,551.35
7226	Olivarez Madruga Lemieux O'Neill, LLP	Invoice No. 9826, Professional legal services for January 2020	1,900.00
7227	Ruffle Properties, LLC	Office lease, CAM, and Storage for April 2020 Invoice No. '20-03Apr', Office lease 6,845.79 Invoice No. '20-03Apr-CAM', Electricity charges 643.20 Invoice No. '20-03Apr-Storage', Storage Room <u>150.00</u>	7,638.99
7228	Stetson Engineers, Inc.	Professional services for January 2020 Invoice No. 1609-004-002, Prop 68 Grant 10,219.00 Invoice No. 1609-222-9, General Permit <u>1,478.50</u>	11,697.50
7229	Vasquez & Company LLP	Annual audit of Financial Statements for FY 6/30/19 Invoice No. 2200128, Progress Billing #3 8,000.00 Invoice No. 2200157, Draft Report Issuance <u>6,758.00</u>	14,758.00
E90768	Civic Publications	Invoice No. 1541, Professional accounting services for September 2019	2,013.00
<b>TOTAL</b>			<u><u><b>186,593.50</b></u></u>

mb  
3-12-2020



Water Quality Authority

# Board Member Per Diem

\$149.43 per meeting, 6 meeting maximum per month

Mileage Rate: \$0.575 per mile (updated January 2020)

## EXPENSE SHEET

NAME:

Bob Kuhn

MONTH/YEAR:

Feb-20

DATE	MEETING DESCRIPTION	Roundtrip Mileage	# of Days (not to exceed 6)	\$149.43 PER DIEM
2/4/20	Admin/Finance Committee	26	1	\$149.43
2/10-2/12	Washington DC Meetings	0	3	\$448.29
2/13/20	Interview Committee for GM Position	26	1	\$149.43
2/25/20	Interview selected candidates for GM Position	31	1	\$149.43
				\$0.00
				\$0.00
				\$0.00
				\$0.00
				\$0.00
				\$0.00
<b>Total Meetings</b>			<b>6</b>	<b>\$896.58</b>
<b>Total Mileage (at \$0.575 per mile)</b>		<b>83</b>		<b>\$47.73</b>

DATE	Expense Reimbursement Description (receipts required)	Amount
<b>TOTAL Expenses</b>		<b>\$0.00</b>

<b>TOTAL MEETINGS, MILEAGE, EXPENSES</b>		<b>\$944.31</b>
457	Deferred Compensation Amount (enter a positive number)	896.58
<b>TOTAL</b>		<b>\$47.73</b>

I hereby certify that I have incurred and paid all of the above expenses on behalf of the  
SAN GABRIEL BASIN WATER QUALITY AUTHORITY

Please attach any fliers or back-up information regarding meetings listed above to be in compliance with AB 1234. If there are no attachments, a verbal report is required.



Water Quality Authority

# Board Member Per Diem

\$149.43 per meeting, 6 meeting maximum per month

Mileage Rate: \$0.575 per mile

(updated January 2015)

## EXPENSE SHEET

NAME:

Michael Whitehead

MONTH/YEAR:

Feb-20

DATE	MEETING DESCRIPTION	Roundtrip Mileage	# of Days (not to exceed 6)	\$149.43 PER DIEM
2/4/20	WQA Admin/Finance Committee		1	\$149.43
2/13/20	WQA Ad Hoc Comm. Re: Exec. Officer Search		1	\$149.43
2/19/20	WQA Board Meeting		1	\$149.43
2/25/20	WQA Ad Hoc Comm. Re: Exec. Officer Search—Interviews		1	\$149.43
				\$0.00
				\$0.00
				\$0.00
				\$0.00
				\$0.00
				\$0.00
Total Meetings			4	\$597.72
Total Mileage (at \$0.575 per mile)		0		\$0.00

DATE	Expense Reimbursement Description	Amount	Receipt Attached
		\$0.00	
		\$0.00	
		\$0.00	
		\$0.00	
	TOTAL Expenses	\$0.00	

TOTAL MEETINGS, MILEAGE, EXPENSES		\$597.72
457	Deferred Compensation Amount (enter a positive number)	
TOTAL		\$597.72

I hereby certify that I have incurred and paid all of the above expenses on behalf of the SAN GABRIEL BASIN WATER QUALITY AUTHORITY



Water Quality Authority

# Board Member Per Diem

\$149.43 per meeting, 6 meeting maximum per month

Mileage Rate: \$0.58 per mile (updated January 2019)

## EXPENSE SHEET

NAME: Edward L. Chavez

MONTH/YEAR: Jan-20

DATE	MEETING DESCRIPTION	Roundtrip Mileage	# of Days (not to exceed 6)	\$149.43 PER DIEM
2/5/20	South Pasadena City Council Meeting		1	\$149.43
2/11/20	Board of Directors' Meeting - San Gabriel County Water District		1	\$149.43
2/12/20	Irwindale City Council Meeting		1	\$149.43
2/13/20	Meeting with Senator Susan Rubio		1	\$149.43
2/19/20	Board Members' Meeting - San Gabriel Basin Water Quality Authority		1	\$149.43
2/24/20	Board of Directors' Meeting - Valley County Water District		1	\$149.43
				\$0.00
				\$0.00
				\$0.00
				\$0.00
<b>Total Meetings</b>			<b>6</b>	<b>\$896.58</b>
<b>Total Mileage (at \$0.58 per mile)</b>		<b>0</b>		<b>\$0.00</b>

DATE	Expense Reimbursement Description (receipts required)	Amount
<b>TOTAL Expenses</b>		<b>\$0.00</b>

<b>TOTAL MEETINGS, MILEAGE, EXPENSES</b>		<b>\$896.58</b>
457	Deferred Compensation Amount (enter a positive number)	
<b>TOTAL</b>		<b>\$896.58</b>

I hereby certify that I have incurred and paid all of the above expenses on behalf of the  
SAN GABRIEL BASIN WATER QUALITY AUTHORITY

Signature \_\_\_\_\_

**Please attach any fliers or back-up information regarding meetings listed above to be in compliance with AB 1234. If there are no attachments, a verbal report is required.**



Water Quality Authority

# Board Member Per Diem

\$149.43 per meeting, 6 meeting maximum per month

Mileage Rate: \$0.575 per mile (updated January 2020)

## EXPENSE SHEET

NAME:

JORGE A MARQUEZ

MONTH/YEAR:

FEB. 2020

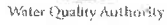
DATE	MEETING DESCRIPTION	Roundtrip Mileage	# of Days (not to exceed 6)	\$149.43 PER DIEM
2/4/20	Legislative Committee - WQA West Covina		1	\$149.43
2/10/20	Washington DC Trip - Meetings		1	\$149.43
2/11/20	Washington DC Trip - Meetings		1	\$149.43
2/12/20	Washington DC Trip - Meetings		1	\$149.43
2/19/20	WQA Boardmeeting - West Covina		1	\$149.43
2/25/20	Executive Director Interviews - Ad Hoc Committee - El Monte	20	1	\$149.43
				\$0.00
				\$0.00
				\$0.00
				\$0.00
<b>Total Meetings</b>			<b>6</b>	<b>\$896.58</b>
<b>Total Mileage (at \$0.575 per mile)</b>		<b>20</b>		<b>\$11.50</b>

DATE	Expense Reimbursement Description (receipts required)	Amount
<b>TOTAL Expenses</b>		<b>\$0.00</b>
<b>TOTAL MEETINGS, MILEAGE, EXPENSES</b>		<b>\$908.08</b>
457	Deferred Compensation Amount (enter a positive number)	
<b>TOTAL</b>		<b>\$908.08</b>

I hereby certify that I have incurred and paid all of the above expenses on behalf of the  
SAN GABRIEL BASIN WATER QUALITY AUTHORITY

**Please attach any fliers or back-up information regarding meetings listed above to be in compliance with AB 1234. If there are no attachments, a verbal report is required.**



Mileage Rate: \$0.575 per mile (updated January 2020)

## EXPENSE SHEET

MONTH/YEAR: Feb-20

DATE		MEETING DESCRIPTION	Roundtrip Mileage	# of Days (not to exceed 6)	\$149.43 PER DIEM
	2/19/20	WQA Board Meeting	6	1	\$149.43
	2/27/20	SWCA morning presentation	22	1	\$149.43
					\$0.00
					\$0.00
					\$0.00
					\$0.00
					\$0.00
					\$0.00
					\$0.00
					\$0.00
<b>Total Meetings</b>				<b>2</b>	<b>\$298.86</b>
<b>Total Mileage (at \$0.575 per mile)</b>			<b>28</b>		<b>\$16.10</b>

DATE	Expense Reimbursement Description (receipts required)	Amount
<b>TOTAL Expenses</b>		<b>\$0.00</b>

<b>TOTAL MEETINGS, MILEAGE, EXPENSES</b>		<b>\$314.96</b>
457	Deferred Compensation Amount (enter a positive number)	
<b>TOTAL</b>		<b>\$314.96</b>

I hereby certify that I have incurred and paid all of the above expenses on behalf of the  
SAN GABRIEL BASIN WATER QUALITY AUTHORITY

Signature \_\_\_\_\_

***Please attach any fliers or back-up information regarding meetings listed above to be in compliance with AB 1234. If there are no attachments, a verbal report is required.***



**Mileage Rate: \$0.575 per mile** (updated January 2020)

MONTH/YEAR: Feb-20

I hereby certify that I have incurred and paid all of the above expenses on behalf of the  
SAN GABRIEL BASIN WATER QUALITY AUTHORITY

San Gabriel Basin WQA  
Board Member's Expense Sheet  
edited for AB 1834 January 2017

**DRAFT**

The following demands on the Project Fund Account and Trustee Account at Bank of the West are hereby submitted for payment.

Check No.	Payable to	Description	Amount	Funding Sources
<b><u>BALDWIN PARK OPERABLE UNIT</u></b>				
E90769	RC Foster Corporation	Invoice No. 02-20-015 Project costs for Spare parts costs for March 2020	725.71	CR's
4706	Southern California Edison	Invoice No. 7700904553, Project costs associated with MW5-18 for Annual rent for April 2020 to March 2021	739.15	CR's
<b><u>SOUTH EL MONTE OPERABLE UNIT</u></b>				
E90770	Avocet Environmental Inc.	Project costs for Whitmore Groundwater Treatment System/Hydropunch activities		
		Invoice No. 6029 -Whitmore GW Treatment System	7,408.81	
		Invoice No. 6030 - Round 1 Prop 1-Whitmore Hydropunch	<u>1,814.75</u>	
			9,223.56	WQA/Prop 1
<b>Total Project Costs</b>			<u><u>10,688.42</u></u>	

*mb  
3-12-2020*

**DRAFT**

The following demands on the Project Fund Account at Bank of the West are hereby submitted for payment. Subsequent release of the demands is expected to be on April 1, 2020, subject to approval and availability of funds pursuant to the BPOU Project Agreement Section 4.7 Payment of Invoices.

Check No.	Payable to	Description	Amount	Funding Sources
<b><u>BALDWIN PARK OPERABLE UNIT</u></b>				
E90771	La Puente Valley County WD	Invoice No. 4-2020-02, Project T&R costs for February 2020	54,713.13	CR's
E90772	Main San Gabriel Basin Watermaster	Invoice No. 02-217, Administrative Project Costs for February 2020		
		Administrative costs	19,616.08	
		T&R costs	<u>21,507.62</u>	CR's
4707	Suburban Water Systems	Invoice No. 59880220, for project T&R costs for February 2020	66,279.95	CR's
4708	Valley County Water District	Project costs for February 2020		
		Invoice No. 411, T&R costs	187,538.43	
		Invoice No. 412, T&R costs	<u>49,293.03</u>	CR's
E90773	California Domestic Water Co.	Project costs for February 2020		
		Invoice No. 3356, T&R costs for Perchlorate	108,916.17	
		Invoice No. 3357, T&R costs for NDMA & VOC's	<u>72,675.61</u>	CR's
E90774	San Gabriel Valley Water Co.	Project costs for January 2020		
		Invoice No. 20-02066, B5 T&R costs	122,461.21	
		Invoice No. 20-02067, B6 T&R costs	273,799.71	
		Invoice No. 20-02074, B6 Capital costs-UV Flex Treatment Plant	<u>1,380.36</u>	CRs
<b>Total BPOU Project Costs</b>			<u><u>978,181.30</u></u>	

*mlb*  
3-12-2020



# San Gabriel Basin Water Quality Authority

1720 W. Cameron Avenue, Suite 100, West Covina, CA 91790 • 626-338-5555 • Fax 626-338-5775

## AGENDA SUBMITTAL

**To:** WQA Board of Directors  
**From:** Kenneth R. Manning, Executive Director  
**Date:** March 18, 2020  
**Subject:** **Draft of Audited Financial Statements for the Fiscal Year Ended June 30, 2019**

---

### **Discussion**

The draft of the annual audit for the fiscal year ended June 30, 2019 is hereby submitted to the WQA Board Members for review, discussion and approval. It is comprised of the following two documents.

