San Gabriel Basin Water Quality Authority
Audited Financial Statements
As of and for the Years Ended June 30, 2023 and 2022
with Report of Independent Auditors

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with Report of Independent Auditors

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of San Gabriel Basin Water Quality Authority (the Authority), which comprise the Statements of Net Position as of June 30, 2023 and 2022, the related Statements of Revenues, Expenses and Changes in Net Position for the years then ended and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of San Gabriel Basin Water Quality Authority, as of June 30, 2023 and 2022, and the changes in its financial position, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and Government Auditing Standards, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 15 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 February 21, 2024 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's 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 Authority’s internal control over financial reporting and compliance.

Vasquez & Company LLP

Glendale, California
February 21, 2024

SAN GABRIEL BASIN WATER QUALITY AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
June 30, 2023

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 S*tatements 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 S*tatements 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, 2023

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, 2023 and 2022.

Statements of Net Position

	June 30		Dollar	Percentage
	2023	**2022**	Change	Change
Assets				
Current assets	$ 30,227,532	$ 23,523,452	$ 6,704,080	28.5%
Other capital assets , net	4,056,149	4,423,965	(367,816)	-8.3%
Construction in progress	31,285,663	25,588,787	5,696,876	22.3%
Noncurrent assets	22,934	438,541	(415,607)	-94.8%
Total assets	65,592,278	53,974,745	11,617,533	21.5%
Liabilities				
Current liabilities	6,594,891	6,673,449	(78,558)	-1.2%
Noncurrent liabilities	817,208	1,323,048	(505,840)	-38.2%
Total liabilities	7,412,099	7,996,497	(584,398)	-7.3%
Net Position				
Net investment in capital assets	34,874,238	29,436,898	5,437,340	18.5%
Restricted	16,361,740	12,218,442	4,143,298	33.9%
Unrestricted	6,944,201	4,322,908	2,621,293	60.6%
Total net position	58,180,179	45,978,248	12,201,931	26.5%
Total liabilities and net position	$ 65,592,278	$ 53,974,745	$ 11,617,533	21.5%

SAN GABRIEL BASIN WATER QUALITY AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
June 30, 2023

Summary of Statements of Net Position

Current Assets - At June 30, 2023, current assets totaled $30.2M and were comprised primarily of $25.9M of cash and investments and $3.3M of accounts receivable. At the prior year ended June 30, 2022, current assets totaled $23.5M and were comprised primarily of $9.8M of cash and investments and $12.8 of accounts receivable. Current assets increased $6.7M or 28.5% over the prior year, with cash and investments increasing by $16.0M and accounts receivable decreasing by $9.5M. The increase in cash and investments is due to the timing of payments and reimbursements from the federal grantors, and the decrease in accounts receivable is due the receipt of a federal grant in the amount of $9.7M that was included in accounts receivable at June 30, 2022 and was subsequently collected in 2023.

Other Capital Assets - For FY 2023, Other Capital Assets included fixed assets of $10.4M net of accumulated depreciation of $6.8M and Right-to-use lease assets of $576K net of accumulated amortization of $108K. For FY 2022 Other Capital Assets included fixed assets of $10.4M net of accumulated depreciation of $6.5M and Right-to-use lease assets of $576K.

During FY 2023 purchases of office equipment totaled $40.2K. Additionally, disposals of office equipment totaled $6.2K - these assets were fully depreciated. The current year additions and disposals along with depreciation of $300K resulted in a net decrease in fixed assets of $260K. During the prior FY 2022 purchases of office equipment totaled $2.4K and the construction of monitoring wells totaled $144K, with depreciation of $305K resulting in a net decrease in capital assets of $101K, or 2.5%. Additionally, disposals of office equipment totaled $35K - these assets were fully depreciated.

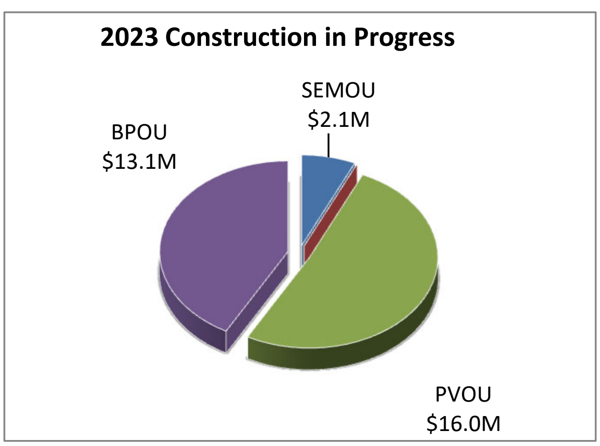
For FY 2023, included in Other Capital Assets is the Right-to-use lease asset totaling $468K which is $576K net of accumulated amortization of $108K. For FY 2022, included in Other Capital Assets is the Right-to-use lease asset totaling $576K. See further discussion in the section titled 'Summary of Statements of Net Position at *Right-to-use lease asset / right-to-use lease payable* .

