



**SAN GABRIEL BASIN
WATER QUALITY
AUTHORITY**

San Gabriel Basin Water Quality Authority

Annual Financial Report

For the Fiscal Year Ended June 30, 2024



Mission Statement

Cleaning up groundwater for future generations.

**San Gabriel Basin Water Quality Authority
Board of Directors as of June 30, 2024**

Name	Title	Agency	Elected/ Appointed	Current Term
Mark Paulson	Chairman	San Gabriel Municipal Water District	Appointed	1/21-12/24
Lynda Noriega	Vice-Chairwoman	California Domestic Water Company	Appointed	1/21-12/24
Valerie Muñoz	Secretary	City of La Puente	Appointed	1/24-1/27
Robert Gonzales	Treasurer	City of Azusa	Appointed	1/22-12/25
Ed Chavez	Director	Upper San Gabriel Valley Municipal Water District	Appointed	1/21-12/24
Robert DiPrimo	Director	San Gabriel Valley Water Company	Appointed	1/21-12/24
Bob Kuhn	Director	Three Valleys Municipal Water District	Appointed	1/23-12/26

**San Gabriel Basin Water Quality Authority
Mary Saenz, Director of Finance
1720 W. Cameron Ave., Suite 100
West Covina, California 91790
(626) 338-5555 – www.wqa.com**

San Gabriel Basin Water Quality Authority
Annual Financial Report
For the Fiscal Year Ended June 30, 2024

**San Gabriel Basin Water Quality Authority
Annual Financial Report
For the Fiscal Years Ended June 30, 2024 and 2023**

Table of Contents

	<u>Page No.</u>
Table of Contents	i
Financial Section	
Independent Auditor’s Report	1-3
Management’s Discussion and Analysis	4-13
Basic Financial Statements:	
Statements of Net Position	14
Statements of Revenues, Expenses, and Changes in Net Position	15
Statements of Cash Flows	16-17
Notes to the Basic Financial Statements	18-38
Report on Internal Controls and Compliance	
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	39-40

Financial Section



C.J. Brown & Company CPAs

An Accountancy Corporation

Christopher J. Brown, CPA, CGMA
Jonathan Abadesco, CPA
Jeffrey Palmer

Cypress Office:
10805 Holder Street, Suite 150
Cypress, California 90630
(657) 214-2307

Riverside Office:
5051 Canyon Crest Drive, Suite 203
Riverside, California 92507
(657) 214-2307

Independent Auditor's Report

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

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of the San Gabriel Basin Water Quality Authority (Authority), which comprises the statements of net position as of June 30, 2024, and the related statement of revenues, expenses, and changes in net position for the fiscal year 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 financial statements referred to above present fairly, in all material respects, the financial position of the San Gabriel Basin Water Quality Authority as of June 30, 2024, and the changes in net position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. The prior year information included in this report was audited by other auditors, which issued an unmodified opinion. The prior year's information is included in this report for comparative purposes only. We do not express an opinion or provide any assurance on the prior year's information included in this report.

Basis for Opinion

We conducted our audit 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 State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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.

Independent Auditor's Report, continued

Auditor's Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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.

Independent Auditor's Report, continued

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 4 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 March 19, 2025, 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. This report can be found on pages 39 and 40.

C.J. Brown & Company, CPAs

C.J. Brown & Company, CPAs

Cypress, California

March 19, 2025

San Gabriel Basin Water Quality Authority
Management's Discussion and Analysis, continued
For the Fiscal Year Ended June 30, 2024
(with Comparative Information Presented for June 30, 2023)

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the San Gabriel Basin Water Quality Authority (Authority) provides an introduction to the financial statements of the Authority for the fiscal year ended June 30, 2024 with comparative information for 2023. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section.

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 the 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, continued
For the Fiscal Year Ended June 30, 2024
(with Comparative Information Presented for 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, 2024 and 2023.

Statement of Net Position

	<u>June 30</u>		Dollar Change	Percentage Change
	<u>2024</u>	<u>2023</u>		
Assets				
Current assets	\$ 31,809,277	\$ 30,227,532	\$ 1,581,745	5.2%
Other capital assets , net	3,660,442	4,056,149	(395,707)	-9.8%
Construction in progress	34,851,352	31,285,663	3,565,689	11.4%
Noncurrent assets	<u>22,934</u>	<u>22,934</u>	-	<u>0.0%</u>
Total assets	<u>70,344,005</u>	<u>65,592,278</u>	<u>4,751,727</u>	<u>7.2%</u>
Liabilities				
Current liabilities	7,418,534	6,594,891	823,643	12.5%
Noncurrent liabilities	<u>291,818</u>	<u>817,208</u>	<u>(525,390)</u>	<u>-64.3%</u>
Total liabilities	<u>7,710,352</u>	<u>7,412,099</u>	<u>298,253</u>	<u>4.0%</u>
Net Position				
Net investment in capital assets	38,152,500	34,874,238	3,278,262	9.4%
Restricted	17,774,266	16,361,740	1,412,526	8.6%
Unrestricted	<u>6,706,887</u>	<u>6,944,201</u>	<u>(237,314)</u>	<u>-3.4%</u>
Total net position	<u>\$ 62,633,653</u>	<u>\$ 58,180,179</u>	<u>\$ 4,453,474</u>	<u>7.7%</u>

Summary of Statements of Net Position

Current Assets – At June 30, 2024, current assets totaled \$31.8M and were comprised primarily of \$19.6M of cash and investments and \$11.2M of accounts receivable. At the prior year ended 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. Current assets increased by \$1.6M or 5.2% over the prior year, with cash and investments decreasing by \$6.3M and accounts receivable increasing by \$7.9M. The decrease in cash and investments is due to the timing of payments and reimbursements from the federal grantors, and the increase in accounts receivable is due to an increase of federal grants receivable in the amount of \$6.0M and an increase in receivables from Responsible Parties of \$1.9M both of which were subsequently collected in 2025.