- Financial Statement Audit of Basic Financial Statements
- Single Audit on Expenditures of Federal Awards

Vasquez & Co LLP is the WQA's current audit firm. Mr. Jonathon Agot, the Senior Audit Manager and Ms. Cristy Canieda, the Government Practice Leader are presenting the audit draft.

In addition to the Financial Statement Audit and the Single Audit is the Report to the Board of Directors. The Report includes two additional documents issued at the completion of the audit.

- The Summary of Audit Results – this is the Auditor's Communication with Those Charged with Governance and summarizes the auditor's responsibility regarding the audit as well as observations arising from the audit.
- The Management Representation Letter which is submitted by WQA to Vasquez detailing WQA's responsibilities in the audit process. Once the audit is approved by the Board, the letter will be printed on WQA letterhead and signed by the Executive Director and the Director of Finance.

### **Recommendation / Proposed Action**

Staff requests that the Board approve the annual audit for the fiscal year ended June 30, 2019.

### **Attachments**

*Draft of the Financial Statement Audit and Single Audit for the fiscal year ended June 30, 2019.*  
*Report to the Board - Summary of Audit Results & Management Representation Letter.*

# DRAFT



## Water Quality Authority

**San Gabriel Basin Water Quality Authority**  
**Audited Financial Statements**  
***As of and for the Years Ended June 30, 2019 and 2018***  
***with Report of Independent Auditors***

**San Gabriel Basin Water Quality Authority**  
**Audited Financial Statements**  
***As of and for the Years Ended June 30, 2019 and 2018***  
***with Report of Independent Auditors***

<b>REPORT OF INDEPENDENT AUDITORS</b>	<b><u>PAGE</u></b> 1
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)</b>	3
<b>BASIC FINANCIAL STATEMENTS</b>	
Statements of Net Position	14
Statements of Revenues, Expenses and Changes in Net Position	15
Statements of Cash Flows	16
Notes to the Financial Statements	18

## **Report of Independent Auditors**

### **The Honorable Members of the Board of Directors San Gabriel Basin Water Quality Authority**

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the San Gabriel Basin Water Quality Authority (the 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 as listed in the table of contents.

#### **Management's Responsibility for the Financial Statements**

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

#### **Auditors' Responsibility**

Our responsibility is to express an opinion on these 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 opinion.

#### **Opinion**

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



## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated **DATE OPEN** on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

**Glendale, California**

**DATE OPEN**

# SAN GABRIEL BASIN WATER QUALITY AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

June 30, 2019

### INTRODUCTION

The San Gabriel Basin Water Quality Authority (Authority) is a special district whose major function is to facilitate the development, financing and implementation of groundwater treatment programs in the San Gabriel Valley. The groundwater treatment programs are located in Operable Units within the San Gabriel Valley - the Baldwin Park Operable Unit (BPOU), the El Monte Operable Unit (EMOU), the Puente Valley Operable Unit (PVOU), the South El Monte Operable Unit (SEMOU), Area Three Operable Unit (ATOU) and the Whittier Narrows Operable Unit (WNOU). Additionally, there are several treatment programs located outside of the defined Operable Units.

### DESCRIPTION OF FINANCIAL STATEMENTS

The Authority's basic financial statements include the following three statements:

The *statements of net position* present information on all of the Authority's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the financial position of the Authority.

The *statements of revenues, expenses and changes in net position* present information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows, as revenues and expenses are recognized on the accrual basis of accounting.

The *statements of cash flows* are related to the other financial statements by the way they link changes in assets and liabilities to the effect on cash and cash equivalents over the course of the fiscal year.

The notes to the financial statements provide useful information regarding the Authority's significant accounting policies, and explain significant account balances and activities, certain material risks, obligations, commitments, contingencies and subsequent events, if any.

# SAN GABRIEL BASIN WATER QUALITY AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

June 30, 2019

### SUMMARY FINANCIAL INFORMATION AND ANALYSIS

The following condensed financial information provides an overview of the Authority's financial position and financial activities as of and for the fiscal years ended June 30, 2019 and 2018.

	<u>June 30</u>		<u>Dollar</u>	<u>Percentage</u>
	<u>2019</u>	<u>2018</u>	<u>Change</u>	<u>Change</u>
Assets				
Current assets	\$ 13,371,415	\$ 13,976,599	\$ (605,184)	-4.3%
Other capital assets , net	4,383,342	4,661,667	(278,325)	-6.0%
Construction in progress	22,035,972	26,541,121	(4,505,149)	-17.0%
Noncurrent assets	<u>1,994,497</u>	<u>2,358,248</u>	<u>(363,751)</u>	<u>-15.4%</u>
Total assets	<u>41,785,226</u>	<u>47,537,635</u>	<u>(5,752,409)</u>	<u>-12.1%</u>
Liabilities				
Current liabilities	6,854,626	6,252,655	601,971	9.6%
Noncurrent liabilities	<u>1,971,700</u>	<u>2,335,490</u>	<u>(363,790)</u>	<u>-15.6%</u>
Total liabilities	<u>8,826,326</u>	<u>8,588,145</u>	<u>238,181</u>	<u>2.8%</u>
Net Position				
Investment in capital assets	26,419,314	31,202,788	(4,783,474)	-15.3%
Restricted	3,510,394	4,704,128	(1,193,734)	-25.4%
Unrestricted	<u>3,029,192</u>	<u>3,042,574</u>	<u>(13,382)</u>	<u>-0.4%</u>
Total net position	<u>32,958,900</u>	<u>38,949,490</u>	<u>(5,990,590)</u>	<u>-15.4%</u>
Total liabilities and net position	<u>\$ 41,785,226</u>	<u>\$ 47,537,635</u>	<u>\$ (5,752,409)</u>	<u>-12.1%</u>

# SAN GABRIEL BASIN WATER QUALITY AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

June 30, 2019

### Summary of Statements of Net Position

**Current Assets** - At June 30, 2019, current assets totaled \$13.4M and were comprised primarily of \$8.4M of cash and investments and \$3.9M of accounts receivable. At the prior year ended June 30, 2018, current assets totaled \$14.0M and were comprised primarily of \$10.0M of cash and investments and \$3.0M of accounts receivable. Current assets decreased \$605K or 4.3% over the prior year, with cash and investments decreasing \$1.6M and accounts receivable increasing by \$1.0M. The decrease in cash and investments of \$1.6M or 16.2% is due primarily to payments of grants to water producers for capital costs in the ATOU, PVOU and SEMOU, as well as costs paid by the Authority for unfunded ongoing projects in the SEMOU. The increase in accounts receivable of \$1.0M or 34.4% is due primarily to an increase of \$1.3M in responsible parties funding receivable offset by a decrease in federal grants receivable of \$322K.

**Other Capital Assets** - During FY 2019 purchases of office equipment totaled \$11K. The current year additions along with depreciation of \$289K resulted in a net decrease in capital assets of \$278K, or 6.0%. During the prior FY 2018 purchases of office equipment totaled \$26.5K, with depreciation of \$288K resulting in a net decrease in capital assets of \$261K, or 5.3%.

**Construction in Progress (CIP)** - As described in the Introduction, the groundwater treatment programs are located in Operable Units within the San Gabriel Valley. Each Operable Unit has unique terms to describe the parties responsible for contamination of the groundwater. These terms include Responsible Parties (RPs), Cooperating Respondents, Performing Settling Defendants, Settling Defendants, Potentially Responsible Parties, and Work Parties. Hereafter, these parties shall be collectively referenced as RPs. The Authority, through agreements with various RPs and local Water Producers has agreed to provide capital funding for various projects in the San Gabriel Basin. Capital costs associated with these projects are accounted for as CIP and include land acquisition costs, design costs, construction costs, professional fees, labor costs and other related project costs. Through agreements, the projects have a variety of funding sources including the Authority's pumping right assessments and capital contributions from RPs, Water Producers, and federal and state grants. The funding received for projects under construction are recorded as capital contributions. Upon completion of a project, if the related asset is owned by the Authority, it is transferred to capital assets and depreciated. For completed projects where title is retained by the Water Producer, the Authority transfers the asset to the Water Producer.

# SAN GABRIEL BASIN WATER QUALITY AUTHORITY

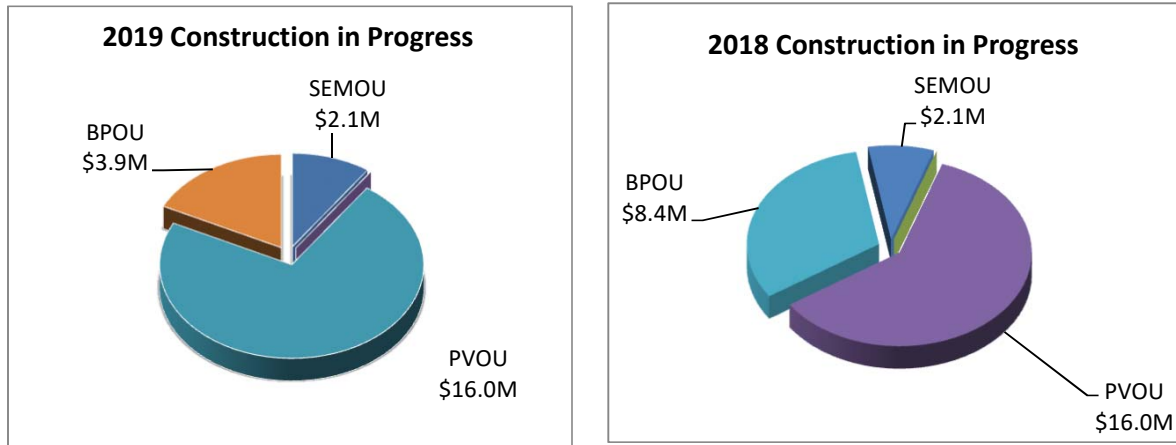
## MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

June 30, 2019

### Summary of Statements of Net Position (continued)

**Construction in Progress (CIP) (continued)** - Shown below is the composition of CIP by Operable Unit as of June 30, 2019 and 2018.



At June 30, 2019, CIP totaled \$22.0M, a net decrease of \$4.5M or 17.0% from FY 2018. Approximately 17.7% of CIP is related to the BPOU, 72.7% is related to the PVOU with the remaining 9.6% related to the SEMOU. During 2019, the Authority incurred \$1.6M of CIP for the continuing design and construction of the Arrow Well Rehab project at the treatment facility for the BPOU Valley County Water District. Additionally, CIP was reduced by \$6.1M related to the completion of BPOU treatment facility projects that were transferred to the Water Producers. The transfer of the completed CIP is included in the financial statements as a nonoperating expense on the Statements of Revenue, Expenses and Changes in Net Position. At the prior year ended June 30, 2018, CIP totaled \$26.5M, with approximately 31.6% of CIP related to the BPOU, 60.4% related to the PVOU and the remaining 8.0% related to the SEMOU. During the prior year 2018, the Authority incurred \$1.2M of CIP for the continuing design and construction of the treatment facilities for the BPOU single pass treatment facilities and \$2.0M for the advanced oxidation treatment system equipment for the SEMOU.

Listed on the next page are descriptions of the major projects currently under construction and included in CIP as of June 30, 2019.

# **SAN GABRIEL BASIN WATER QUALITY AUTHORITY**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**(Unaudited)**

**June 30, 2019**

### **Summary of Statements of Net Position (continued)**

#### **Construction in Progress (CIP) (continued)**

#### **BALDWIN PARK OPERABLE UNIT**

##### **Valley County Water District (VCWD) Single Pass Treatment Facility**

\$2.4M related primarily to the Arrow Well Rehab project including sitework, discharge and rubber dams, equipment, permitting and engineering.

##### **San Gabriel Valley Water Company (SGVWC) Plant B6**

\$1.4M related to the design and construction of an additional fixed bed ion exchange treatment system for the removal of nitrates.

#### **PUENTE VALLEY OPERABLE UNIT**

##### **Intermediate Zone Remedy - Northrop Grumman**

\$16.0M related primarily to the design and construction of extraction wells, conveyance pipelines, and the design of a treatment facility located at a site in the PVOU.

#### **SOUTH EL MONTE OPERABLE UNIT**

##### **San Gabriel Valley Water Company (SGVWC) 1,4 Dioxane Treatment Facility**

\$2.1M related to the design of and equipment for an advanced oxidation system for the treatment of 1,4 dioxane contamination at SGVWC's Plant 8.