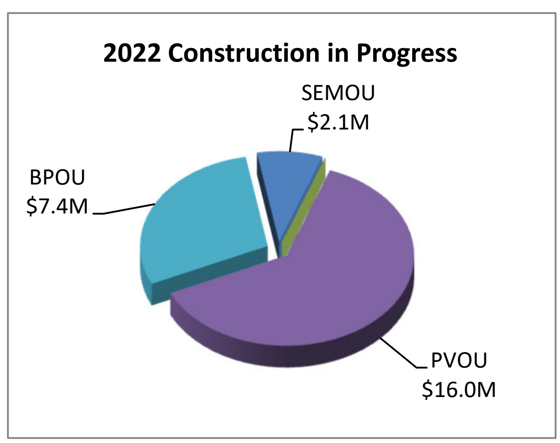
Overall, other capital assets net at FY 2023 and 2022 are $4.1M and $4.4M, respectively.

Summary of Statements of Net Position (continued)

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. Shown below is the composition of CIP by Operable Unit as of June 30, 2023 and 2022.





Construction In Progress (CIP) continued - At June 30, 2023, CIP totaled $31.3M, a net increase of $5.7M or 22.3% from FY 2022. Approximately 42.0% of CIP is related to the BPOU, 51.2% is related to the PVOU with the remaining 6.8% related to the SEMOU. During FY 2023, the Authority incurred $1.0M of CIP for the treatment system at the San Gabriel Valley Water Company (SGVWC) B-6 treatment facility as well as $107.6K for the Valley County Water District (VCWD) treatment at Sub-Area 1, plus $2.4M for the Nitrate Treatment Facility at La Puente Valley County Water District (LPVCWD) and $2.22M for construction of Plant 8 PFAS Treatment at California Domestic Water Company (CDWC). At the prior year ended June 30, 2022, CIP totaled $25.6M, with approximately 29.1% of CIP related to the BPOU, 62.6% related to the PVOU with the remaining 8.3% related to the SEMOU. During FY 2022, the Authority incurred $12K of CIP for the treatment system at the San Gabriel Valley Water Company B-6 treatment facility as well as $230K for the Valley County Water District treatment at Sub-Area 1.

Listed below and on the next page are descriptions of the major projects currently under construction and included in CIP as of June 30, 2023.

BALDWIN PARK OPERABLE UNIT

Valley County Water District (VCWD) Single Pass Treatment Facility

$2.8M 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

$5.3M related to the design and construction of an additional fixed bed ion exchange treatment system for the removal of nitrates.

La Puente Valley County Water District (LPVCWD) Nitrate Treatment Facility

$2.9M related to the design and construction of a regenerable ion exchange treatment system for the removal of nitrate contamination.

California Domestic Water Company (CDWC) Plant 8 PFAS Treatment

$2.2M for the design and construction of an ion exchange resin system for the removal of PFAS contamination.

Summary of Statements of Net Position (continued)

Construction in Progress (CIP) (continued)

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.

Current Liabilities - At 2023, current liabilities totaled $6.6M, a decrease of $79K from the fiscal year 2022, and are comprised primarily of accounts payable and unearned revenue. At 2022, current liabilities totaled $6.7M, and are also comprised primarily of accounts payable and unearned revenue.

Accounts payable is $4.7M for the current year which is a decrease of $100K from FY 2022 primarily due to an increase in payables for BPOU projects of $323K and a decrease in payables to SEMOU producers and vendors of $423K. The increases in BPOU payables and decreases 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, the Authority did not recognize any unearned revenue as income as there were no payments of T & R costs to the SEMOU water producers per these agreements. Accordingly, the unearned revenue balance did not change from 2022.

Noncurrent Assets/Noncurrent Liabilities

Note Receivable / Note Payable - 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, 2023, the note payable totaled $820.3K, of which the current portion is $404.7K and the noncurrent portion is $415.6K. The Authority has a corresponding note receivable from the BPOU RPs of $415.6K. 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. The note receivable is recorded as a current asset as of June 30, 2023. Usually the balance of the note receivable from the BPOU RPs and the note payable to the SWRCB are the same. However, for FY 2023, the BPOU RP's made an early payment for the FY 2024, resulting in two payments within the FY 2023, and resulting in a lower balance receivable from the BPOU RPs than the balance payable by the Authority to the SWRCB.