San Gabriel Basin Water Quality Authority
Management's Discussion and Analysis, continued
For the Fiscal Year Ended June 30, 2024
(with Comparative Information Presented for June 30, 2023)

Summary of Statements of Net Position (continued)

Other Capital Assets – For FY 2024, Other Capital Assets included fixed assets of \$10.4M net of accumulated depreciation of \$7.1M and Right-to-use lease assets of \$576K net of accumulated amortization of \$217K. 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.

During FY 2024 purchases of office equipment totaled \$14.4K. Additionally, disposals of office equipment totaled \$43.7K of which were fully depreciated. The current year's additions and disposals along with depreciation of \$301K resulted in a net decrease in fixed assets of \$287K. During the prior FY 2023 purchases of office equipment totaled \$40.2K, with depreciation of \$300K. Additionally, disposals of office equipment totaled \$6.2K of which were fully depreciated resulting in a net decrease in capital assets of \$259K, or 7%.

For FY 2024, included in Other Capital Assets are right-to-use lease assets totaling \$359K, which is \$576K net of accumulated amortization of \$217K. For FY 2023, included in Other Capital Assets are right-to-use lease assets totaling \$468K, which is \$576K net of accumulated amortization of \$108K. See further discussion in the section titled 'Summary of Statements of Net Position at *Right-to-use lease asset/right-to-use lease payable*.

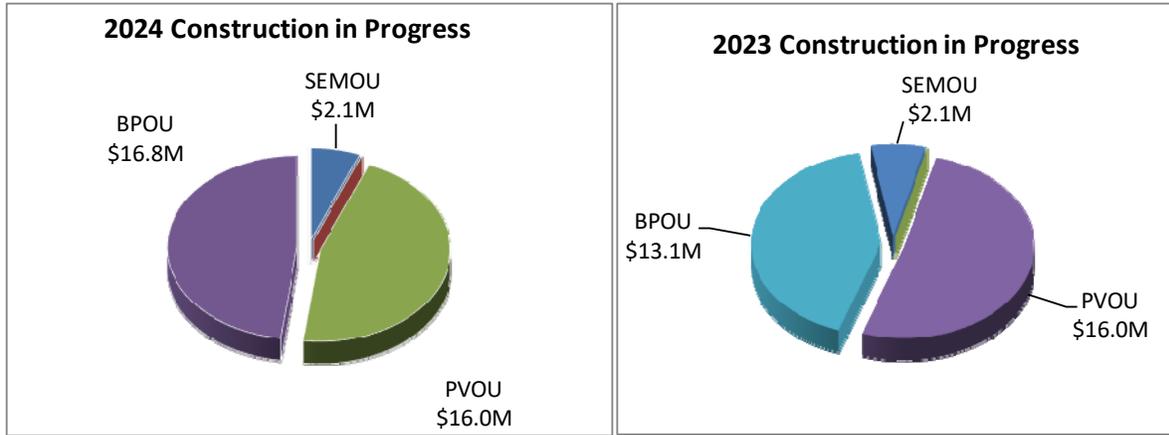
Overall, other capital assets net at FY 2024 and 2023 are \$3.7M and 4.1M, respectively.

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 Defendant's, 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 had 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, 2024 and 2023.

San Gabriel Basin Water Quality Authority
Management's Discussion and Analysis, continued
For the Fiscal Year Ended June 30, 2024
(with Comparative Information Presented for June 30, 2023)

Summary of Statements of Net Position (continued)



Construction In Progress (CIP) (continued) - At June 30, 2024, CIP totaled \$34.9M, a net increase of \$3.6M or 11.4% from FY 2023. Approximately 47.9% of CIP is related to the BPOU, 46.0% is related to the PVOU with the remaining 6.1% related to the SEMOU. During FY 2024, the Authority incurred \$980K of CIP for the treatment system at the San Gabriel Valley Water Company (SGVWC) B-6 treatment facility, \$644.8K for the Valley County Water District (VCWD) treatment at Sub-Area 1, and \$1.9M for construction of Plant 8 PFAS Treatment at California Domestic Water Company (CDWC). At the prior year ended June 30, 2023, CIP totaled \$31.3M, with approximately 42.0% of CIP related to the BPOU, 51.2% related to the PVOU, and 6.8% related to the SEMOU. During FY 2023, the Authority incurred \$1.0M of CIP for the treatment system at the SGVWC B-6 treatment facility as well as \$107.6K for the VCWD treatment at Sub-Area 1, \$2.4M for the Nitrate Facility at La Puente Valley County Water District (LPVCWD), and \$2.22M for construction of Plant 8 PFAS Treatment at CDWC.

Listed below and on the following page are descriptions of the major projects currently under construction and include in CIP as of June 30, 2024.

BALDWIN PARK OPERABLE UNIT

Valley County Water District (VCWD) Single Pass Treatment Facility

\$3.4M 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

\$6.2M related to the design and construction of an additional fixed bed ion exchange treatment system for the removal of nitrates.

La Puente Valley Water 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.