# SAN GABRIEL BASIN WATER QUALITY AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

June 30, 2019

### Summary of Statements of Net Position (continued)

**Current Liabilities** - At 2019, current liabilities totaled \$6.9M, an increase of \$602K from the fiscal year 2018, and are comprised primarily of accounts payable and unearned revenue. At 2018, current liabilities totaled \$6.3M, and are also comprised primarily of accounts payable and unearned revenue.

*Accounts payable* is \$4.4M for the current year which is an increase of \$988K from FY 2018 primarily due to an increase in payables for BPOU projects of \$1.4M offset by a decrease in payables to SEMOU water producers of \$350K. Both the increase in BPOU payables and decrease in SEMOU payables are due to fluctuations in capital and T & R project costs for the current fiscal year, and are controlled by the timing and amount of submittals for cost reimbursements from RPs and Water Producers.

*Unearned revenue* relates to funds previously received by the Authority by way of various settlement agreements with SEMOU RPs. The funds are held to pay certain SEMOU project costs as per agreement. During the current year, \$364K of unearned revenue was recognized as income related to payment of T & R costs to the SEMOU water producers. Accordingly, the unearned revenue balance decreased from \$2.3M to \$1.7M. During the prior year, \$535K of unearned revenue was recognized as income.

**Noncurrent Assets/Noncurrent Liabilities** - Between the years of 2003 through 2005, the Authority received loan proceeds totaling \$6,440,000 from the Department of Toxic Substances Control through the State Water Resources Control Board (SWRCB) for reimbursement of project costs related to the VCWD SA1 project located in the BPOU. At June 30, 2019, the noncurrent portion of the note payable totaled \$2.0M. The Authority has a corresponding note receivable from the BPOU RPs of \$2.0M. The proceeds from the note receivable are used by the Authority to repay the note payable in accordance with the Authority's repayment terms with the SWRCB. Accordingly, the noncurrent portion of the receivable is recorded as a noncurrent asset, with a balance of \$2.0M as of June 30, 2019. Noncurrent assets and noncurrent liabilities both decreased by \$364K during the current year due to payments from the BPOU RPs under the note receivable and the Authority's corresponding payments made on the note payable to SWRCB.

# SAN GABRIEL BASIN WATER QUALITY AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

June 30, 2019

### Summary of Statements of Net Position (continued)

**Net Position - Investment in Capital Assets** - For FY 2019, investment in capital assets totaled \$26.4M and was comprised of CIP of \$22.0M and other capital assets, net of depreciation, of \$4.4M. The decrease of \$4.8M or 15.3% from FY 2018 resulted primarily from a net decrease in CIP of \$4.5M - construction activities of \$1.6M offset by transfers of completed CIP to Water Producers of \$6.1M in the BPOU and a decrease in other capital assets due primarily to depreciation expense.

**Net Position - Restricted** - For FY 2019, net position-restricted totaled \$3.5M, which is a decrease of \$1.2M or 25.4% from FY 2018. Net position-restricted includes cash, investments and receivables comprised primarily from federal funding and settlement funds that are restricted for use under various agreements as discussed below. The Authority has entered into several agreements with the United States Bureau of Reclamation (USBR) to provide funding through two federal programs (Title XVI and Restoration Funds) for water treatment facilities located in the San Gabriel Basin. The funds are provided to the Authority on a reimbursement basis and then applied to projects through the Authority's Federal Funding Program Administration (FFPA) program. The Authority has also entered into Cooperative Agreements with the United States Environmental Protection Agency (EPA) to provide funding for water treatment facilities in the SEMOU. These funds are received by the Authority on an advance basis and must be paid to the Water Producers within a few days of the receipt of funds. In addition to the funding from USBR and EPA, the Authority has reached several financial settlements with RPs in the BPOU, EMOU, PVOU and SEMOU. Certain of the settlement funds are deposited into the Authority accounts and are disbursed for capital and T & R costs incurred in connection with the specific projects identified in the agreements.

The \$1.2M decrease is due primarily to the payment of funding awards to water producers through the FFPA program.

# SAN GABRIEL BASIN WATER QUALITY AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

June 30, 2019

### Summary of Revenue, Expenses and Changes in Net Position

	June 30		Dollar Change	Percentage Change
	2019	2018		
Total operating revenues	\$ 20,198,202	\$ 21,837,242	\$ (1,639,040)	-7.5%
Total operating expenses	20,575,435	22,242,558	(1,667,123)	-7.5%
Operating loss	(377,233)	(405,316)	28,083	-6.9%
Nonoperating revenues	218,721	184,261	34,460	18.7%
Nonoperating (expenses)	(6,136,036)	(72,622)	(6,063,414)	8349.3%
Loss before capital contributions	(6,294,548)	(293,677)	(6,000,871)	2043.4%
Capital contributions	303,958	1,912,266	(1,608,308)	-84.1%
Change in net position	(5,990,590)	1,618,589	(7,609,179)	-470.1%
Beginning net position	38,949,490	37,330,901	1,618,589	4.3%
Ending net position	<u>\$ 32,958,900</u>	<u>\$ 38,949,490</u>	<u>\$ (5,990,590)</u>	<u>-15.4%</u>

**Operating Revenues** - Total operating revenues decreased by \$1.6M or 7.5% in the current year due primarily to a decrease of \$1.0M in RP contributions and a decrease of \$534K in federal funding.

**RP Contributions** - Through agreements, T & R costs for projects located primarily in the BPOU and SEMOU are paid through the Authority. For FY 2019, the Authority recognized as revenue \$15.6 in funding from the BPOU RPs and \$364K from the SEMOU RPs for costs related to these projects, an overall decrease of \$1.5M or 8.6% over the prior year. The decrease is due primarily to decreases in T & R costs for the BPOU and SEMOU projects. For the prior year 2018, the Authority recognized as revenue \$16.9M from the BPOU RPs and \$535K from the SEMOU RPs.

# SAN GABRIEL BASIN WATER QUALITY AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

June 30, 2019

### Summary of Revenue, Expenses and Changes in Net Position (continued)

**Federal Funding** - The Authority recognizes as income certain federal grants that are used to pay for project T & R costs. During FY 2019, \$2.2M was recognized as income from federal grants, a decrease of \$80K or 3.6%, which was due primarily to the federal grant for the SEMOU. The decrease is due to the timing of the approval of reimbursements to the Water Producers. Certain federal funds that would typically be included in FY 2019 were not approved by the grantor until the subsequent year, and therefore were not included in the 2019 fiscal year.

**Operating Expenses** - Total operating expenses decreased by \$1.7M or 7.5% in the current year primarily due to a \$1.9M decrease in project T & R costs and a \$169K increase in project grants.

**Professional Services** - Costs incurred during 2019 include costs for general legal counsel and the services of certain professional firms, including a database and mapping consultant, an outside accountant, and audit services. The \$36K increase in the current year is due primarily to an increase in database and mapping costs.

**Project T & R Costs** - These costs relate primarily to projects within the BPOU and SEMOU. Although the majority of these costs are funded through RPs, for FY 2019 approximately \$1.6M in costs were funded by federal funding sources. The \$1.9M decrease in the current year is due to increasing efficiencies in the treatment and remediation process in the BPOU, as well as the timing of approval of the reimbursements for the SEMOU T & R costs.

# SAN GABRIEL BASIN WATER QUALITY AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

June 30, 2019

### Summary of Revenues, Expenses and Changes in Net Position (continued)

*Nonoperating Revenues (Expenses)* - Nonoperating Revenues (Expenses) include interest income and interest expense, as well as transfers of completed capital projects. During FY 2019, \$6.1M of completed CIP was transferred to the Water Producers. During FY 2018 there were no transfers of completed projects.

### Capital Contributions

Capital Contributions	June 30	
	2019	2018
Governmental - Federal	\$ -	\$ -
Governmental - State	-	-
Responsible Parties	303,958	1,030,838
Water Producers	-	881,428
Total Capital Contributions	<u>\$ 303,958</u>	<u>\$ 1,912,266</u>

Revenues that are restricted for capital expenditures are recorded as capital contributions. As funding is received for capital projects, it is recorded as a capital contribution and the corresponding costs are recorded as CIP. Capital contributions decreased \$1.6M in the current year due to a reduction in the CIP during FY 2019. The capital contributions were received from the BPOU RPs for construction reimbursements for the VCWD SA1 project.

# SAN GABRIEL BASIN WATER QUALITY AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

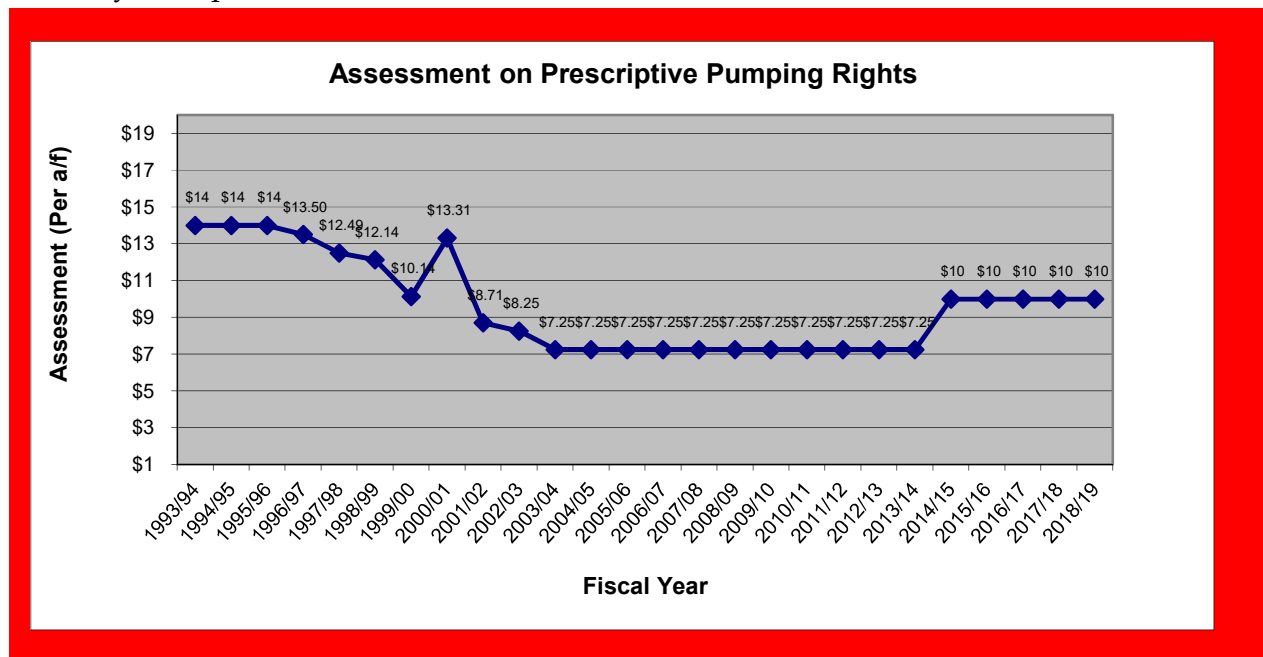
June 30, 2019

### Economic Factors

**Assessment** - Section 605 of the Authority's enabling Act, as amended effective January 1, 2004, grants the Authority the ability to impose an annual pumping right assessment not to exceed \$10 per acre-foot. Additionally, Section 608 of the enabling Act grants the Authority the ability to annually adjust the assessment rate by an amount not to exceed the percentage change in the LA/Riverside Consumer Price Index - All Urban Consumers (CPI). The increase in the CPI from 2004 to 2018 is 35.2%, resulting in an allowable maximum assessment of \$14.13 per acre-foot.

Prior to FY 2015, the Authority had been able to minimize assessment dollars needed by securing funding from outside sources such as federal funding, state funding, and funding from RPs as well as utilizing its reserve that had been built up in previous years. As such, the Authority had been able to maintain the assessment at \$7.25 per acre-foot for eleven consecutive years through FY 2014. During FY 2015, the assessment was increased to \$10 per acre-foot, and has remained at this rate through the FY 2019.

The following table presents the historical annual assessment rate per acre-foot since the Authority's inception.