Right-to-use lease asset / right-to-use lease payable - During the prior FY 2022 the Authority implemented GASB Statement No. 87 – Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The implementation of this new accounting standards for FY 2022 resulted in recognition of a right-to-use lease payable and right-to-use lease asset in the Authority's June 30, 2022 financial statements.

Summary of Statements of Net Position (continued)

Right-to-use lease asset / right-to-use lease payable (continued) - Under the GASB Statement No. 87, the Right-to-use lease is to be amortized equally over the life of the lease term. For FY 2023, the amortization of the Right-to-use lease asset was $108K, for a net lease asset of $467K. The corresponding lease payable totals $502.7K, of which $105.2K is current. For FY 2022, the right-to-use lease asset totaled $576K, with a corresponding right-to-use lease payable of $576K, of which $73K is current. Included in the asset and payable is a building lease of $551K for 64 months and an office equipment lease of $25K for 60 months.

Net Position - Net Investment in Capital Assets - For FY 2023, investment in capital assets totaled $34.9M and was comprised of CIP of $31.3M and other capital assets net of depreciation of $3.6M. For FY 2022, investment in capital assets totaled $29.4M and was comprised of CIP of $25.6M and other capital assets net of depreciation of $3.8M. The increase of $5.4M or 18.5% for FY 2023 resulted primarily from an increase in CIP of $5.7M in construction activities and a decrease in other capital assets due to depreciation expense of $300K.

Net Position - Restricted - 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. During FY 2023, the Authority received a federal grant of Restoration Funds from USBR totaling $10.0M, which increased the restricted funds accordingly. For FY 2023, net position-restricted totaled $16.4M, which is consistent with the balance at FY 2022 plus the increase due to the federal grant.

SAN GABRIEL BASIN WATER QUALITY AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
June 30, 2023

Statements of Revenue, Expenses and Changes in Net Position

	For the year ended June 30		Dollar Change	Percentage Change
	2023	**2022**		
Total operating revenues	$ 25,219,297	$ 19,770,422	$ 5,448,875	27.6%
Total operating expenses	25,513,345	19,978,700	5,534,645	27.7%
Operating loss	(294,048)	(208,278)	(85,770)	41.2%
Nonoperating revenues	311,985	53,927	258,058	478.5%
Nonoperating (expenses)	(47,217)	(32,788)	(14,429)	44.0%
Loss before capital contributions	(29,280)	(187,139)	157,859	-84.4%
Capital contributions	12,231,211	10,106,988	2,124,223	21.0%
Change in net position	12,201,931	9,919,849	2,282,082	23.0%
Beginning net position	45,978,248	36,058,399	9,919,849	27.5%
Ending net position	$ 58,180,179	$ 45,978,248	$ 12,201,931	26.5%

Operating Revenues - Operating revenues for FY 2023 total $25.2M which is an increase of $5.4M, or 27.6% over the prior year in which operating revenues totaled $19.8M. The increase is due primarily to an increase of $5.2M in RP contributions, an increase of $13.1K in federal funding, and an increase in state funding of $545.4K.

RP Contributions - Through agreements, T & R costs for projects located primarily in the BPOU and SEMOU are paid through the Authority. For FY 2023, the Authority recognized as revenue $20.9M in funding from the BPOU RPs and $0 from the SEMOU RPs for costs related to these projects. Overall, the increase of $5.16M or 32.6% over the prior year is due primarily to increases in T & R costs for the BPOU projects and the lack of funding for the SEMOU projects. For the prior year 2022, the Authority recognized $15.8M in funding from the BPOU RPs and $0 from the SEMOU RPs for costs related to these projects.

<u>Summary of Revenue, Expenses and Changes in Net Position (continued)</u>

Federal Funding - The Authority recognizes as income certain federal grants that are used to pay for project T & R costs. During FY 2023, $1.05M was recognized as income from federal grants, an increase of $13.1K or 1.3% from the prior year. During FY 2022, $1.04M was recognized as income from federal grants.

Operating Expenses **-** Total operating expenses increased by $5.5M or 27.7% in the current year primarily due to a $5.4M increase in project T & R costs, which corresponds to the increase in funding from RP contributions.

Professional Services - Professional services for FY 2023 totaled $132K which is a decrease of $87.7K from the prior year. Costs incurred during 2023 include costs for general legal counsel and the services of certain professional firms, including project legal costs, a database and mapping consultant, an outside accountant, and audit services. In the prior FY 2022 year professional fees totaled $219k, and included costs totaling $100K for engineering and accounting costs for the State funded Proposition 68 project. These fees totaled $39.3K for FY 2023.