San Gabriel Basin Water Quality Authority
Management's Discussion and Analysis, continued
For the Fiscal Year Ended June 30, 2024
(with Comparative Information Presented for June 30, 2023)

Summary of Statements of Net Position (continued)

Construction in Progress (CIP) (continued)

California Domestic Water Company (CDWC) Plant 8 PFAS Treatment

\$4.2M for the design and construction of an ion exchange resin system for the removal of PFAS contamination.

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 advance oxidation system for the treatment of 1,4 dioxane contamination at SGVWC's Plant 8.

Current Liabilities - At 2024, current liabilities totaled \$7.4M, an increase of 824K from the prior fiscal year, and are primarily comprised of accounts payable and unearned revenue. At 2023, current liabilities totaled \$6.6M, a decrease of \$79K from the prior fiscal year, and are also comprised primarily of accounts payable and unearned revenue.

Accounts payable is \$5.5M for the current year, which is an increase of \$783K from FY 2023 primarily due to an increase in payables for BPOU projects of \$323K and an increase in payables to SEMOU producers and vendors of \$423K. The increases in BPOU payables and 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 related to funds previously received by the Authority source from 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 2023.

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 (SWRCB) for reimbursement of project costs related to the VCWD SA1 project located in the BPOU. At June 30, 2024, the note payable balance is \$415.6K and is current. 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 balances of the note receivable from the BPOU RPs and the note payable to the SWRCB are the same.

San Gabriel Basin Water Quality Authority
Management's Discussion and Analysis, continued
For the Fiscal Year Ended June 30, 2024
(with Comparative Information Presented for June 30, 2023)

Summary of Statements of Net Position (continued)

Right-to-use lease asset / right-to-use lease payable - The Authority has 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 lease that previously were classified as operating lease and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It established a single model or lease accounting based on the foundational principle that leases financing 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.

Under GASB Statement No. 87, the right-to-use lease is to be amortized equally over the life of the lease term. For FY 2024, the right-to-use lease assets totaled \$576K with amortization of \$216K, for net lease assets of \$359K. The corresponding lease payable totals \$402K, of which \$110K is current. For FY 2023, the right-to-use lease assets totaled \$576K with amortization of \$108K, for net lease assets of \$468K. The corresponding lease payable totaled \$503K, of which \$101K was current. Included in the asset and payable is a building lease of \$551K for a term of 64 months and an office equipment lease of \$25K for a term of 60 months.

Net Position - Net Investment in Capital Assets - For FY 2024, investment in capital assets totaled \$38.5M and was comprised of CIP of \$34.9M, other capital assets net of depreciation of \$3.3M, and right-to-use assets net of amortization of \$359K. For FY 2023, investment in capital assets totaled \$35.3M and was comprised of CIP of \$31.3M, other capital assets net of depreciation of \$3.6M, and right-to-use assets net of amortization of \$468K.

The increase in capital assets of \$3.2M or 9.0% for FY 2024 resulted primarily from an increase in CIP of \$3.6M in construction activities and a decrease in other capital assets due to disposals and depreciation expense, resulting in a net decrease of \$287K.

Restricted Net Position - 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.

San Gabriel Basin Water Quality Authority
Management's Discussion and Analysis, continued
For the Fiscal Year Ended June 30, 2024
(with Comparative Information Presented for June 30, 2023)

Summary of Statements of Net Position (continued)

Restricted Net Position (continued)

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 settlement funds are deposited into the Authority accounts and are distributed for capital and T & R costs incurred in connection with the specific projects identified in the agreements. During FY 2024, the Authority received a federal grant of Restoration Funds from USBR totaling \$5.5M, which increased the restricted funds accordingly.

For FY 2024, net position restricted totaled \$17.8M, which is consistent with the balance of \$16.4M at FY 2023 including the federal grant activity for FY 2024.

Statements of Revenue, Expense and Changes in Net Position

	For the year ended June 30		Dollar	Percentage
	2024	2023	Change	Change
Total operating revenues	\$ 28,563,989	\$ 25,219,297	\$ 3,344,692	13.3%
Total operating expenses	<u>29,822,694</u>	<u>25,513,345</u>	<u>4,309,349</u>	<u>16.9%</u>
Operating loss	(1,258,705)	(294,048)	(964,657)	328.1%
Nonoperating revenues	798,638	311,985	486,653	156.0%
Nonoperating (expenses)	<u>(34,262)</u>	<u>(47,217)</u>	<u>12,955</u>	<u>-27.4%</u>
Net nonoperating revenues (expenses, net)	764,376	264,768	499,608	188.7%
Loss before capital contributions	(494,329)	(29,280)	(465,049)	1588.3%
Capital contributions	<u>4,947,803</u>	<u>12,231,211</u>	<u>(7,283,408)</u>	<u>-59.5%</u>
Change in net position	4,453,474	12,201,931	(7,748,457)	-63.5%
Beginning net position	<u>58,180,179</u>	<u>45,978,248</u>	<u>12,201,931</u>	<u>26.5%</u>
Ending net position	<u>\$ 62,633,653</u>	<u>\$ 58,180,179</u>	<u>\$ 4,453,474</u>	<u>7.7%</u>

Operating Revenues – Operating revenues for FY 2024 total \$28.6M, which is an increase of \$3.3M, or 13.3% over prior year operating revenues of \$25.2M. The increase is due an increase of \$4.1M in federal funding, offset by decreases of \$522K in RP contributions and \$205K in state funding.