**San Gabriel Basin Water Quality Authority**  
**Statements of Net Position**

		<b>June 30</b>	
		<b>2019</b>	<b>2018</b>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and investments	\$	<b>8,401,955</b>	\$ 10,022,593
Accounts receivable		<b>3,978,956</b>	2,961,250
Inventories		<b>444,879</b>	444,879
Prepaid expenses and other receivables		<b>65,732</b>	75,303
Interest receivable		<b>116,103</b>	118,348
Current portion of note receivable		<b>363,790</b>	354,226
<b>Total current assets</b>		<b><u>13,371,415</u></b>	<u>13,976,599</u>
<b>Noncurrent assets</b>			
Capital assets:			
Construction in progress		<b>22,035,972</b>	26,541,121
Other capital assets, net of accumulated depreciation		<b>4,383,342</b>	4,661,667
<b>Total capital assets, net</b>		<b><u>26,419,314</u></b>	<u>31,202,788</u>
Deposits		<b>22,797</b>	22,758
Note receivable, net of current portion		<b>1,971,700</b>	2,335,490
<b>Total noncurrent assets</b>		<b><u>28,413,811</u></b>	<u>33,561,036</u>
<b>Total assets</b>	<b>\$</b>	<b><u><u>41,785,226</u></u></b>	<b><u><u>\$ 47,537,635</u></u></b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable	\$	<b>4,363,820</b>	\$ 3,375,663
Accrued expenses		<b>79,841</b>	101,813
Interest payable		<b>63,058</b>	72,622
Unearned revenue		<b>1,984,117</b>	2,348,331
Current portion of note payable		<b>363,790</b>	354,226
<b>Total current liabilities</b>		<b><u>6,854,626</u></b>	<u>6,252,655</u>
<b>Noncurrent liabilities</b>			
Note payable, net of current portion		<b>1,971,700</b>	2,335,490
<b>Total noncurrent liabilities</b>		<b><u>1,971,700</u></b>	<u>2,335,490</u>
<b>Total liabilities</b>		<b><u>8,826,326</u></b>	<u>8,588,145</u>
<b>NET POSITION</b>			
Investment in capital assets		<b>26,419,314</b>	31,202,788
Restricted		<b>3,510,394</b>	4,704,128
Unrestricted		<b>3,029,192</b>	3,042,574
<b>Total net position</b>		<b><u>32,958,900</u></b>	<u>38,949,490</u>
<b>Total liabilities and net position</b>	<b>\$</b>	<b><u><u>41,785,226</u></u></b>	<b><u><u>\$ 47,537,635</u></u></b>

*See notes to financial statements.*

**San Gabriel Basin Water Quality Authority**  
**Statements of Revenues, Expenses and Changes in Net Position**

	<b>Years ended June 30</b>	
	<b>2019</b>	<b>2018</b>
<b>Operating revenues</b>		
Pumping right assessments	\$ 1,976,112	\$ 1,976,118
Responsible party contributions	15,972,158	17,475,140
Federal funding sources	2,153,579	2,233,530
State funding	96,353	152,454
<b>Total operating revenues</b>	<b>20,198,202</b>	<b>21,837,242</b>
<b>Operating expenses</b>		
Administrative salaries	806,085	814,718
Fringe benefits	259,392	251,080
Consulting	521,911	489,222
Professional services	154,568	118,202
Office rent	89,689	89,275
Supplies	13,037	12,109
Insurance	27,696	24,918
Public relations	108,335	156,981
Travel and conferences	33,459	35,389
Telephone and utilities	5,383	5,427
Dues and subscriptions	22,737	19,186
Board member fees	38,105	35,265
Equipment rent and maintenance	43,090	38,826
Depreciation	289,600	287,899
Miscellaneous expense	1,527	861
Project treatment and remediation costs	17,404,127	19,284,391
Project grants	739,977	570,516
Discharge permit activities	16,717	8,293
<b>Total operating expenses</b>	<b>20,575,435</b>	<b>22,242,558</b>
<b>Operating loss</b>	<b>(377,233)</b>	<b>(405,316)</b>
<b>Nonoperating revenues (expenses)</b>		
Interest income	218,721	184,261
Interest expense	(63,058)	(72,622)
Transfer of capital assets to water producers	(6,072,978)	-
<b>Net nonoperating revenues (expenses)</b>	<b>(5,917,315)</b>	<b>111,639</b>
<b>Loss before capital contributions</b>	<b>(6,294,548)</b>	<b>(293,677)</b>
<b>Capital contributions</b>	<b>303,958</b>	<b>1,912,266</b>
<b>Change in net position</b>	<b>(5,990,590)</b>	<b>1,618,589</b>
Net position at beginning of year	38,949,490	37,330,901
Net position at end of year	\$ 32,958,900	\$ 38,949,490

*See notes to financial statements.*

**San Gabriel Basin Water Quality Authority**  
**Statements of Cash Flows**

	<b>Years ended June 30</b>	
	<b>2019</b>	<b>2018</b>
<b>Cash flows from operating activities</b>		
Cash from operating revenues	\$ 18,816,282	\$ 19,748,238
Cash paid to suppliers for goods and services	(18,206,536)	(19,284,588)
Cash paid to or on behalf of employees for services	(1,103,582)	(1,101,063)
<b>Net cash used in operating activities</b>	<b>(493,836)</b>	<b>(637,413)</b>
<b>Cash flows from noncapital financing activities</b>		
Proceeds received from note receivable	354,226	344,914
Interest received from note receivable	72,622	81,935
Payments on note payable	(354,226)	(344,914)
Interest paid on note payable	(72,622)	(81,935)
<b>Net cash provided by noncapital financing activities</b>	<b>-</b>	<b>-</b>
<b>Cash flows from capital and related financing activities</b>		
Acquisition of capital assets	(11,275)	(26,465)
Construction in progress expenditures	(1,567,829)	(3,261,040)
Capital contributions received	303,958	1,912,266
<b>Net cash used in capital and related financing activities</b>	<b>(1,275,146)</b>	<b>(1,375,239)</b>
<b>Cash flows from investing activities</b>		
Interest received on investments	148,344	92,790
<b>Net cash provided by investing activities</b>	<b>148,344</b>	<b>92,790</b>
<b>Net change in cash and cash equivalents</b>	<b>(1,620,638)</b>	<b>(1,919,862)</b>
Cash and cash equivalents at beginning of year	10,022,593	11,942,455
Cash and cash equivalents at end of year	<u><u>\$ 8,401,955</u></u>	<u><u>\$ 10,022,593</u></u>

*See notes to financial statements.*

**San Gabriel Basin Water Quality Authority**  
**Statements of Cash Flows (Continued)**

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	<b>Years ended June 30</b>	
	<b>2019</b>	<b>2018</b>
<b>Cash flows from operating activities</b>		
Operating loss	\$ (377,233)	\$ (405,316)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities		
Depreciation	289,600	287,899
(Increase) decrease in accounts receivable	(1,017,706)	(1,550,581)
(Increase) decrease in prepaid expenses and other receivables	9,571	(17,418)
(Increase) in deposits	(39)	(46)
(Increase) in inventories	-	(3,502)
Increase (decrease) in accounts payable and accrued expenses	966,185	1,586,472
Decrease in unearned revenue	(364,214)	(534,921)
<b>Net cash used in operating activities \$</b>	<b><u>(493,836)</u></b>	<b><u>(637,413)</u></b>

*See notes to financial statements.*

**NOTE 1            SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Organization**

The San Gabriel Basin Water Quality Authority, initially named as the Main San Gabriel Basin Water Quality Authority, was formed in 1990 as a joint powers authority (JPA) in order to finance and construct treatment facilities to purify the contaminated groundwater within the San Gabriel Valley. The Main San Gabriel Basin Watermaster, Upper San Gabriel Valley Municipal Water District, Three Valleys Municipal Water District and San Gabriel Valley Municipal Water District were members of this JPA and provided it with a source of funding for its operations. On February 11, 1993, the Main San Gabriel Basin Water Quality Authority was converted by the State Legislature (SB 1679 – The San Gabriel Basin Water Quality Authority Act) (the Act) from a JPA to a special district and renamed the San Gabriel Basin Water Quality Authority (Authority). Under the direction of a seven-member Board, the major functions of the Authority are to develop, finance and implement groundwater treatment programs in the San Gabriel Valley. The legislative act authorized the Authority to impose pumping right assessments to carry out its treatment activities. Senate Bill No. 429 became law in September 2013, amending certain sections of the Act and extending the Act until July 1, 2030.

The groundwater treatment programs are located in Operable Units within the San Gabriel Valley - the Baldwin Park Operable Unit (BPOU), the El Monte Operable Unit (EMOU), the Puente Valley Operable Unit (PVOU), the South El Monte Operable Unit (SEMOU), the Area Three Operable Unit (ATOU) and the Whittier Narrows Operable Unit (WNOU). Additionally, there are several treatment programs located outside of the defined Operable Units.

**Basis of Accounting and Financial Statement Presentation**

The Authority is accounted for as an enterprise fund (proprietary fund type). A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific governmental activity. The activities of enterprise funds closely resemble those of ongoing businesses in which the purpose is to conserve and add to basic resources while meeting operating expenses from current revenues. Enterprise funds account for operations that provide services on a continuous basis and are substantially financed by revenues derived from user charges. The Authority utilizes the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized as they are incurred.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from pumping right assessments, grants and contributions. Operating expenses include project expenses, general and administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Capital contributions consist of contributed capital assets, and other charges that are legally restricted for capital expenditures by state law or by the Board action that established those charges.

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Inventories**

Inventories consist of replacement parts for various treatment facilities. Inventories are stated at lower of cost or market on the first-in, first-out basis.

**Accounts Receivable**

Accounts receivable are recorded at net realizable value. Management believes that accounts receivable are fully collectible. Therefore, no allowance for doubtful accounts is reflected on the Statements of Net Position at June 30, 2019 and 2018.

**Capital Assets**

Capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated assets are valued at their estimated fair market value on the date received. The Authority capitalizes all assets with a historical cost of at least \$5,000 and a useful life of at least 5 years. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciation is computed utilizing the straight-line method over the following estimated useful lives:

Office equipment	3 to 5 years
Office furniture	10 years
Treatment plant equipment	10 years
Treatment plants	35 years
Monitoring wells	35 years

**Construction in Progress**

Project capital costs are accumulated as construction in progress over the life of the construction. The Authority believes that it is responsible for management of the asset during the construction phase. When a project is completed, the asset is "transferred" to the related water entity which takes over the management and maintenance of the asset at that time.

Water being treated in the treatment facilities frequently requires more than one type of treatment. A treatment facility may be operational but construction is ongoing to develop additional treatment processes to remediate newly detected contamination or to more efficiently address existing contamination. In these circumstances, if the construction is ongoing, the Authority will retain the project in construction in progress until the entire project is completed, even though portions of that project may have some involvement in water treatment activities.

**Cash Equivalents**

For the purposes of the Statements of Cash Flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near to their maturity that they present insignificant risk of changes in value because of changes in interest rates, and have an original maturity date of 3 months or less.

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investments**

Investments are reported at fair value, except for certain investment contracts that are reported at cost because they are not transferable and they have terms that are not affected by changes in market interest rates. Changes in fair value that occur during the fiscal year are recognized as interest income reported for that fiscal year. Interest income also includes interest earnings.

**Pumping Right Assessments**

On September 19, 1992, the California state legislature approved legislation to allow the Authority to levy a pumping right assessment on holders of prescriptive (as determined by Superior Court Judgment) pumping rights. Prior to the fiscal year ended June 30, 2002, the pumping right assessment consisted of two components, a capital assessment and an administrative assessment. Assembly Bill 2544 amended this practice and combined the capital and administrative assessment into one annual pumping right assessment.

Pumping right assessments are imposed, on an as needed basis, after other revenue sources, such as private party, state and federal grant funding are budgeted. During the fiscal years ended June 30, 2019 and 2018, the annual pumping right assessment was \$10 per acre-foot.

The Authority records incoming funds as operating revenues. Funds are received from the United States Bureau of Reclamation (USBR), United States Environmental Protection Agency (EPA), Water Producers, California State Water Resource Control Board (SWRCB) and assessments on prescriptive pumping right holders in the San Gabriel Basin, as well as from the parties responsible for contamination which include Responsible Parties, Cooperating Respondents (CRs), Performing Settling Defendants (PSDs), Settling Defendants (SDs), Work Parties, and Potentially Responsible Parties (PRPs). Hereafter, the parties responsible for contamination will be collectively referred to as Responsible Parties (RPs).

**Accrued Liabilities and Accounts Payable**

The Authority records accounts payable liabilities when invoices are approved for payment by the authorizing entity, which can be the Authority, EPA, RPs or Water Entities. The Authority incurs two types of costs: administrative costs and project costs.

**Administrative Costs**

These costs relate to administrative costs, including payroll and benefits, incurred by the Authority, and are funded by assessments. A liability is recorded when an invoice is approved by the Authority. The liability is recorded in the same time period as the cost/expense is incurred.

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Project Costs

These costs include legal, government relations, community relations, and costs related to projects owned and operated by the Authority. These costs are either funded by RPs or funded by the Authority's assessments. Generally, the liability is recorded in the same time period as the cost is incurred.

Project Costs Incurred by RPs, and Water Producers and Paid by the Authority

As a part of its role in managing the quality of the water in the San Gabriel Basin, the Authority will pay certain costs for which the RPs are financially responsible. Typically, these costs will be incurred by Water Producers and then submitted by the Water Producers to the Authority to be considered for reimbursement. The process required to approve these costs for reimbursement requires input from various parties. Once a cost has been approved for reimbursement, the Authority reports an expense and a liability for the qualified cost (to reflect the amount due to the Water Producer). An equal amount of revenue (and a receivable) is also reported for the amount of reimbursement approved for collection from the RPs. In the event that a cost is not approved for reimbursement, the Authority has no liability and the cost remains an unrecovered expense of the Water Producer.