Project T & R Costs - Project T & R costs total $22.9M and are related primarily to projects within the BPOU and SEMOU. Although the majority of these costs are funded through RPs, for FY 2023 approximately $1.0M in costs were funded by federal funding sources. The $5.4M increase in the current year is due to increases in costs related to the treatment and remediation process in the BPOU, as well as the timing of approval of the reimbursements for the SEMOU T & R costs.

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

Nonoperating Revenues (Expenses) - For both FY 2023 and 2022 Nonoperating Revenues (Expenses) include interest income and interest expense.

Capital Contributions

Capital Contributions	**2023**	**2022**
Governmental - Federal	$ 10,000,000	$ 9,730,000
Governmental - State	-	131,482
Responsible Parties	366,541	245,506
Water Producers	1,864,670	-
Total Capital Contributions	$ 12,231,211	$ 10,106,988

Revenues that are restricted for capital expenditures and FFPA awards are recorded as capital contributions. As funding is received for capital projects and the FFPA program, it is recorded as a capital contribution and the corresponding costs are recorded as CIP, Fixed Assets, or restricted assets such as cash and account receivable. Capital contributions increased by $2.1M in the current year due to the receipt of a federal grant to be used for the FFPA program, as well as an increase in the CIP and capital assets for FY 2023. The capital contributions received from the Responsible Parties were from the BPOU RPs for construction reimbursements for the SGVWC B6 project and the VCWD SA-1 project. The capital contributions received from the Water Producers were for construction reimbursements for the CDWC PFAS project and the LPVCWD Nitrate project. The governmental - Federal contributions are restricted for the FFPA program.

SAN GABRIEL BASIN WATER QUALITY AUTHORITY

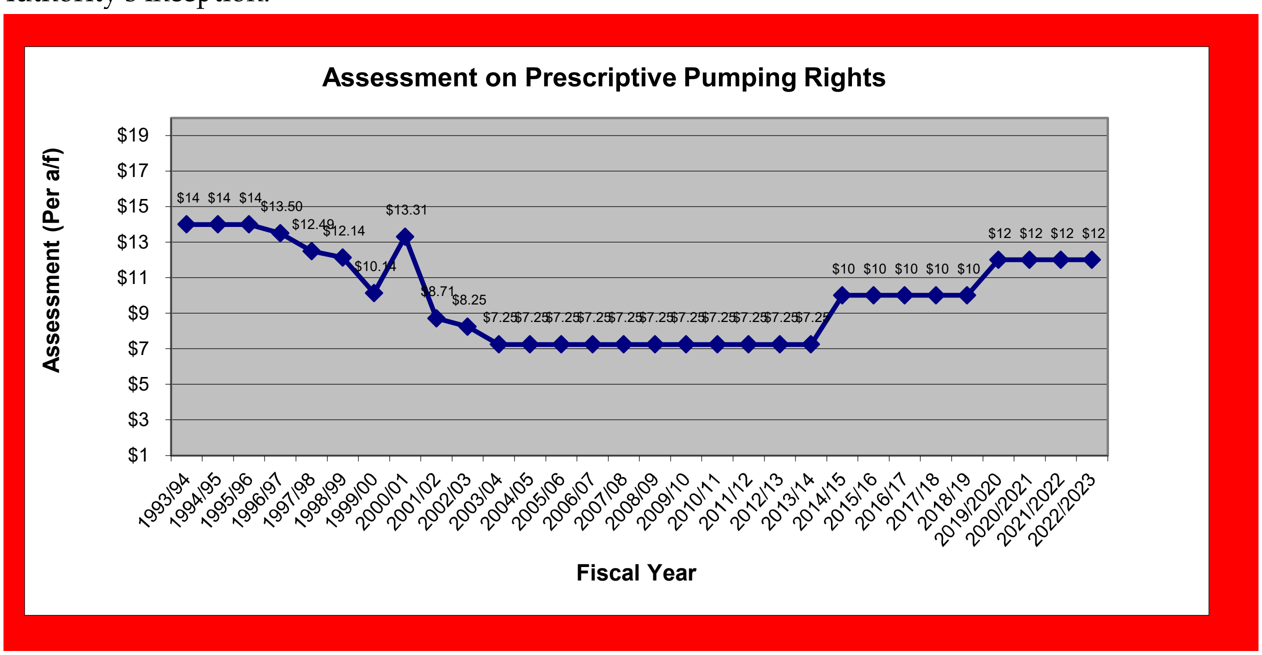
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
June 30, 2023

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/Long Beach/Anaheim Consumer Price Index - All Urban Consumers (CPI). The increase in the CPI from 2004 to 2023 is 54.5%, resulting in an allowable maximum assessment of $17.06 per acre-foot.