San Gabriel Basin Water Quality Authority
Management's Discussion and Analysis, continued
For the Fiscal Year Ended June 30, 2024
(with Comparative Information Presented for June 30, 2023)

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

RP Contributions – Through agreements, T & R costs for projects located primarily in the BPOU and SEMOU are paid through the Authority. For FY 2024, the Authority recognized revenue of \$20.5M in funding from the BPOU RPs and \$0 from SEMOU RPs for costs related to these projects. Overall, the decrease of \$522K or 2.5% under the prior year is due primarily to decreases in T & R costs for the BPOU projects and the lack of funding for the SEMOU projects. For the prior year 2023, the Authority recognized \$20.9M in funding from the BPOU RPs and \$0 from the SEMOU RPs for costs related to these projects.

Federal Funding – The Authority recognizes as income certain federal grants that are used to pay for project T & R costs. During FY 2024, \$5.1M was recognized as income from federal grants, an increase of \$4.1M or 385.9% from the prior year. During FY 2023, \$1.05M was recognized as income from federal grants.

Operating Expenses – Total operating expenses increased by \$4.3M, or 16.9% in the current year primarily due to an increase in project T & R costs of \$2.0M and project grants of \$2.2M, which corresponds to the increase in funding from Federal grants and RP contributions.

Professional Services – Professional services for FY 2024 totaled \$158K, which is an increase of \$26K from the prior year. Costs incurred during 2024 include costs for general legal counsel, the services of certain professional firms, including project legal costs, database and mapping consultants, computer consultants, audit services and management consultant services. In the prior year professional fees totaled \$132K, and included costs for general legal counsel, computer consultants and audit services.

Project T & R Costs and Project Grants – Project T & R costs totaled \$24.9M and project grants totaled \$2.3M; both are primarily related to projects within the BPOU and SEMOU. This is an increase from 2023 of \$4.3M or 16.9%. Although the majority of these costs are funded through RPs, for FY 2024 approximately \$5.1M in costs were funded by federal funding sources. The \$4.3M 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.

Nonoperating Revenues (Expenses) – For both FY 2024 and 2023 Nonoperating Revenues (Expenses) include interest income and interest expense.

Capital Contributions

Capital Contributions	2024	2023
Governmental - Federal	\$ 3,351,562	\$ 10,000,000
Responsible Parties	810,939	366,541
Water Producers	<u>785,302</u>	<u>1,864,670</u>
Total Capital Contributions	<u>\$ 4,947,803</u>	<u>\$ 12,231,211</u>

San Gabriel Basin Water Quality Authority
Management's Discussion and Analysis, continued
For the Fiscal Year Ended June 30, 2024
(with Comparative Information Presented for June 30, 2023)

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

Capital Contributions (continued)

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 accounts receivable. Capital contributions decreased in the current year by \$7.2M for the following reasons: the Authority received \$5.5M in federal funds which is a reduction of \$4.5M from the prior year, additionally, the Authority paid out FFPA awards for T & R costs which reduced the federal capital contributions by an additional \$2.1M.

The capital contributions received from the Responsible Parties were from the BPOU RPs for the construction reimbursements for the SGVWC B6 project and the VCWD SA-1 project. The capital contributions received from Water Producers were for construction reimbursements for the CDWC PFAS project. The governmental Federal contributions are restricted for FFPA program.

Economic Factors

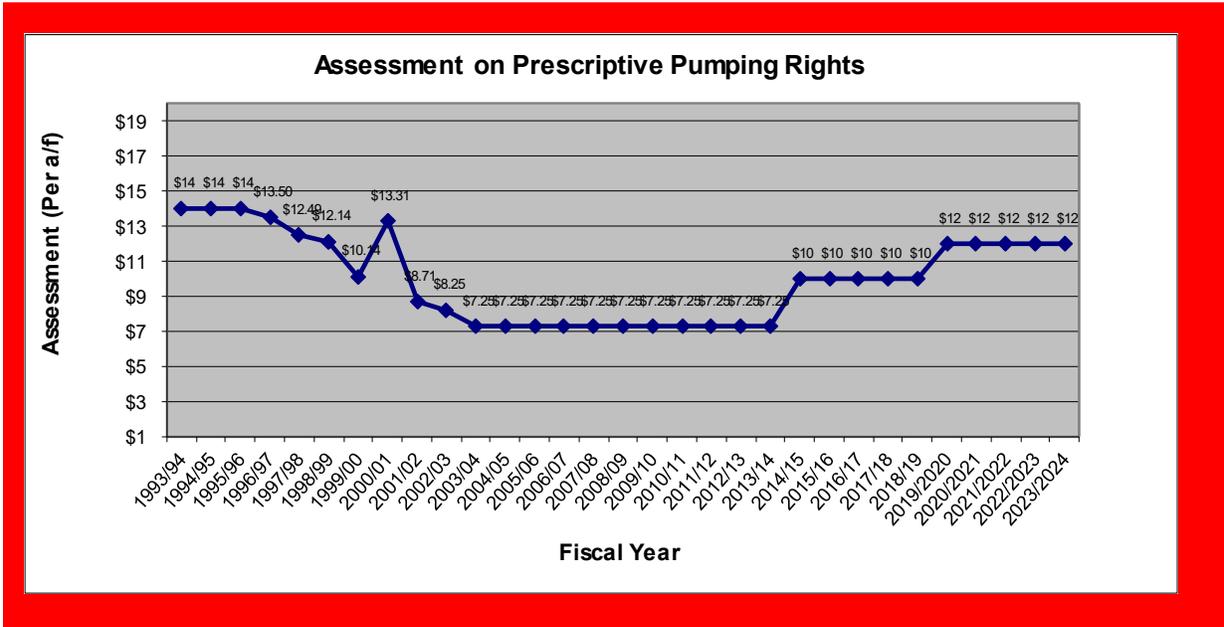
Section 605 of WQA's enabling Act, as amended by AB279 (Rubio) effective January 1, 2024, grants the WQA the authority to impose an annual pumping right assessment not to exceed \$20 per acre-foot. Additionally, Section 608 of the enabling Act grants WQA the authority to annually adjust the assessment rate by an amount not to exceed the percentage change in the regional Consumer Price Index - All Urban Consumers (CPI). Assessment Section 605 of the Authority's enabling Act. 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 2024 is 58.4%, resulting in an allowable maximum assessment of \$17.73 per acre-foot.