**Contingent Liabilities**

The Authority has received funds from various federal, state, and local grant programs. It is possible that at some future date it may be determined that the Authority was not in compliance with applicable grant requirements. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although management does not expect such disallowed amounts, if any, to materially affect the financial statements.

**Unearned Revenue**

The Authority records unearned revenue when it receives funds from the SEMOU RPs through the various settlement agreements. Under these agreements, the funds received are required to be used to pay eligible project costs to the Water Producers. The funds are not considered earned until the Water Producers submit requests for reimbursement to the Authority and the Authority is in agreement that the costs are eligible for reimbursement. Unearned revenue as of June 30, 2019 and 2018 was \$1,984,117 and \$2,348,331, respectively.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the Statements 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 net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority does not have any items that qualify in this category as of June 30, 2019 and 2018.

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

In addition to liabilities, the Statements of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority does not have any items that qualify for this category as of June 30, 2019 and 2018.

**Net Position**

Net position is presented in three components: net investment in capital assets, restricted, and unrestricted. Net position of the Authority has been reported as restricted when its use is constrained more narrowly than the reporting unit in which they are reported as a result of state laws governing such use. When both restricted and unrestricted resources are available for use, the Authority uses unrestricted resources first, and then restricted resources as they are needed. For capital expenditures, other restricted resources are used first, and then unrestricted resources are used if needed.

Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

**Pollution Remediation**

Government Accounting Standards Board (GASB) Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* addresses pollution remediation obligations and how such costs should be recognized and disclosed. A pollution remediation obligation is an obligation to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities. For example, an obligation to clean up contaminated groundwater is a pollution remediation obligation.

Under GASB Statement No. 49, when a government knows or reasonably believes a site is polluted, it should determine whether a pollution remediation obligation exists and should be recorded as a liability. There are several criteria under which an entity must recognize a liability, one of which occurs when a government voluntarily commits or legally obligates itself to commence cleanup activities or monitoring or operation and maintenance of the remediation effort.

The Authority was created by the State of California to facilitate the development, financing and implementation of groundwater treatment programs in the San Gabriel Valley, the purpose of which is to clean up contaminated groundwater. As such, the Authority works with Water Producers, RPs as well as local, state and federal government agencies. The Authority has not committed or legally obligated itself to commence cleanup activities. As such, the Authority does not have a requirement to record a liability for the future estimated pollution remediation cost.

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Use of Estimates**

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

Estimates are also required to determine potential impairment of long-lived assets such as capital assets. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Such events or circumstances include, but are not limited to, a significant decrease in the fair value of the equipment due to obsolescence, or a significant decrease in benefits realized from the equipment. Management is not aware of any circumstances that would lead to a material impairment of any long-lived assets.

**Reclassification**

Certain amounts in the prior period financial statements have been reclassified to conform to the presentation of the current period financial statements. These reclassifications had no effect on the previously reported financial results.

**NOTE 2      CASH AND INVESTMENTS**

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

	<b>2019</b>	<b>2018</b>
Cash on hand	\$ 250	\$ 250
Deposits with financial institutions	539,718	1,137,465
Investments	7,861,987	8,884,878
Total	\$ <u>8,401,955</u>	\$ <u>10,022,593</u>

**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.

**NOTE 2 CASH AND INVESTMENTS (CONTINUED)**

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

The following table identifies the investment types that are authorized for the Authority by the California Government Code, and the Authority's investment policy, whichever is most restrictive. The table also identifies certain provisions of the California Government Code, and the Authority's investment policy that address interest rate risk and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the Authority, rather than the general provisions of the California Government Code or the Authority's investment policy.

Authorized Investment type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment In One Issuer
Local agency bonds (c)	5 years	None	None
U.S. Treasury obligations (a)(b)	5 years	None	None
U.S. Agency securities (a)(b)	5 years	None	None
Banker's acceptances (c)	180 days	40%	30%
Commercial paper (c)	270 days	25%	10%
Negotiable certificates of deposit (a)(b)	5 years	30%	None
Repurchase agreements (c)	1 year	None	None
Reverse repurchase agreements (c)	92 days	20%	None
Medium-term notes (c)	5 years	30%	None
Money market mutual funds (c)	N/A	20%	10%
Mortgage pass-through securities (c)	5 years	20%	None
Orange County Investment Pool (c)	N/A	None	None
Local Agency Investment Fund (LAIF) (a)	N/A	None	None

(a) Investment authorized by the Authority's Investment Policy

(b) The Authority's investment policy allows a term of 12 months or less

(c) Investment is not authorized by the Authority's investment policy

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government 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 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, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. 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 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 agency deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits.

**NOTE 2 CASH AND INVESTMENTS (CONTINUED)**

Deposits are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). Beginning January 1, 2013, the FDIC has insured noninterest-bearing transaction accounts, which generally provides each depositor up to \$250,000 in coverage at each separately chartered insured depository institution.

Deposits are exposed to custodial credit risk if they are uninsured and are either:

- a. Uncollateralized
- b. Collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the depositor-government's name

At June 30, 2019, the Authority's deposits (bank balances) exceeded the maximum deposit insurance amount by \$289,718.

**Disclosure Relating to Credit Risk**

Generally, 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 assignment of a rating by a nationally recognized statistical rating organization.

**Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates.

Information about the sensitivity of the fair values of the Authority's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Authority's investments by maturity as of June 30, 2019 and 2018:

<b>June 30, 2019</b>					
<b>Remaining Maturity</b>					
<b>Investment</b>	<b>Amount</b>	<b>12 Months or Less</b>	<b>13 to 36 Months</b>	<b>37 to 60 Months</b>	<b>Over 60 Months</b>
LAIF *	\$ 7,861,987	\$ 7,861,987	\$ -	\$ -	\$ -
Total	\$ 7,861,987	\$ 7,861,987	\$ -	\$ -	\$ -

<b>June 30, 2018</b>					
<b>Remaining Maturity</b>					
<b>Investment</b>	<b>Amount</b>	<b>12 Months or Less</b>	<b>13 to 36 Months</b>	<b>37 to 60 Months</b>	<b>Over 60 Months</b>
LAIF *	\$ 8,884,878	\$ 8,884,878	\$ -	\$ -	\$ -
Total	\$ 8,884,878	\$ 8,884,878	\$ -	\$ -	\$ -

\* LAIF is not rated.

**NOTE 2 CASH AND INVESTMENTS (CONTINUED)**

**Fair Value Measurement**

The Authority follows GASB Statement No. 72, *Fair Value Measurement and Application*. GASB 72 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

- Level 1 inputs are quoted prices for identical assets or liabilities in active markets that government can access at the measurement date.
- Level 2 inputs are other than quoted prices included in Level 1 that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The following table represents the Authority's fair value hierarchy for its financial assets measured at fair value on a recurring basis:

Investment Type	Totals as of June 30,		Level of Inputs
	2019	2018	
Cash on hand	\$ 250	\$ 250	Level 1
Deposits with financial institutions	539,718	1,137,465	Level 1
LAIF	7,861,987	8,884,878	Uncategorized
	<u>\$ 8,401,955</u>	<u>\$ 10,022,593</u>	

**NOTE 3 ACCOUNTS RECEIVABLE**

Accounts receivable consist of the following at June 30, 2019 and 2018:

	2019	2018
Federal grants	\$ 1,290,604	\$ 1,613,035
State grants	68,053	43,975
Responsible party contributions	2,510,269	1,217,448
Pumping right assessments	109,950	89,647
Other	80	145
Total accounts receivable	<u>\$ 3,978,956</u>	<u>\$ 2,961,250</u>

**NOTE 4 NOTE RECEIVABLE**

Between the years ended June 30, 2003 through 2005, the Authority loaned funds to certain RPs for reimbursement of costs incurred in connection with construction of a treatment facility at the Arrow/Lante Well site. The RPs started repaying the loans in July 2005. The repayments are occurring over a twenty-year term on a fully amortizable basis. Interest accrues at the rate of 2.7 percent per annum. At June 30, 2019, the note receivable for the Authority is \$2,335,490, of which \$363,790 is receivable within the next 12 months.

**San Gabriel Basin Water Quality Authority**  
**Notes to Financial Statements**  
**Years ended June 30, 2019 and 2018**

**NOTE 5 CAPITAL ASSETS**

A summary of changes in capital assets at June 30, 2019, is as follows:

	Beginning Balance June 30, 2018	Additions	Deletions	Transfers to Water Producers	Ending Balance June 30, 2019
Capital assets, not being depreciated					
Construction in progress	\$ 26,541,121	\$ 1,567,829	\$ -	(6,072,978)	\$ 22,035,972
Total capital assets, not being depreciated	26,541,121	1,567,829	-	(6,072,978)	22,035,972
Capital assets being depreciated					
Office furniture and equipment	213,638	11,275	-	-	224,913
BPOU monitoring wells	8,792,835	-	-	-	8,792,835
SEM sentinel well	102,437	-	-	-	102,437
SEM Bozung Treatment Facility	933,954	-	-	-	933,954
Total capital assets being depreciated	10,042,864	11,275	-	-	10,054,139
Less accumulated depreciation					
Office furniture and equipment	(183,227)	(8,766)	-	-	(191,993)
BPOU monitoring wells	(4,887,337)	(251,222)	-	-	(5,138,559)
SEM sentinel well	(40,976)	(2,927)	-	-	(43,903)
SEM Bozung Treatment Facility	(269,657)	(26,685)	-	-	(296,342)
Total accumulated depreciation	(5,381,197)	(289,600)	-	-	(5,670,797)
Total capital assets being depreciated, net	4,661,667	(278,325)	-	-	4,383,342
Total capital assets, net	\$ 31,202,788	\$ 1,289,504	\$ -	(6,072,978)	\$ 26,419,314

A summary of changes in capital assets at June 30, 2018, is as follows:

	Beginning Balance June 30, 2017	Additions	Deletions	Transfers to Water Producers	Ending Balance June 30, 2018
Capital assets, not being depreciated					
Construction in progress	\$ 23,280,081	\$ 3,261,040	\$ -	-	\$ 26,541,121
Total capital assets, not being depreciated	23,280,081	3,261,040	-	-	26,541,121
Capital assets being depreciated					
Office furniture and equipment	199,433	26,465	(12,260)	-	213,638
BPOU monitoring wells	8,792,835	-	-	-	8,792,835
SEM sentinel well	102,437	-	-	-	102,437
SEM Bozung Treatment Facility	933,954	-	-	-	933,954
Total capital assets being depreciated	10,028,659	26,465	(12,260)	-	10,042,864
Less accumulated depreciation					
Office furniture and equipment	(188,422)	(7,065)	12,260	-	(183,227)
BPOU monitoring wells	(4,636,115)	(251,222)	-	-	(4,887,337)
SEM sentinel well	(38,049)	(2,927)	-	-	(40,976)
SEM Bozung Treatment Facility	(242,972)	(26,685)	-	-	(269,657)
Total accumulated depreciation	(5,105,558)	(287,899)	12,260	-	(5,381,197)
Total capital assets being depreciated, net	4,923,101	(261,434)	-	-	4,661,667
Total capital assets, net	\$ 28,203,182	\$ 2,999,606	\$ -	-	\$ 31,202,788

**San Gabriel Basin Water Quality Authority**  
**Notes to Financial Statements**  
**Years ended June 30, 2019 and 2018**

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**NOTE 6      NOTE PAYABLE**

In 2003, the Authority was granted a loan from the SWRCB of \$6,440,000. The loan accrues interest at a rate of 2.7 percent per annum from the dates funds were disbursed and the interest accrued was included in a fully amortized balance with payments over a twenty-year period commencing in July 2005. The funds received by the Authority under this agreement were then loaned to certain RPs in connection with the construction of a groundwater remediation facility. The Authority's note receivable from certain RPs has the same repayment terms as the Authority's note payable to SWRCB. See Note 4 for additional information.

Changes in long-term debt for the year ended June 30, 2019, are as follows:

	Beginning Balance June 30, 2018	Additions	Payments	Ending Balance June 30, 2019	Due Within One Year
Note payable \$	2,689,716	\$ -	\$ (354,226)	\$ 2,335,490	\$ 363,790

Changes in long-term debt for the year ended June 30, 2018, are as follows:

	Beginning Balance June 30, 2017	Additions	Payments	Ending Balance June 30, 2018	Due Within One Year
Note payable \$	3,034,630	\$ -	\$ (344,914)	\$ 2,689,716	\$ 354,226

Payments of principal and interest for each of the next five fiscal years increments thereafter are as follows:

Years ending June 30	Principal	Interest	Total
2020	\$ 363,790	\$ 63,058	\$ 426,848
2021	373,613	53,235	426,848
2022	383,700	43,148	426,848
2023	394,060	32,788	426,848
2024	404,700	22,148	426,848
2025	415,627	11,221	426,848
Total	\$ 2,335,490	\$ 225,598	\$ 2,561,088

**NOTE 7            CAPITAL CONTRIBUTIONS**

Capital contributions include the following:

**Governmental**

The USBR, under the Title XVI and the Restoration Funds programs, has provided funding for design, planning and construction for treatment facilities in the BPOU, SEMOU, EMOU and PVOU operable units.