Prior to FY 2015, the Authority had minimized assessment dollars needed by securing funding from outside sources such as federal funding, state funding, RP funding 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 remained at that rate through FY 2019. For FY 2020, the assessment was increased to $12 per acre-foot, and remained at $12 per acre-foot for FY 2021, FY 2022 and FY 2023.

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



	June 30 2023	June 30 2022
ASSETS		
Current assets		
Cash and investments	**$ 25,878,815**	$ 9,848,330
Accounts receivable	**3,308,917**	12,760,212
Inventories	**444,879**	444,879
Prepaid expenses and other receivables	**57,375**	53,128
Interest receivable	**121,919**	12,203
Current portion of note receivable	**415,627**	404,700
Total current assets	**30,227,532**	23,523,452
Noncurrent assets		
Capital assets		
Construction in progress	**31,285,663**	25,588,787
Other capital assets, net of accumulated depreciation	**3,588,575**	3,848,111
Right-to-use lease asset, net of accumulated amortization	**467,574**	575,854
Total capital assets, net	**35,341,812**	30,012,752
Deposits	**22,934**	22,914
Note receivable, net of current portion	**-**	415,627
Total noncurrent assets	**35,364,746**	30,451,293
Total assets	**$ 65,592,278**	$ 53,974,745
LIABILITIES		
Current liabilities		
Accounts payable	**$ 4,740,181**	$ 4,840,680
Accrued expenses	**92,049**	98,116
Interest payable	**22,149**	32,788
Unearned revenue	**1,234,672**	1,234,672
Current portion of note payable	**404,700**	394,060
Current portion of right-to-use lease payable	**101,140**	73,133
Total current liabilities	**6,594,891**	6,673,449
Noncurrent liabilities		
Right-to-use lease payable, net of current portion	**401,581**	502,721
Note payable, net of current portion	**415,627**	820,327
Total noncurrent liabilities	**817,208**	1,323,048
Total liabilities	**7,412,099**	7,996,497
NET POSITION		
Net investment in capital assets	**34,874,238**	29,436,898
Restricted	**16,361,740**	12,218,442
Unrestricted	**6,944,201**	4,322,908
Total net position	**58,180,179**	45,978,248
Total liabilities and net position	**$ 65,592,278**	$ 53,974,745

See notes to financial statements.

	Years ended June 30	
	2023	2022
Operating revenues		
Pumping right assessments	**$ 2,371,335**	$ 2,371,336
Responsible party contributions	**20,971,919**	15,811,888
Federal funding sources	**1,054,875**	1,041,771
State funding	**821,168**	545,427
Total operating revenues	**25,219,297**	19,770,422
Operating expenses		
Administrative salaries	**889,487**	772,211
Fringe benefits	**252,952**	225,667
Consulting	**477,776**	485,811
Professional services	**132,071**	219,737
Office Lease	**6,118**	92,557
Supplies	**17,467**	8,279
Insurance	**31,036**	28,943
Public relations	**172,603**	147,374
Travel and conferences	**30,418**	7,120
Telephone and utilities	**7,893**	6,891
Dues and subscriptions	**29,672**	30,548
Board member fees	**45,435**	44,829
Equipment lease, rent and maintenance	**41,867**	44,137
Depreciation	**299,748**	305,572
Amortization - office lease and copier lease	**108,280**	-
Miscellaneous expense	**808**	784
Project treatment and remediation costs	**22,851,437**	17,414,701
Project grants	**118,277**	143,539
Total operating expenses	**25,513,345**	19,978,700
Operating loss	**(294,048)**	(208,278)
Nonoperating revenue (expense)		
Interest income	**311,985**	53,927
Interest expense	**(47,217)**	(32,788)
Net nonoperating revenues	**264,768**	21,139
Loss before capital contributions	**(29,280)**	(187,139)
Capital contributions	**12,231,211**	10,106,988
Change in net position	**12,201,931**	9,919,849
Net position at beginning of year	**45,978,248**	36,058,399
Net position at end of year	**$ 58,180,179**	$ 45,978,248

See notes to financial statements.