San Gabriel Basin Water Quality Authority
Management's Discussion and Analysis, continued
For the Fiscal Year Ended June 30, 2024
(with Comparative Information Presented for June 30, 2023)

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

Economic Factors (continued)

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



Conditions Affecting Current Financial Position

Management is unaware of any conditions, which could have a significant impact on the District's current financial position, net position or operating results in terms of past, present, and future periods.

Requests for Information

This financial report is designed to provide the Authority's present users, including funding sources, customers, stakeholders, and other interested parties with a general overview of the Authority's finances and to demonstrate the Authority's accountability with respect to the Authority's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the Authority's Finance Director, Mary Saenz, CPA at 1720 W. Cameron Avenue, Suite 100, West Covina, California 91790 - (626) 338-5555.

Basic Financial Statements

San Gabriel Basin Water Quality Authority
Statements of Net Position
June 30, 2024
(with Comparative Information Presented for June 30, 2023)

		June 30	
		2024	2023
ASSETS			
Current assets			
Cash and investments (note 2)	\$	19,587,459	\$ 25,878,815
Accounts receivable (notes 3)		11,196,482	3,308,917
Inventories		444,879	444,879
Prepaid expenses and other receivables		57,646	57,375
Interest receivable		107,184	121,919
Current portion of note receivable (note 4)		415,627	415,627
Total current assets		31,809,277	30,227,532
Noncurrent assets			
Capital assets:			
Construction in progress (note 5)		34,851,352	31,285,663
Other capital assets, net (notes 5)		3,301,148	3,588,575
Right-to-use lease asset, net (note 5)		359,294	467,574
Total capital assets, net		38,511,794	35,341,812
Deposits		22,934	22,934
Total noncurrent assets		38,534,728	35,364,746
Total assets		70,344,005	65,592,278
LIABILITIES			
Current liabilities			
Accounts payable		5,522,726	4,740,181
Accrued expenses		124,524	92,049
Interest payable		11,222	22,149
Unearned revenue		1,234,672	1,234,672
Current portion of note payable (note 4)		415,627	404,700
Current portion of right-to-use lease payable (note 12)		109,763	101,140
Total current liabilities		7,418,534	6,594,891
Noncurrent liabilities			
Note payable, net of current portion (note 4)		-	415,627
Right-to-use lease payable, net of current portion (note 12)		291,818	401,581
Total noncurrent liabilities		291,818	817,208
Total liabilities		7,710,352	7,412,099
NET POSITION			
Net investment in capital assets		38,152,500	34,874,238
Restricted		17,774,266	16,361,740
Unrestricted		6,706,887	6,944,201
Total net position	\$	62,633,653	\$ 58,180,179

See accompanying notes to the basic financial statements.

San Gabriel Basin Water Quality Authority
Statements of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years Ended June 30, 2024
(with Comparative Information Presented for June 30, 2023)

	Years ended June 30	
	2024	2023
Operating revenues		
Pumping right assessments	\$ 2,371,335	\$ 2,371,335
Responsible party contributions	20,450,078	20,971,919
Federal funding sources	5,126,103	1,054,875
State funding	616,473	821,168
Total operating revenues	28,563,989	25,219,297
Operating expenses		
Administrative salaries	952,801	889,487
Fringe benefits	249,638	252,952
Consulting	472,256	477,776
Professional services	157,923	132,071
Office Lease	1,800	6,118
Supplies	11,525	17,467
Insurance	40,478	31,036
Public relations	166,552	172,603
Travel and conferences	31,989	30,418
Telephone and utilities	8,602	7,893
Dues and subscriptions	36,357	29,672
Board member fees	46,950	45,435
Equipment lease, rent and maintenance	35,385	41,867
Depreciation	301,833	299,748
Amortization - Office Lease and Copier Lease	108,280	108,280
Miscellaneous expense	944	808
Project treatment and remediation costs	24,870,107	22,851,437
Project grants	2,329,274	118,277
Total operating expenses	29,822,694	25,513,345
Operating Income (loss)	(1,258,705)	(294,048)
Nonoperating revenues (expenses)		
Interest income	798,638	311,985
Interest expense	(34,262)	(47,217)
Net nonoperating revenues (expenses)	764,376	264,768
Income (Loss) before capital contributions	(494,329)	(29,280)
Capital contributions	4,947,803	12,231,211
Change in net position	4,453,474	12,201,931
Net position at beginning of year	58,180,179	45,978,248
Net position at end of year	\$ 62,633,653	\$ 58,180,179

See accompanying notes to the basic financial statements.