**Water Producers**

The Authority has entered into agreements with Water Producers for the design, construction and operation of treatment facilities in the BPOU, SEMOU, PVOU and EMOU, and ATOU operable units. The revenue restricted for capital is included in capital contributions on the Statements of Revenues, Expenses, and Changes in Net Position. Funding of \$0 and \$881,428 was contributed for a treatment facility in the SEMOU operable unit in the fiscal year ended June 30, 2019 and 2018, respectively.

**Responsible Parties**

The EPA identified several private companies referred to as RPs, as being responsible for groundwater contamination in the San Gabriel Valley. Several companies named by the EPA as RPs have formed coalitions to facilitate the cleanup of the Basin's groundwater supply by providing funding for capital construction in the BPOU, SEMOU, PVOU and EMOU operable units. RPs contributed \$303,958 and \$1,030,838 in fiscal years ended June 30, 2019 and 2018, respectively.

During the year ended June 30, 2002, the Authority became a party to the BPOU Project Agreement. During the year ended June 30, 2017, the BPOU Project Agreement was renegotiated and extended for an additional 10 years. Under the agreement, RPs agreed to provide funding for the design, construction, operation, maintenance and management of groundwater extraction, treatment and distribution facilities within the BPOU. The portion related to the design and construction is recorded as capital contributions.

The Authority is a party to multiple SEMOU Settlement Agreements with RPs. The agreements called for the SEMOU RPs to provide funding to pay, partially pay or reimburse the Water Producers for capital and treatment and remediation costs incurred or to be incurred in connection with certain projects outlined in the agreements.

**NOTE 8            PENSION PLAN**

The Authority sponsors a Money Purchase Pension Plan (the Pension Plan), a defined contribution plan, under Internal Revenue Code Section 401(a) for the benefit of its employees who have attained the age of 21 and have completed 1,000 hours of service. The Authority contributes on behalf of the employees, 12.726 percent of their covered compensation up to and not to exceed the lesser of \$54,000, or 25 percent of covered compensation. The Authority's contributions to the Pension Plan totaled \$105,379 and \$100,883 for the years ended June 30, 2019 and 2018, respectively.

**NOTE 9            DEFERRED COMPENSATION PLANS**

The Authority offers its employees and board members deferred compensation plans (the Plans) under Internal Revenue Code Section 457. The Plans, available to all Authority employees and board members, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or an unforeseeable emergency.

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. The Authority is in compliance with this legislation. These assets are not the legal property of the Authority and are not subject to claims of the Authority's general creditors. The unaudited market value of the Plans' assets was \$624,418 as of June 30, 2019.

In accordance with GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, as the Authority has little administrative involvement and does not perform the investing function for the Plans, the assets and related liabilities are not shown on the statements of net position.

**NOTE 10          COMMITMENTS AND CONTINGENCIES**

**Leases**

The Authority leases its office space and certain equipment under operating leases expiring at various dates through 2023. Expense for the years ended June 30, 2019 and 2018, for the office space was \$89,689 and \$89,275, respectively and for the equipment leases was \$6,867 and \$7,702 respectively. The expense for office equipment is included in Equipment Rental and Maintenance on the Statements of Revenue, Expenses and Changes in Net Position. Future minimum lease payments under the operating lease agreements as of June 30, 2019, are as follows:

<u>Years ending June 30</u>	<u>Amount</u>
2020	\$ 94,647
2021	94,216
2022	96,609
2023	1,235
Total	<u>\$ 286,707</u>

**NOTE 11      INSURANCE**

The Authority is a member of the Association of California Water Agencies Joint Powers Insurance Authority (JPIA). The JPIA is a risk-pooling, self-insurance authority, created under provisions of California Government Code Sections 6500 et seq. The purpose of the JPIA is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage. The JPIA provides coverage to the Authority for property losses, general liability and workers' compensation. Members of the JPIA share the costs of professional risk management claims, administration and excess insurance. The Authority has established a self-insured retention amount which represents the Authority's deductible per occurrence and the JPIA provides self-insured coverage for the Authority up to established pool limits for the various types of insurance coverage. Coverage limits are \$5 million per occurrence for liability; replacement cost for property, subject to a \$1,000 deductible; and statutory limits for workers' compensation.

**NOTE 12      SUBSEQUENT EVENTS**

The Authority has evaluated events or transactions through **DATE OPEN**, the date on which the financial statements were available to be issued, for potential recognition or disclosure in the financial statements and determined no other subsequent matters require disclosure or adjustment to the accompanying financial statements.



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**DRAFT**



# **Water Quality Authority**

**San Gabriel Basin Water Quality Authority  
Single Audit Report  
Year Ended June 30, 2019  
*With Report of Independent Auditors***



**San Gabriel Basin Water Quality Authority**  
**Single Audit Report**  
***Year Ended June 30, 2019***  
***With Report of Independent Auditors***

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**Report of Independent Auditors on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

**To the Board of Directors**  
**San Gabriel Basin Water Quality Authority**  
West Covina, 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 San Gabriel Basin Water Quality Authority (the Authority), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated **March 11, 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 audit 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*.

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

**Glendale, California**

**March \_\_, 2020**

**Report of Independent Auditors on Compliance for Each Major Program, on Internal Control over Compliance, and on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

**To the Board of Directors**  
**San Gabriel Basin Water Quality Authority**  
West Covina, California

**Report on Compliance for Each Major Federal Program**

We have audited San Gabriel Basin Water Quality Authority's (the Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended June 30, 2019. The Authority's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.



### ***Opinion on Each Major Federal Program***

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

### **Report on Internal Control Over Compliance**

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



## **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the Authority as of and for the year ended June 30, 2019, and have issued our report thereon dated March \_\_, 2020, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

**Glendale, California**

**March \_\_, 2020**

**San Gabriel Basin Water Quality Authority**  
**Schedule of Expenditures of Federal Awards**  
**Year ended June 30, 2019**

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<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Federal Expenditures</u>
<b><u>U.S. Environmental Protection Agency</u></b>				
Direct Assistance:				
Superfund Support Agency Cooperative Agreement:				
South El Monte Operable Unit	66.802	Not applicable	\$ -	\$ 1,459,077 *
Total U.S. Environmental Protection Agency			<u>-</u>	<u>1,459,077</u>
Total Federal Expenditures			\$ -	\$ 1,459,077

\* Major program

**San Gabriel Basin Water Quality Authority**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year ended June 30, 2019**

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**NOTE 1      BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Authority under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Authority.

**NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Authority has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE 3      SUBRECIPIENTS**

There were no payments to subrecipients for the year ended June 30, 2019.

**San Gabriel Basin Water Quality Authority  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2019**

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**Section I – Summary of Auditors’ Results**

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**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major federal programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors’ report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	No

**Identification of Major Programs:**

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
66.802	Superfund Support Agency Cooperative Agreement

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as a low-risk auditee?	Yes

**San Gabriel Basin Water Quality Authority  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2019**

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**Section II – Financial Statement Findings**

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None noted.

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**Section III – Federal Award Findings**

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None noted.

There were no federal award findings reported in the prior year.





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# Water Quality Authority

**San Gabriel Basin Water Quality Authority**  
**Report to the Board of Directors**  
*June 30, 2019*

March 1, 2020

**Honorable Members of the Board of Directors  
San Gabriel Basin Water Quality Authority**

We are pleased to present this report related to our audit of the financial statements of San Gabriel Basin Water Quality Authority (the Authority) as of and for the year ended June 30, 2019. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Authority's financial reporting process.

This report is intended solely for the information and use of the Board of Directors, the Administrative and Finance Committee and management, and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to the Authority.

Very truly yours,

VASQUEZ & COMPANY, LLP

**Roger A. Martinez**  
Partner – Audit Practice Leader

**San Gabriel Basin Water Quality Authority**  
**Table of Contents**

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	<u>PAGE</u>
Required Communications	1
Significant Written Communication Between Management and Our Firm	
Exhibit A - Management Representation Letter	3

## Required Communications

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

<b>Area</b>	<b>Comments</b>
<b>Our Responsibilities With Regard to the Financial Statement Audit</b>	Our responsibilities under auditing standards generally accepted in the United States of America and <i>Government Auditing Standards</i> issued by the Comptroller General of the United States have been described to you in our arrangement letter dated July 9, 2019. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.
<b>Overview of the Planned Scope and Timing of the Financial Statement Audit</b>	We have issued a separate communication dated July 9, 2019 regarding the planned scope and timing of our audit and have discussed with you our identification of, and planned audit response to, significant risks of material misstatement.
<b>Accounting Policies and Practices</b>	Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Authority. The Authority did not adopt any significant new accounting policies, nor have there been any changes in existing significant accounting policies during the current period.
<b>Significant or Unusual Transactions</b>	We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.
<b>Going Concern</b>	The financial statements were prepared on the assumption that the Authority will continue as a going concern.
<b>Audit Adjustments</b>	There were no audit adjustments made to the original trial balance presented to us to begin our audit.
<b>Uncorrected Misstatements</b>	We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.
<b>Disagreements With Management</b>	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.
<b>Consultations With Other Accountants</b>	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
<b>Significant Issues Discussed With Management</b>	No significant issues arising from the audit were discussed with or were the subject of correspondence with management.

**San Gabriel Basin Water Quality Authority**  
**Required Communications**

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<b>Area</b>	<b>Comments</b>
<b>Significant Difficulties Encountered in Performing the Audit</b>	We did not encounter any significant difficulties in dealing with management during the audit.
<b>Significant Written Communications Between Management and Our Firm</b>	Copies of material written communications between our firm and the management of the Authority, including the representation letter provided to us by management, are attached.

**San Gabriel Basin Water Quality Authority**  
**Significant Written Communications Between Management and Our Firm**

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Exhibit A – Management Representation Letter

## LETTERHEAD

March , 2020

Vasquez & Company LLP  
655 North Central Avenue, Suite 1550,  
Glendale, California 91203

This representation letter is provided in connection with your audit of the basic financial statements of San Gabriel Basin Water Quality Authority, which comprise the balance sheet as of June 30, 2010, the related statements of operations, net positions, and cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

We confirm, to the best of our knowledge and belief, that as of March , 2020:

### Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated July 9, 2019, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility 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.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and reflect our judgment based on our knowledge and experience about past and current events, and our assumptions about conditions we expect to exist and courses of action we expect to take.
5. Related-party transactions, including long-term loans, leasing arrangements, and guarantees, have been recorded in accordance with the economic substance of the transaction and appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
6. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
7. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
8. We have no direct or indirect, legal or moral obligation for any debt of any organization, public or private, or to special assessment bond holders that is not disclosed in the financial statement.

9. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance. In connection therewith, we specifically represent that we are responsible for determining that we are not subject to the requirements of the Single Audit Act because we have not received, expended or otherwise been the beneficiary of the required amount of federal awards during the period of this audit.
10. We have no knowledge of any uncorrected misstatements in the financial statements.

### **Information Provided**

1. We have provided you with:
  - a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters;
  - b. Additional information that you have requested from us for the purpose of the audit;
  - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence; and
  - d. Minutes of the meetings of the governing boards and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
2. All transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of allegations of fraud or suspected fraud, affecting the entity's financial statements involving:
  - a. Management.
  - b. Employees who have significant roles in the internal control.
  - c. Others where the fraud could have a material effect on the financial statements.
5. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements received in communications from employees, former employees, analysts, regulators, short sellers, or others.
6. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations whose effects were considered when preparing financial statements.
7. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.
8. We have disclosed to you the identity of the entity's related parties and all the related-party relationships and transactions of which we are aware.
9. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the entity's ability to record, process, summarize, and report financial data.
10. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

11. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

### **Supplementary Information**

1. With respect to supplementary information presented in relation to the financial statements as a whole:
  - a. We acknowledge our responsibility for the presentation of such information.
  - b. We believe such information, including its form and content, is fairly presented in accordance with U.S. GAAP.
  - c. The methods of measurement or presentation have not changed from those used in the prior period.
  - d. When supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon.
2. With respect to the Required Supplementary Information presented as required by U.S. GAAP to supplement the basic financial statements:
  - a. We acknowledge our responsibility for the presentation of such required supplementary information.
  - b. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by U.S. GAAP.
  - c. The methods of measurement or presentation have not changed from those used in the prior period.