	Years ended June 30 2023	2022
Cash flows from operating activities		
Cash from operating revenues	**$ 34,670,592**	$ 11,810,215
Cash paid to suppliers for goods and services	**(24,028,276)**	(18,231,328)
Cash paid to or on behalf of employees for services	**(1,187,874)**	(1,042,707)
Net cash provided by (used in) operating activities	**9,454,442**	(7,463,820)
Cash flows from noncapital financing activities		
Proceeds received from note receivable	**404,700**	777,760
Interest received from note receivable	**57,856**	43,148
Payments on lease payable	**(73,133)**	-
Payments on note payable	**(394,060)**	(383,700)
Interest paid on lease payable and note payable	**(57,856)**	(43,148)
Net cash (used in) provided by noncapital financing activities	**(62,493)**	394,060
Cash flows from capital and related financing activities		
Acquisition of capital assets	**(148,492)**	(145,972)
Construction in progress expenditures	**(5,696,876)**	(241,552)
Capital contributions received	**12,231,211**	10,106,988
Net cash provided by capital and related financing activities	**6,385,843**	9,719,464
Cash flows from investing activity		
Interest received on investments	**252,693**	47,031
Cash provided by investing activity	**252,693**	47,031
Net increase in cash and cash equivalents	**16,030,485**	2,696,735
Cash and cash equivalents at beginning of year	**9,848,330**	7,151,595
Cash and cash equivalents at end of year	**$ 25,878,815**	$ 9,848,330

See notes to financial statements.

	Years ended June 30	
	2023	2022
Cash flows from operating activities		
Operating loss	**$ (294,048)**	$ (208,278)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities		
Depreciation and amortization	**408,028**	305,572
(Increase) decrease in accounts receivable	**9,451,295**	(7,960,207)
(Increase) decrease in prepaid expenses and other receivables	**(4,247)**	4,612
Increase in deposits	**(20)**	(19)
Increase (decrease) in accounts payable and accrued expenses	**(106,566)**	394,500
Net cash provided by (used in) operating activities	**$ 9,454,442**	$ (7,463,820)

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. Assembly Bill No. 2163 became law in September 2022, extending the Act until July 1, 2050.

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)

Financial reporting

Standard effective for the fiscal year ended June 30, 2022:

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

The implementation of this new accounting standard resulted in recognition of lease payable and right-to-use lease asset in the Authority's June 30, 2022 financial statements. For the June 30, 2023 financial statements, the Authority has recognized amortization expense and interest expense for the leases as well. See also Notes 11 and 12. for further discussion of right-of-use lease asset and lease payable.

Standard effective for the fiscal year ended June 30, 2023:

GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements (SBITA)*, effective for fiscal years beginning after June 15, 2022. This Statement provides guidance on the accounting and financial reporting for SBITAs for governments. It defines a SBITA, establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability, provides the capitalization criteria for outlays other than subscription payments, and requires note disclosures regarding a SBITA. The implementation of this new accounting standards did not significantly affect the Authority's financial statements for the year ended June 30, 2023.

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, 2023 and 2022.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. For the fiscal years ended June 30, 2023 and 2022, the annual pumping right assessment was $12 per acre-foot.

Operating Revenues
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.

<u>Administrative Costs</u>
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.

<u>Project Costs</u>
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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accrued Liabilities and Accounts Payable (continued)

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. The unearned revenue liability as of June 30, 2023 and 2022 totaled $1,234,672.

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, 2023 and 2022.

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, 2023 and 2022.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates (Continued)

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:

	2023	2022
Cash on hand	**$ 250**	$ 250
Deposits with financial institutions	**8,652,703**	3,330,216
LAIF	**17,225,862**	6,517,864
	$ 25,878,815	$ 9,848,330

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.

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.

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

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.

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, 2023, the Authority's deposits (bank balances) exceeded the maximum deposit insurance amount by $8,402,703.

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

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, 2023 and 2022:

	June 30, 2023				
		Remaining Maturity			
Investment	**Amount**	**12 Months or Less**	**13 to 36 Months**	**37 to 60 Months**	**Over 60 Months**
LAIF *	$ **17,225,862**	$ **17,225,862**	$ -	$ -	$ -
Total	$ **17,225,862**	$ **17,225,862**	$ -	$ -	$ -

	June 30, 2022				
		Remaining Maturity			
Investment	**Amount**	**12 Months or Less**	**13 to 36 Months**	**37 to 60 Months**	**Over 60 Months**
LAIF *	$ 6,517,864	$ 6,517,864	$ -	$ -	$ -
Total	$ 6,517,864	$ 6,517,864	$ -	$ -	$ -

* LAIF is not rated.

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.