San Gabriel Basin Water Quality Authority
Statements of Cash Flows
For the Fiscal Year Ended June 30, 2024
(with Comparative Information Presented for June 30, 2023)

	Years ended June 30	
	2024	2023
Cash flows from operating activities		
Cash from operating revenues	\$ 20,676,424	\$ 34,670,592
Cash paid to suppliers for goods and services	(27,348,443)	(24,028,276)
Cash paid to or on behalf of employees for services	(1,249,389)	(1,187,874)
Net cash (used in) provided by operating activities	(7,921,408)	9,454,442
Cash flows from noncapital financing activities		
Proceeds received from note receivable	-	404,700
Interest received from note receivable	45,189	57,856
Payments on lease payable	(101,140)	(73,133)
Payments on note payable	(404,700)	(394,060)
Interest paid on lease payable and note payable	(45,189)	(57,856)
Net cash used in noncapital financing activities	(505,840)	(62,493)
Cash flows from capital and related financing activities		
Acquisition of capital assets	(122,686)	(148,492)
Construction in progress expenditures	(3,565,689)	(5,696,876)
Capital contributions received	4,947,803	12,231,211
Net cash provided by capital and related financing activities	1,259,428	6,385,843
Cash flows from investing activities		
Interest received on investments	876,464	252,693
Net cash provided by investing activities	876,464	252,693
Net change in cash and cash equivalents	(6,291,356)	16,030,485
Cash and cash equivalents at beginning of year	25,878,815	9,848,330
Cash and cash equivalents at end of year	\$ 19,587,459	\$ 25,878,815

NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES

NONE

NONE

See accompanying notes to the basic financial statements.

San Gabriel Basin Water Quality Authority
Statements of Cash Flows, continued
For the Fiscal Year Ended June 30, 2024
(with Comparative Information Presented for June 30, 2023)

	Years ended June 30	
	2024	2023
Cash flows from operating activities		
Operating loss	\$ (1,258,705)	\$ (294,048)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities		
Depreciation and Amortization	410,113	408,028
(Increase) decrease in accounts receivable	(7,887,565)	9,451,295
(Increase) decrease in prepaid expenses and other receivables	(271)	(4,247)
(Increase) in deposits	-	(20)
Increase (decrease) in accounts payable and accrued expenses	815,020	(106,566)
Net cash (used in) provided by operating activities	\$ (7,921,408)	\$ 9,454,442

See accompanying notes to the basic financial statements.

San Gabriel Basin Water Quality Authority
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2024
(with Comparative Information Presented for June 30, 2023)

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 / amortization of capital assets / right-to-use 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.

San Gabriel Basin Water Quality Authority
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2024
(with Comparative Information Presented for June 30, 2023)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial reporting

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

Governmental Accounting Standards Board Statement No. 99

In April 2022, the GASB issued Statement No. 99 – *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. Consistent authoritative literature enables governments and other stakeholders to locate and apply the correct accounting and financial reporting provisions, which improves the consistency with which such provisions are applied. The comparability of financial statements also will improve as a result of this Statement. Better consistency and comparability improve the usefulness of information for users of state and local government financial statements.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 100

In June 2022, the GASB issued Statement No. 100 – *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

San Gabriel Basin Water Quality Authority
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2024
(with Comparative Information Presented for June 30, 2023)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial reporting, continued

Governmental Accounting Standards Board Statement No. 100, continued

The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections.

The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

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.

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.

San Gabriel Basin Water Quality Authority
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2024
(with Comparative Information Presented for June 30, 2023)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2024 and 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.

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 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.

San Gabriel Basin Water Quality Authority
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2024
(with Comparative Information Presented for June 30, 2023)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2024 and 2023.

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, 2024 and 2023.

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.

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.

San Gabriel Basin Water Quality Authority
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2024
(with Comparative Information Presented for June 30, 2023)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2024 and 2023 totaled \$1,234,672, respectively.

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.

San Gabriel Basin Water Quality Authority
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2024
(with Comparative Information Presented for June 30, 2023)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pollution Remediation, continued

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 and 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.

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, 2024 and 2023, 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).

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.

San Gabriel Basin Water Quality Authority
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2024
(with Comparative Information Presented for June 30, 2023)

NOTE 2 CASH AND INVESTMENTS

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

	2024	2023
Cash on Hand	250	250
Deposits with financial institutions	12,836,093	8,652,703
Local Agency Investment Fund (LAIF)	6,751,116	17,225,862
Total cash and investments	19,587,459	25,878,815

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.

San Gabriel Basin Water Quality Authority
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2024
(with Comparative Information Presented for June 30, 2023)

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

San Gabriel Basin Water Quality Authority
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2024
(with Comparative Information Presented for June 30, 2023)

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

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, 2024, the Authority's deposits (bank balances) exceeded the maximum deposit insurance amount by \$12,586,093.

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.

San Gabriel Basin Water Quality Authority
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2024
(with Comparative Information Presented for June 30, 2023)

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Disclosures Relating to Interest Rate Risk, continued

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, 2024 and 2023:

Investment	June 30, 2024				
	Amount	Remaining Maturity			
		12 Months or Less	13 to 36 Months	37 to 60 Months	Over 60 Months
LAIF *	\$ 6,751,116	\$ 6,751,116	\$ -	\$ -	\$ -
Total	<u>\$ 6,751,116</u>	<u>\$ 6,751,116</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

* LAIF is not rated.