### **Compliance Considerations**

In connection with your audit conducted in accordance with *Government Auditing Standards*, we confirm that management:

1. Is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework.
2. Is responsible for compliance with the laws, regulations and provisions of contracts and grant agreements applicable to the auditee.
3. Has identified and disclosed to you all instances that have occurred, or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
4. Has identified and disclosed to you all instances that have occurred, or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that have a material effect on the determination of financial statement amounts.
5. Has identified and disclosed to you all instances that have occurred, or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements.
6. Is responsible 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.
7. Acknowledges its responsibility for the design, implementation and maintenance of internal controls to prevent and detect fraud.

8. Has taken timely and appropriate steps to remedy fraud; noncompliance with provisions of laws, regulations, contracts and grant agreements; or abuse that the auditor reports.
9. Has a process to track the status of audit findings and recommendations.
10. Has identified for you previous audits, attestation engagements and other studies related to the audit objectives and whether related recommendations have been implemented.
11. Has provided views on the auditor's reported findings, conclusions and recommendations, as well as management's planned corrective actions, for the report.
12. Acknowledges its responsibilities as it relates to non-audit services performed by you, including a statement that it assumes all management responsibilities; that it oversees the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge or experience; that it evaluates the adequacy and results of the services performed; and that it accepts responsibility for the results of the services.

In connection with your audit of federal awards conducted in accordance with Subpart F of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), we confirm:

1. Management is responsible for complying, and has complied, with the requirements of Uniform Guidance.
2. Management is responsible for understanding and complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of its federal programs.
3. Management is responsible for establishing and maintaining, and has established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on its federal programs in existence prior to December 26, 2014, as well as for funding increments and new awards obtained after that date.
4. Management has prepared the schedule of expenditures of federal awards in accordance with the Uniform Guidance and has included expenditures made during the period being audited for all awards provided by federal agencies in the form of grants, federal cost reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations and other assistance.
5. Management has identified and disclosed all of its government programs and related activities subject to the Uniform Guidance compliance audit.
6. Management has identified and disclosed to you the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major program. Management has further identified each award resulting from programs in existence prior to December 26, 2014 and funding increments or new awards obtained after that date.
7. Management has made available all federal awards including amendments, and any other correspondence relevant to federal programs and related activities that have taken place with federal agencies or pass-through entities.
8. Management has identified and disclosed to you all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal awards or stated that there was not such noncompliance.
9. Management believes that the auditee has complied with the direct and material compliance requirements.

10. Management has made available all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
11. Management has provided to you its interpretations of any compliance requirements that are subject to varying interpretations.
12. Management has disclosed to you any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
13. Management has disclosed the nature of any subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the reporting period.
14. Management has disclosed whether any changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action taken by management with regard to significant deficiencies and material weaknesses in internal control over compliance, have occurred subsequent to the period covered by the auditor's report.
15. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared.
16. The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through entity, as applicable.
17. Management has charged costs to federal awards in accordance with applicable cost principles.
18. The reporting package does not contain protected personally identifiable information.
19. Management has accurately completed the appropriate sections of the data collection form.
20. Management has disclosed all contracts or other agreements with service organizations.

San Gabriel Basin Water Quality Authority

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Kenneth R. "Ken" Manning  
Executive Director

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Mary Saenz  
Director of Finance



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# San Gabriel Basin Water Quality Authority

1720 W. Cameron Avenue, Suite 100, West Covina, CA 91790 • 626-338-5555 • Fax 626-338-5775

## AGENDA SUBMITTAL

**To:** WQA Board of Directors  
**From:** Kenneth R. Manning, Executive Director  
**Date:** March 18, 2020  
**Subject:** **Draft §406 Plan for 2020**

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### **Summary**

On February 19, 2020, the Board authorized staff to post the Draft §406 Plan for 2020 for a 25-day public comment period ending March 16, 2020. Staff has only received comments from the San Gabriel Valley Water Company. A summary of the comments and WQA's response is attached along with the referenced pages showing any edits made. Staff is recommending adoption of the plan with the edits.

### **Recommendation / Proposed Action**

Adopt the §406 San Gabriel Basin Groundwater Quality Management and Remediation Plan for 2020 with suggested edits.

### **Attachments**

*Summary of comments received on the Draft §406 Plan for 2020*

**DRAFT SAN GABRIEL BASIN WATER QUALITY AUTHORITY**  
**SUMMARY OF COMMENTS AND RESPONSES ON THE**  
San Gabriel Basin Groundwater Quality Management and Remediation Plan Dated February 14, 2020

	COMMENTS BY CATEGORY	RESPONSES
	<b>G.C. GENERAL COMMENTS</b> No Comments	
	<b>TITLE PAGE</b> No Comments	
	<b>TABLE OF CONTENTS</b> No Comments	
	<b>LIST OF TERMS AND ACRONYMS</b> No Comments	
	<b>SUMMARY PARAGRAPH</b> No Comments	
	<b>DATE PARAGRAPH</b> No Comments	
	<b>ADDRESS PARAGRAPH</b> No Comments	
	<b>GENERAL INFORMATION PARAGRAPH</b> No Comments	
	<b>1. LEGAL AUTHORITY</b>	
1.1	<b>San Gabriel Valley Water Company, Dan Arrighi</b> On page 11, second paragraph, there is a redundant use of "\$406".	<i>Text edited per comment.</i>
	<b>2. POLICY STATEMENT</b> No Comments	
	<b>3. BACKGROUND INFORMATION</b> No Comments	
3.1	<b>Section A - Overview of the Groundwater Contamination</b>	
3.2	<b>Section B - Overview of WQA Authority</b>	
3.3	<b>Section C - History of WQA Planning</b>	
	<b>4. GOALS OF THE WQA § 406 PLAN</b> No Comments	
4.1	<b>Section A - Accelerate Removal of Contaminant Mass in the Basin</b>	
4.2	<b>Section B - Prevent Migration of Contamination into Critical Groundwater Supplies</b>	
4.3	<b>Section C - Integrate Cleanup with Water Supply</b>	
4.4	<b>Section D - Minimize Economic Impact to the Public</b>	
	<b>5. §406 PLAN</b> No Comments	
5.1	<b>Section A - Definitions</b>	
5.2	<b>Section B - Remedial Standards</b>	
5.2.A	<b>Concerning Watermaster Section 28</b>	
5.2.B	<b>Concerning LARWQCB Discharge Requirements</b>	
5.2.C	<b>Concerning DDW Water Treatment Standards</b>	
5.3	<b>Overarching Remedial Principles</b>	
5.4	<b>Operable Unit Specific Plans</b>	
5.5	<b>Evaluating Project Effectiveness</b>	
	<b>6. Project Funding</b> No Comments	
6.1	<b>Concerning Potentially Responsible Parties (PRPs)</b>	
6.2	<b>Concerning Federal Government</b>	
6.3	<b>Concerning Restoration Funds (Dreier)</b>	
6.4	<b>Concerning Title XVI</b>	
6.5	<b>Concerning State Government</b>	
6.6	<b>Concerning Water Quality Authority</b>	
6.6.1	<b>San Gabriel Valley Water Company, Dan Arrighi</b> Page 38, first sentence, references that WQA's annual assessment "...not to exceed \$10 per acre-ft." Why is SGVWC paying \$12 per acre-ft?	<i>The WQA Act also allows for annual Consumer Price Index (CPI) increases to the maximum assessment not to exceed the Los Angeles/Anaheim/Riverside area CPI. Although this calculation would allow an assessment exceeding \$12 per acre foot, the current assessment approved by the WQA Board was limited to \$12 per acre foot for the current budget year.</i>
6.7	<b>Concerning Water Purveyors/Cities/Member Water Agencies/Other Local Water Agencies</b>	
	<b>7. PROJECT PRIORITIZATION</b>	
7.1	<b>Procedure No. 38</b>	
7.2	<b>Human Right To Water</b>	
7.2.1	<b>San Gabriel Valley Water Company, Dan Arrighi</b> Page 41, last sentence, how is this statement relevant to the Human Right to Water?	<i>This language indicates that there are no public water systems in the San Gabriel Valley operating in violation of their operating permits. This type of statement is often used to show how well a community is having its needs met with respect to the state's Human Right to Water policy.</i>
7.3	<b>Disadvantaged Communities</b>	
	<b>8. CONTRACTOR SELECTION</b> No Comments	

**DRAFT** SAN GABRIEL BASIN WATER QUALITY AUTHORITY  
SUMMARY OF COMMENTS AND RESPONSES ON THE  
San Gabriel Basin Groundwater Quality Management and Remediation Plan Dated February 14, 2020

	COMMENTS BY CATEGORY	RESPONSES
	<b>9. PUBLIC INFORMATION</b> No Comments	
	<b>10. COORDINATION WITH OTHER AGENCIES</b> No Comments	
	<b>11. LITIGATION PLAN</b> No Comments	
	<b>12. FUTURE ACTIVITIES</b> No Comments	
	<b>APPENDIX A: OPERABLE UNIT SPECIFIC PLANS</b>	
A.1	<b>Baldwin Park Operable Unit</b> No Comments	
AA.1.1	<b>San Gabriel Valley Water Company, Dan Arrighi</b> On page 1, second sentence, text should read "...cities of Azusa, <u>Industry</u> , Irwindale, Baldwin Park, West Covina <u>and areas of unincorporated Los Angeles County.</u> "	<i>Text edited per comment.</i>
AA.1.2	<b>San Gabriel Valley Water Company, Dan Arrighi</b> On page 4, first full paragraph, text should read "...more efficient <u>3rd generation</u> UV..."	<i>Text edited per comment.</i>
A.2	<b>South El Monte Operable Unit</b> No Comments	
A.3	<b>El Monte Operable Unit</b> No Comments	
A.4	<b>Whittier Narrows Operable Unit</b> No Comments	
AA.4.1	<b>San Gabriel Valley Water Company, Dan Arrighi</b> On page 17, insert the word "Main" before the three references to the "San Gabriel Basin".	<i>Text edited per comment.</i>
A.5	<b>Puente Valley Operable Unit</b> No Comments	
A.6	<b>Area 3 Operable Unit</b> No Comments	
	<b>APPENDIX B: NON-OPERABLE UNIT SPECIFIC PLANS</b>	
	<b>APPENDIX F: FEDERAL FUNDING PROGRAM ADMINISTRATION</b> No Comments	
AF.1	<b>San Gabriel Valley Water Company, Dan Arrighi</b> Add page numbers to the "Administrative Procedure No. 38" document.	<i>Page numbers added per comment.</i>
	<b>APPENDIX G: MEMBER WATER DISTRICTS PROJECTS</b> No Comments	
AG.1	<b>San Gabriel Valley Water Company, Dan Arrighi</b> Add page numbers to the "Member Water District Projects" document.	<i>Page numbers added per comment.</i>
	<b>TABLE 1: MAJOR WQA ACTIVITIES AND MILESTONES</b> No Comments	
	<b>TABLE 2: ESTIMATED COST OF WQA ASSISTED PROJECTS WITHIN OPERABLE UNIT AREAS</b> No Comments	
	<b>TABLE 3: ESTIMATED FUNDING GAP</b> No Comments	
	<b>TABLE 4: ADDITIONAL EXISTING AND POTENTIAL PROJECTS BASINWIDE (WITH AND WITHOUT WQA FUNDING)</b> No Comments	
	<b>TABLE 5: PROJECT SCORING</b> No Comments	
	<b>TABLE 6: PRIORITY RANKING</b> No Comments	
	<b>FIGURE 1: SAN GABRIEL BASIN SUPERFUND SITE</b> No Comments	
F.1	<b>San Gabriel Valley Water Company, Dan Arrighi</b> Add "Figure 1" to map.	<i>Figure 1 label restored.</i>
	<b>FIGURE 2: PRESCRIBED REMEDY (BALDWIN PARK OPERABLE UNIT)</b> No Comments	
	<b>FIGURE 3: PRESCRIBED REMEDY (SOUTH EL MONTE OPERABLE UNIT)</b> No Comments	
	<b>FIGURE 4: PRESCRIBED REMEDY (SHALLOW ZONE EL MONTE OPERABLE UNIT)</b> No Comments	
	<b>FIGURE 5: PRESCRIBED REMEDY (INTERMEDIATE ZONE EL MONTE OPERABLE UNIT)</b> No Comments	
	<b>FIGURE 6: PRESCRIBED REMEDY (WHITTIER NARROWS OPERABLE UNIT)</b> No Comments	
	<b>FIGURE 7: PRESCRIBED REMEDY (SHALLOW ZONE PUENTE VALLEY OPERABLE UNIT)</b> No Comments	
	<b>FIGURE 8: PRESCRIBED REMEDY (INTERMEDIATE ZONE PUENTE VALLEY OPERABLE UNIT)</b> No Comments	
	<b>FIGURE 9: PRESCRIBED REMEDY (AREA 3 OPERABLE UNIT)</b> No Comments	
	<b>FIGURE 10: SUPERFUND VS. NON-SUPERFUND CONTAMINATION</b> No Comments	
	<b>FIGURE 11: DISADVANTAGED COMMUNITIES IN THE SAN GABRIEL BASIN</b> No Comments	
	<b>FIGURE 12: TREATMENT PLANTS ONLINE</b> No Comments	
	<b>FIGURE 13: TOTAL AMOUNT OF WATER TREATED AND CONTAMINANTS REMOVED IN THE BASIN</b> No Comments	

## I. Legal Authority

This §406 Plan is developed and adopted under the authority of the WQA Act. §406 of the WQA Act requires the WQA “to “develop and adopt a basinwide groundwater quality management and remediation plan” that is ~~required to be~~ consistent with the ~~United States Environmental Protection Agency’s~~ (“USEPA’s”) National Contingency Plan (“NCP”) and applicable Records of Decision (“ROD”), and all requirements of the Los Angeles Regional Water Quality Control Board (“LARWQCB”). According to the WQA Act, the §406 Plan must include:

- 1) Characterization of Basin contamination;
- 2) A comprehensive cleanup plan;
- 3) Strategies for financing the design, construction, operation and maintenance of groundwater cleanup facilities;
- 4) Provision for a public information and involvement program; and
- 5) Coordination of activities with federal, state, and local entities.