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

The following table represents the Authority's fair value hierarchy for its financial assets measured at fair value on a recurring basis at June 30:

Investment Type	2023	2022	Level of Inputs
Cash on hand	**$ 250**	$ 250	Uncategorized
Deposits with financial institutions	**8,652,703**	3,330,216	Uncategorized
LAIF	**17,225,862**	6,517,864	Uncategorized
	$ 25,878,815	$ 9,848,330	

NOTE 3 ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at June 30, 2023 and 2022:

	2023	2022
Federal grants	**$ 781,024**	$ 10,773,592
State grants	**375,819**	398,079
Responsible party contributions	**1,839,446**	1,339,859
Pumping right assessments	**312,583**	248,637
Other	**45**	45
	$ 3,308,917	$ 12,760,212

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 the 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, 2023, the note receivable for the Authority is $415,627 which is receivable within the next 12 months. At June 30, 2022, the note receivable was $820,327 of which $404,700 was receivable within the next 12 months.

NOTE 5 CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2023, is as follows:

	Beginning Balance June 30, 2022	Additions	Disposals	Ending Balance June 30, 2023
Capital assets, not being depreciated				
Construction in progress	$ 25,588,787	$ 5,696,876	$ -	$ 31,285,663
Total capital assets, not being depreciated	25,588,787	5,696,876	-	31,285,663
Capital assets being depreciated				
Office furniture and equipment	189,805	40,213	(6,196)	223,822
BPOU monitoring wells	8,792,835	-	-	8,792,835
SEMOU sentinel well	102,437	-	-	102,437
SEMOU Bozung Treatment Facility	933,954	-	-	933,954
SEMOU monitoring wells	337,885	-	-	337,885
Total capital assets being depreciated	10,356,916	40,213	(6,196)	10,390,933
Less accumulated depreciation				
Office furniture and equipment	(177,430)	(13,362)	6,196	(184,596)
BPOU monitoring wells	(5,892,228)	(251,223)	-	(6,143,451)
SEMOU sentinel well	(52,684)	(2,927)	-	(55,611)
SEMOU Bozung Treatment Facility	(376,394)	(26,684)	-	(403,078)
SEMOU monitoring wells	(10,069)	(5,553)	-	(15,622)
Total accumulated depreciation	(6,508,805)	(299,749)	6,196	(6,802,358)
Total capital assets being depreciated, net	3,848,111	(259,536)	-	3,588,575
Right-to-use lease assets				
Office space	551,243	-	-	551,243
Office equipment	24,611	-	-	24,611
Total right-to-use lease asset	575,854	-	-	575,854
Less accumulated amortization				
Office space	-	(103,358)	-	(103,358)
Office equipment	-	(4,922)	-	(4,922)
Total accumulated amortization	-	(108,280)	-	(108,280)
Total right-to-use lease asset, net	575,854	(108,280)	-	467,574
Total capital assets, net	$ 30,012,752	$ 5,329,060	$ -	$ 35,341,812

NOTE 5 CAPITAL ASSETS (CONTINUED)

A summary of changes in capital assets for the year ended June 30, 2022, is as follows:

	Beginning Balance June 30, 2021	Additions	Disposals	Ending Balance June 30, 2022
Capital assets, not being depreciated				
Construction in progress	$ 25,347,235	$ 241,552	$ -	$ 25,588,787
Total capital assets, not being depreciated	25,347,235	241,552	-	25,588,787
Capital assets being depreciated				
Office furniture and equipment	222,827	2,431	(35,453)	189,805
BPOU monitoring wells	8,792,835	-	-	8,792,835
SEMOU sentinel well	102,437	-	-	102,437
SEMOU Bozung Treatment Facility	933,954	-	-	933,954
SEMOU monitoring wells	194,344	143,541	-	337,885
Total capital assets being depreciated	10,246,397	145,972	(35,453)	10,356,916
Less accumulated depreciation				
Office furniture and equipment	(196,363)	(16,520)	35,453	(177,430)
BPOU monitoring wells	(5,641,005)	(251,223)	-	(5,892,228)
SEMOU sentinel well	(49,757)	(2,927)	-	(52,684)
SEMOU Bozung Treatment Facility	(349,710)	(26,684)	-	(376,394)
SEMOU monitoring wells	(1,851)	(8,218)	-	(10,069)
Total accumulated depreciation	(6,238,686)	(305,572)	35,453	(6,508,805)
Total capital assets being depreciated, net	4,007,711	(159,600)	-	3,848,111
Right-to-use lease assets				
Office space	-	551,243	-	551,243
Office equipment	-	24,611	-	24,611
Total right-to-use lease asset	-	575,854	-	575,854
Less accumulated amortization				
Office space	-	-	-	-
Office equipment	-	-	-	-
Total accumulated amortization	-	-	-	-
Total right-to-use lease asset, net	-	575,854	-	575,854
Total capital assets, net	$ 29,354,946	$ 657,806	$ -	$ 30,012,752

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.