Fair Value Measurements

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 at June 30:

San Gabriel Basin Water Quality Authority
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2024
(with Comparative Information Presented for June 30, 2023)

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Fair Value Measurements, continued

<u>Investment Type</u>	<u>Totals as of June 30,</u>		<u>Level of Inputs</u>
	<u>2024</u>	<u>2023</u>	
Cash on Hand	250	250	Level 1
Deposits with financial institutions	12,836,093	8,652,703	Level 1
LAIF	6,751,116	17,225,862	Uncategorized
Total cash and investments	<u>19,587,459</u>	<u>25,878,815</u>	

NOTE 3 ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Federal Grants	\$ 6,735,023	\$ 781,024
State Grants	200,000	375,819
Responsible Party Contributions	3,781,648	1,839,446
Pumping Right Assessments	479,766	312,583
Other	45	45
Total accounts receivable	<u>\$ 11,196,482</u>	<u>\$ 3,308,917</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. On June 30, 2024, the note receivable for the Authority is \$415,627 which is receivable within the next 12 months.

San Gabriel Basin Water Quality Authority
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2024
(with Comparative Information Presented for June 30, 2023)

NOTE 5 CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2024, is as follows:

	Beginning Balance June 30, 2023	Additions	Deletions	Ending Balance June 30, 2024
Capital assets, not being depreciated				
Construction in progress	\$ 31,285,663	\$ 3,565,689		\$ 34,851,352
Total capital assets, not being depreciated	<u>31,285,663</u>			<u>34,851,352</u>
Capital assets being depreciated				
Office furniture and equipment	223,822	14,407	(43,678)	194,551
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	<u>10,390,933</u>	<u>14,407</u>	<u>(43,678)</u>	<u>10,361,662</u>
Less accumulated depreciation				
Office furniture and equipment	(184,596)	(15,448)	43,678	(156,366)
BPOU monitoring wells	(6,143,451)	(251,223)		(6,394,674)
SEMOU sentinel well	(55,611)	(2,927)		(58,538)
SEMOU Bozung Treatment Facility	(403,078)	(32,236)		(435,314)
SEMOU monitoring wells	(15,622)			(15,622)
Total accumulated depreciation	<u>(6,802,358)</u>	<u>(301,834)</u>	<u>43,678</u>	<u>(7,060,514)</u>
Total capital assets being depreciated, net	<u>3,588,575</u>	<u>(287,427)</u>	-	<u>3,301,148</u>
Right-to-use lease assets				
Office space	551,243			551,243
Office equipment	24,611			24,611
Total right-to-use lease asset, net	<u>575,854</u>		-	<u>575,854</u>
Less accumulated amortization				
Office space	(103,358)	(103,358)		(206,716)
Office equipment	(4,922)	(4,922)		(9,844)
Total accumulated amortization	<u>(108,280)</u>	<u>(108,280)</u>	-	<u>(216,560)</u>
Total right-to-use lease asset, net	<u>467,574</u>	<u>(108,280)</u>	-	<u>359,294</u>
Total capital assets, net	<u>\$ 35,341,812</u>	<u>\$ (395,707)</u>	<u>\$ -</u>	<u>\$ 38,511,794</u>

San Gabriel Basin Water Quality Authority
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2024
(with Comparative Information Presented for June 30, 2023)

NOTE 5 CAPITAL ASSETS (CONTINUED)

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	<u>25,588,787</u>	<u>5,696,876</u>	<u>-</u>	<u>31,285,663</u>
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	<u>10,356,916</u>	<u>40,213</u>	<u>(6,196)</u>	<u>10,390,933</u>
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	<u>(6,508,805)</u>	<u>(299,749)</u>	<u>6,196</u>	<u>(6,802,358)</u>
Total capital assets being depreciated, net	<u>3,848,111</u>	<u>(259,536)</u>	<u>-</u>	<u>3,588,575</u>
Right-to-use lease assets				
Office space	551,243	-	-	551,243
Office equipment	24,611	-	-	24,611
Total right-to-use lease asset	<u>575,854</u>	<u>-</u>	<u>-</u>	<u>575,854</u>
Less accumulated amortization				
Office space	-	(103,358)	-	(103,358)
Office equipment	-	(4,922)	-	(4,922)
Total accumulated amortization	<u>-</u>	<u>(108,280)</u>	<u>-</u>	<u>(108,280)</u>
Total right-to-use lease asset, net	<u>575,854</u>	<u>(108,280)</u>	<u>-</u>	<u>467,574</u>
Total capital assets, net	<u>\$ 30,012,752</u>	<u>\$ 5,329,060</u>	<u>\$ -</u>	<u>\$ 35,341,812</u>

San Gabriel Basin Water Quality Authority
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2024
(with Comparative Information Presented for June 30, 2023)

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, 2024, are as follows:

	Beginning Balance <u>June 30, 2023</u>	<u>Additions</u>	<u>Payments</u>	Ending Balance <u>June 30, 2024</u>	Due Within <u>One Year</u>
Note payable	\$ <u>820,327</u>	<u>-</u>	<u>(404,700)</u>	\$ <u>415,627</u>	\$ <u>415,627</u>

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

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

Payments of principal and interest for the next fiscal year follows:

<u>Years ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ <u>415,627</u>	<u>11,222</u>	\$ <u>426,849</u>
Total	\$ <u>415,627</u>	<u>11,222</u>	\$ <u>426,849</u>

San Gabriel Basin Water Quality Authority
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2024
(with Comparative Information Presented for June 30, 2023)

NOTE 7 CAPITAL CONTRIBUTIONS

Capital contribution sources 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. For the fiscal year ended June 30, 2024, the revenue received for Phase I and II totaled \$5.5M, net of payments of FFPA awards of \$2.1M. For the fiscal year ended June 30, 2023, \$10.0M was received for the Phase I and II treatment facilities in the BPOU and was 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 for each the fiscal years ended June 30, 2024 and 2023, 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 \$785,303 and \$1,864,670 for the fiscal years ended June 30, 2024 and 2023, 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 \$810,939 and \$366,541 for fiscal years ended June 30, 2024 and 2023, 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.