Furthermore, §406 requires WQA to update the §406 Plan on an annual basis, and incorporate a status report on activities undertaken by the WQA pursuant to the §406 Plan. The status report must also include:

- 1) An overview of groundwater contamination in the San Gabriel Basin;
- 2) Goals for the basin groundwater;
- 3) Coordination with other agencies;
- 4) Public outreach and information;
- 5) Funding from potentially responsible parties and other sources;
- 6) Status of non-operable unit specific plans;
- 7) For each operable unit:
  - a. Treatment and remediation plans;
  - b. Description of contamination plan;
  - c. Costs incurred ;

## Appendix A - Operable Unit Area plans

### 1. BALDWIN PARK OPERABLE UNIT

Of the ~~five~~-six areas of contamination in the Basin, the BPOU is considered the most significant because of the geographic size and degree of contamination. For this reason USEPA prioritized this area for investigation back in the late 1980's. Located in eastern Los Angeles County and covering 10 square miles, the BPOU includes portions of the cities of Azusa, industry, Irwindale, Baldwin Park-and, West Covina and the unincorporated areas in Los Angeles County. The area of groundwater contamination is more than 8 miles long and 1 mile wide, reflecting multiple, commingled groundwater contaminant plumes. By 1994, there was a general consensus on the technical approach including a financial arrangement whereby sales from the water produced by the treatment plant would be used to offset the costs of the project. However, just as designs were being prepared, the discovery of new contaminants prompted a complete reevaluation of cleanup plans.

In 1997, perchlorate, a contaminant derived from solid rocket fuel, was discovered in many of the active production wells within the OU. This discovery had widespread impacts, primarily because traditional treatment methods were ineffective in removing perchlorate from the groundwater. The new discovery not only disrupted the design of the CERCLA remedy, but also shut down many of the existing treatment plants that had been operating for water supply purposes. In one case, a water purveyor's (LPVCWD) complete water supply was shut down due to excessive concentrations of perchlorate that could not be removed by treatment facilities currently in place. This forced the water purveyor to buy alternative groundwater supply from neighboring water purveyors and supplemental imported water costing five times the cost of groundwater before the discovery of perchlorate.

Based on the discovery of perchlorate, USEPA chose to update its ROD and issue a plan update (Appendix E). This update was similar to the original ROD except that the containment requirement in the southern portion of the OU unit was shifted

treatment facility from a regenerable resin technology to a more efficient single-pass resin technology. As a result of changing from a regenerable resin ion exchange technology to a single-pass technology SGVWC lost the ancillary benefit of some nominal nitrate treatment. Therefore, DDW required SGVWC to construct additional nitrate treatment at its Plant B6 to ensure continued operation of the treatment facility. The new nitrate treatment utilizes a regenerable ion exchange treatment system but will be designed specifically for nitrate removal.

In ~~2019~~2020, SGVWC plans to replace its existing UV treatment equipment with new more efficient 3<sup>rd</sup> generation UV treatment technology.

The next component of the remedy prescribed for the southern area is a new treatment facility that is located at the SGVWC Plant B5. The project finished construction and began testing in 2007. In April 2008, the Plant B5 treatment facility received its amended water supply permit from DDW. The Plant B5 treatment facility treats water from an existing well (B5B), from a new extraction well drilled on site (B5E) and from an existing City of Industry well located in the San Fidel Well Field. The Plant B5 facility is necessary to meet water supply demand and to serve as a final containment point to prevent the further degradation of clean aquifers resulting from the migrating BPOU contamination plume.

This plan prescribes immediate implementation and long term operation of the southern remedies for the BPOU including all of the necessary facilities to achieve full containment of the BPOU plume at the downgradient edge. In June 2008, the last component of the BPOU remedy became operational. These facilities will accelerate removal of contaminant mass in the Basin, prevent migration of contamination into critical groundwater water supplies, and through the integration of cleanup with water supply objectives, mitigate the existing water supply crisis in the area.

As of September 30, ~~2018~~2019, the southern remedy projects have treated approximately ~~293,559.69~~317,562.71 acre-feet of contaminated groundwater and have removed approximately ~~39,161.90~~42,324.90 lbs. of VOCs, perchlorate, NDMA and 1,4-Dioxane.

➤ Northern Remedy

In 2019, CEM received its 97-005 amended water supply permit for the treatment facility and is using the treated water in its domestic supply.

As of September 30, ~~2018~~2019, the east side deep zone remedy project has treated approximately ~~2,272.293,353.90~~ acre-feet of contaminated groundwater and has removed ~~106.90~~172.80 lbs. of VOCs.

➤ Other Intermediate Zone Remedies

Similar to the SEMOU, affected purveyors in the EMOU had to construct additional treatment facilities. Specifically, the CEM constructed three VOC treatment facilities at wells 2A, 10 and 12 to ensure safe and reliable supply to their customers. Although these projects are not identified as EMOU remedy projects by USEPA they do contribute to the remedy by removing mass contamination within the groundwater thus improving the regional groundwater basin as a whole.

As of September 30, ~~2018~~2019, CEM wells 2, 10 and 12 have treated approximately ~~33,265.2334,031.37~~ acre-feet of contaminated groundwater and have remove ~~1,359.601,366.60~~ lbs. of VOCs.

#### **4. WHITTIER NARROWS OPERABLE UNIT**

Whittier Narrows is a 1.5-mile gap in the bedrock hills that separates the San Gabriel and Central Basins and represents the primary discharge point for groundwater and surface water flow exiting the Main San Gabriel Basin. USEPA designated Whittier Narrows as an OU specifically to address groundwater contamination flowing out of the Main San Gabriel Basin, through Whittier Narrows, into the Montebello Forebay portion of the Central Basin. The WNOU is bounded to the north by the South El Monte OU (at Highway 60) and to the south by the Montebello Forebay portion of the Central Basin (near the Whittier Narrows Dam).

VOCs, 1,4-dioxane, and NDMA are the primary groundwater contaminants found in the Whittier Narrows Operable Unit (WNOU). USEPA has not identified any significant sources of VOC and 1,4-dioxane contamination in the WNOU. Hence, the VOC and 1,4-dioxane contamination is migrating into the WNOU from upgradient industrial sources within the Main San Gabriel Basin. The contamination being

## Calendars



Mar 13 - Jun 12, 2020

### March 2020

Wed Mar 18	8:00am - 10:30am	<a href="#">TVMWD Board Meeting</a>
	12:00pm - 1:00pm	<a href="#">WQA Board Meeting</a>
	1:30pm - 2:30pm	<a href="#">WM Administrative Committee Mtg</a>
Wed Mar 25	9:00am - 10:00am	<a href="#">Upper District Board Meeting</a>
	4:30pm - 5:30pm	<a href="#">USGVMWD Water Policy Committee Meeting</a>
Thu Mar 26	11:30am - 12:30pm	<a href="#">CANCELLED - SCWUA Meeting</a>
	4:30pm - 5:30pm	<a href="#">Admin and Finance Committee meeting</a>

### April 2020

Wed Apr 1	8:00am - 10:30am	<a href="#">TVMWD Board Meeting</a>
	2:30pm - 3:30pm	<a href="#">Watermaster Board Meeting</a>
Tue Apr 7	5:30pm - 6:30pm	<a href="#">USGVMWD Gov Affairs Committee Meeting</a>
Wed Apr 8	9:00am - 10:00am	<a href="#">Upper District Board Meeting</a>
	11:00am - 12:00pm	<a href="#">WQA Leg/Pub Committee</a>
	1:30pm - 3:00pm	<a href="#">WM Basin Watermaster Committee Mtg</a>
Mon Apr 13	8:00am - 9:30am	<a href="#">SGVMWD Board Meeting</a>
Tue Apr 14	10:00am - 11:00am	<a href="#">WQA Admin/Finance Committee</a>
	11:00am - 12:00pm	<a href="#">WQA Engineering Committee</a>
Wed Apr 15	8:00am - 10:30am	<a href="#">TVMWD Board Meeting</a>
	12:00pm - 1:00pm	<a href="#">WQA Board Meeting</a>
	1:30pm - 2:30pm	<a href="#">WM Administrative Committee Mtg</a>
Thu Apr 16	All day	<a href="#">San Gabriel Valley Water Forum</a>
Wed Apr 22	9:00am - 10:00am	<a href="#">Upper District Board Meeting</a>
	4:30pm - 5:30pm	<a href="#">USGVMWD Water Policy Committee Meeting</a>
Thu Apr 23	11:30am - 12:30pm	<a href="#">SCWUA Meeting</a>
	4:30pm - 5:30pm	<a href="#">Admin and Finance Committee meeting</a>

	11:30pm - 1:30pm	<a href="#">Admin and Finance Committee Meeting ↻</a>
Thu Apr 30	All day	<b>SCWUA Golf Tournament</b>

## May 2020

Mon May 4	All day - Fri May 8	<b>ACWA Fall Conference</b>
Tue May 5	5:30pm - 6:30pm	<a href="#">USGVMWD Gov Affairs Committee Meeting ↻</a>
Wed May 6	8:00am - 10:30am	<b>TVMWD Board Meeting ↻</b>
	2:30pm - 3:30pm	<b>Watermaster Board Meeting ↻</b>
Mon May 11	8:00am - 9:30am	<b>SGVMWD Board Meeting ↻</b>
Tue May 12	10:00am - 11:00am	<b>WQA Admin/Finance Committee ↻</b>
	11:00am - 12:00pm	<b>WQA Engineering Committee ↻</b>
Wed May 13	9:00am - 10:00am	<a href="#">Upper District Board Meeting ↻</a>
	11:00am - 12:00pm	<a href="#">WQA Leg/Pub Committee ↻</a>
	1:30pm - 3:00pm	<b>WM Basin Watermaster Committee Mtg ↻</b>
Wed May 20	8:00am - 10:30am	<b>TVMWD Board Meeting ↻</b>
	12:00pm - 1:00pm	<b>WQA Board Meeting ↻</b>
	1:30pm - 2:30pm	<b>WM Administrative Committee Mtg ↻</b>
Wed May 27	9:00am - 10:00am	<a href="#">Upper District Board Meeting ↻</a>
	4:30pm - 5:30pm	<a href="#">USGVMWD Water Policy Committee Meeting ↻</a>
Thu May 28	11:30am - 12:30pm	<b>SCWUA Meeting</b>
	4:30pm - 5:30pm	<a href="#">Admin and Finance Committee meeting ↻</a>

## June 2020

Tue Jun 2	5:30pm - 6:30pm	<a href="#">USGVMWD Gov Affairs Committee Meeting ↻</a>
Wed Jun 3	8:00am - 10:30am	<b>TVMWD Board Meeting ↻</b>
	2:30pm - 3:30pm	<b>Watermaster Board Meeting ↻</b>
Mon Jun 8	8:00am - 9:30am	<b>SGVMWD Board Meeting ↻</b>
Tue Jun 9	10:00am - 11:00am	<b>WQA Admin/Finance Committee ↻</b>
	11:00am - 12:00pm	<b>WQA Engineering Committee ↻</b>
Wed Jun 10	9:00am - 10:00am	<a href="#">Upper District Board Meeting ↻</a>

11:00am - 12:00pm

[WQA Leg/Pub Committee](#)

1:30pm - 3:00pm

[WM Basin Watermaster Committee Mtg](#)

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