The changes in long-term debt for the year ended June 30, 2023, are as follows:

	Beginning Balance June 30, 2022	Additions	Payments	Ending Balance June 30, 2023	Due Within One Year
Note payable	$ 1,214,387	$ -	$ (394,060)	$ 820,327	$ 404,700

NOTE 6 NOTE PAYABLE (CONTINUED)

Changes in long-term debt for the year ended June 30, 2022, are as follows:

	Beginning Balance June 30, 2021	Additions	Payments	Ending Balance June 30, 2022	Due Within One Year
Note payable	$ 1,598,087	$ -	$ (383,700)	$ 1,214,387	$ 394,060

Payments of principal and interest for each of the next two fiscal year increments are as follows:

Years ending June 30	Principal	Interest	Total
2024	$ 404,700	$ 22,148	$ 426,848
2025	415,627	11,221	426,848
Total	$ 820,327	$ 33,369	$ 853,696

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. Under the Restoration Funds program, the USBR has also provided funding for Treatment and Remediation for Phase I and Phase II treatment facilities in the BPOU. The revenue received for the Phase I and II totaled $10.0M and $9.73M for the fiscal year ended June 30, 2023 and 2022, respectively and has been recorded as a capital contribution.

The Authority has entered into agreements with the California SWRCB for Proposition 1 funding for planning projects in the SEMOU. Capital contributions for the construction of monitoring wells totaled $0 and $131,482 for the fiscal years ended June 30, 2023 and 2022, respectively.

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. The Producers contributed $1,864,670 and $0 for the fiscal years ended June 30, 2023 and 2022, respectively.

NOTE 7 CAPITAL CONTRIBUTIONS (CONTINUED)

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 $366,541 and $245,506 for fiscal years ended June 30, 2023 and 2022, 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 $66,000 ($73,500 including catch-up contributions). The Authority's contributions to the Pension Plan totaled $113,968 and $97,527 for the years ended June 30, 2023, and 2022, 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 totaled $876,674 and $754,068, as of June 30, 2023 and 2022, respectively.

NOTE 9 DEFERRED COMPENSATION PLANS (CONTINUED)

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 2022. Expense for office space for the years ended June 30, 2023 and 2022 was $6,188 and $92,557, respectively, and for the equipment leases was $629 and $6,171 respectively. The expense for office equipment is included in Equipment lease, rent and maintenance on the Statements of Revenue, Expenses and Changes in Net Position.

NOTE 11 RIGHT-TO-USE LEASE ASSET

Ruffle Properties - Office Space

On June 29, 2022, the Authority entered into a lease agreement with Ruffles Properties (lessor) to lease office space for sixty-four (64) months. The term of the agreement begins on July 1, 2022.

Since the interest rate implicit in the lease is not readily determined by the Authority, the future lease payment was discounted using an estimated incremental borrowing rate should a loan be taken to pay lease amounts during the lease term. The discount rate associated with the operating lease as of June 30, 2023 is 5 percent.

Cell Business Equipment (CBE) – Office equipment

On August 12, 2022, the Authority entered into a lease agreement with CBE (lessor) to lease office equipment for sixty (60) months. The term of the agreement begins on the date the equipment is delivered and accepted.

The future lease payment was discounted using the interest rate implicit in the lease which is 6 percent as of June 30, 2023.

The Authority reported right-to-use asset, net of accumulated amortization amounting to $467,574 and $575,854 as of June 30, 2023 and 2022, respectively.

NOTE 12 RIGHT-TO-USE LEASE PAYABLE

As of June 30, 2023, lease payable consisted of the following:

	Beginning Balance June 30, 2022	Additions	Payments	Ending Balance June 30, 2023	Due Within One Year
Ruffles Properties	$ 551,243	$ -	$ 69,500	$ 481,743	$ 96,572
Cell Business Equipment	24,611	-	3,633	20,978	4,568
	$ 575,854	$ -	$ 73,133	$ 502,721	$ 101,140

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
2024	$ 101,140	$ 23,039	$ 124,179
2025	109,763	17,740	127,503
2026	118,931	11,995	130,926
2027	128,677	5,774	134,451
2028	44,210	461	44,671
	$ 502,721	$ 59,009	$ 561,730

NOTE 13 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 14 SUBSEQUENT EVENTS

The Authority has evaluated events or transactions through February 21, 2024, 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 events require disclosure or adjustment to the accompanying financial statements.

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