San Gabriel Basin Water Quality Authority
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2024
(with Comparative Information Presented for June 30, 2023)

NOTE 7 CAPITAL CONTRIBUTIONS, (CONTINUED)

Responsible Parties, continued

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 \$69,000 (\$76,500 including catch-up contributions). The Authority's contributions to the Pension Plan totaled \$115,969 and \$113,968 for the years ended June 30, 2024, and 2023, 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 \$570,594 and \$876,674, as of June 30, 2024 and 2023, respectively.

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.

San Gabriel Basin Water Quality Authority
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2024
(with Comparative Information Presented for June 30, 2023)

NOTE 10 COMMITMENTS AND CONTINGENCIES

Leases

The Authority leases its office space and certain equipment under operating leases expiring at various dates through 2028. Expense for office space for the years ended June 30, 2024 and 2023 was \$1,800 and \$6,188, respectively, and for the equipment leases was \$903 and \$629 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 began on July 1, 2022.

Since the interest rate implicit in the lease was 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, 2024, 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 began on the date the equipment was delivered and accepted.

The future lease payments were discounted using the interest rate implicit in the lease which is 6 percent as of June 30, 2024.

The Authority reported right-to-use asset, net of accumulated amortization amounting to \$359,294 and \$467,574 as of June 30, 2024, and 2023, respectively.

NOTE 12 RIGHT-TO-USE LEASE PAYABLE

As of June 30, 2024, lease payable consisted of the following:

	Beginning Balance June 30, 2023	Additions	Payments	Ending Balance June 30, 2024	Due Within One Year
Ruffles Properties	\$ 481,743	\$	\$ (96,572)	\$ 385,171	\$ 104,913
Cell Business Equipment	20,978		(4,568)	16,410	4,850
	<u>\$ 502,721</u>	<u>\$ -</u>	<u>\$ (101,140)</u>	<u>\$ 401,581</u>	<u>\$ 109,763</u>

San Gabriel Basin Water Quality Authority
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2024
(with Comparative Information Presented for June 30, 2023)

NOTE 12 RIGHT-TO-USE LEASE PAYABLE, (CONTINUED)

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

Years ending June 30	Principal	Interest	Total
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
	<u>\$ 401,581</u>	<u>\$ 35,970</u>	<u>\$ 437,551</u>

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 GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS ISSUED, NOT YET EFFECTIVE

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2024, that have effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 101

In June 2022, the GASB issued Statement No. 101 – *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

San Gabriel Basin Water Quality Authority
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2024
(with Comparative Information Presented for June 30, 2023)

NOTE 14 **GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS ISSUED,
NOT YET EFFECTIVE (CONTINUED)**

Governmental Accounting Standards Board Statement No. 101, continued

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 102

In December 2023, the GASB issued Statement No. 102 – *Certain Risk Disclosures*. The primary objective of this Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact to have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Earlier application is encouraged.

San Gabriel Basin Water Quality Authority
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2024
(with Comparative Information Presented for June 30, 2023)

**NOTE 14 GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS ISSUED,
NOT YET EFFECTIVE (CONTINUED)**

Governmental Accounting Standards Board Statement No. 103

In April 2024, the GASB issued Statement No. 103 – *Financial Reporting Model Improvements*. The primary objective of this Statement is to improve key components of the financial reporting model to enhance effectiveness in providing information that is essential for decision making and assessing a government's accountability. Also, this Statement: (1) continues the requirement that the basic financial statements be preceded by management's discussion and analysis (MD&A), which is presented as required supplementary information (RSI); (2) describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence; (3) requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses; (4) requires governments to present each major component unit separately in the reporting entity's statement of net position and statement of activities if it does not reduce the readability of the statements; and (5) requires governments to present budgetary comparison information using a single method of communication—RSI.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 104

In September 2024, the GASB issued Statement No. 104 – *Disclosure of Certain Capital Assets*. The primary objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement establishes requirements for certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34, Basic Financial Statements and Management Discussion and Analysis for State and Local Governments. Also, this Statement establishes requirements for capital assets held for sale, including additional disclosures for those capital assets. The requirements of this Statement apply to the financial statements of all state and local governments.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

NOTE 15 SUBSEQUENT EVENTS

The Authority has evaluated events or transactions through March 19, 2025, 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.

< Page Intentionally Left Blank >

Report on Internal Controls and Compliance



C.J. Brown & Company CPAs
An Accountancy Corporation

Christopher J. Brown, CPA, CGMA
Jonathan Abadesco, CPA
Jeffrey Palmer

Cypress Office:
10805 Holder Street, Suite 150
Cypress, California 90630
(657) 214-2307

Riverside Office:
5051 Canyon Crest Drive, Suite 203
Riverside, California 92507
(657) 214-2307

**Independent Auditor's Report on Internal Controls Over Financial Reporting
and on Compliance and Other Matters Based on Audits of Financial Statements
Performed in Accordance with *Government Auditing Standards***

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 (Authority) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprises the Authority's basic financial statements, and have issued our report thereon dated March 19, 2025.

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.

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

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 Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

C.J. Brown & Company, CPAs

C.J. Brown & Company, CPAs
Cypress, California
March 19, 2025