



**SAN GABRIEL BASIN  
WATER QUALITY  
AUTHORITY**

**San Gabriel Basin Water Quality Authority**

**Annual Financial Report**

**For the Fiscal Years Ended  
June 30, 2025 and 2024**



## **Mission Statement**

***Cleaning up groundwater for future generations.***

**San Gabriel Basin Water Quality Authority  
Board of Directors as of June 30, 2025**

<b>Name</b>	<b>Title</b>	<b>Agency</b>	<b>Elected/ Appointed</b>	<b>Current Term</b>
Lynda Noriega	Chairwoman	California Domestic Water Company	Appointed	1/25-12/28
Robert Gonzales	Vice-Chairman	City of Azusa	Appointed	1/22-12/25
Valerie Muñoz	Secretary	City of La Puente	Appointed	1/24-1/27
Bob Kuhn	Treasurer	Three Valleys Municipal Water District	Appointed	1/23-12/26
Mark Paulson	Director	San Gabriel Municipal Water District	Appointed	1/25-12/28
Ed Chavez	Director	Upper San Gabriel Valley Municipal Water District	Appointed	1/25-12/28
Robert DiPrimo	Director	San Gabriel Valley Water Company	Appointed	1/25-12/28

**San Gabriel Basin Water Quality Authority  
Mary Saenz, Director of Finance  
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West Covina, California 91790  
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**San Gabriel Basin Water Quality Authority**

**Annual Financial Report**

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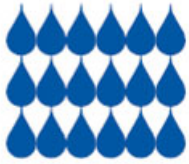
**San Gabriel Basin Water Quality Authority  
Annual Financial Report  
For the Fiscal Years Ended June 30, 2025 and 2024**

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# **Financial Section**





# C.J. Brown & Company CPAs

## An Accountancy Corporation

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### **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, 2025 and 2024, and the related statements of revenues, expenses, and changes in net position for the fiscal years then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the 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, 2025 and 2024, and the changes in net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

##### ***Basis for Opinion***

We conducted our 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 Audit of the Financial Statements***

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

### ***Emphasis of Matter***

As discussed in Note 14 to the financial statements, the District adopted the provisions of GASB Statement No. 101 – *Compensated Absences*. As a result, the District has restated its net position to reflect the effects of the change in its accounting policy. Our opinion is not modified with respect to this matter.

## 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 April 22, 2026, 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

April 22, 2026

**San Gabriel Basin Water Quality Authority**  
*Management's Discussion and Analysis, continued*  
**For the Fiscal Years Ended June 30, 2025 and 2024**

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 years ended June 30, 2025 and 2024. 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* presents 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* presents 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 Years Ended June 30, 2025 and 2024**

**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, 2025 and 2024.

**Statements of Net Position**

	<u>June 30</u>		<u>Dollar Change</u>	<u>Percentage Change</u>
	<u>2025</u>	<u>As Restated 2024</u>		
<b>Assets:</b>				
Current assets	\$ 26,795,992	\$ 31,809,277	\$ (5,013,285)	-15.8%
Other capital assets , net	3,291,875	3,660,442	(368,567)	-10.1%
Construction in progress	36,828,813	34,851,352	1,977,461	5.7%
Noncurrent assets	23,013	22,934	79	0.30%
<b>Total assets</b>	<u>66,939,693</u>	<u>70,344,005</u>	<u>(3,404,312)</u>	<u>-4.80%</u>
<b>Liabilities:</b>				
Current liabilities	4,582,542	7,392,297	(2,809,755)	-38.0%
Noncurrent liabilities	257,472	365,984	(108,512)	-29.6%
<b>Total liabilities</b>	<u>4,840,014</u>	<u>7,758,281</u>	<u>(2,918,267)</u>	<u>-37.6%</u>
<b>Net Position:</b>				
Net investment in capital assets	39,869,674	38,152,500	1,717,174	4.5%
Restricted	8,540,749	17,774,266	(9,233,517)	-51.9%
Unrestricted	13,689,224	6,658,958	7,030,266	105.6%
<b>Total net position</b>	<u>\$ 62,099,647</u>	<u>\$ 62,585,724</u>	<u>\$ (486,077)</u>	<u>-0.8%</u>

**Summary of the Statements of Net Position**

**Current Assets** – At June 30, 2025, current assets totaled \$26.8M and were comprised primarily of \$21.6M of cash and investments and \$4.6M of accounts receivable. At the prior year ended 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. Current assets decreased by \$5.0M or 15.8% from the prior year, with cash and investments increasing by \$2.0M and accounts receivable decreasing by \$6.6M. The increase in cash and investments is due to the timing of payments and reimbursements from the federal grantors, and the decrease in accounts receivable is due to a decrease in federal grants receivable in the amount of \$5.9M and a decrease in receivables from Responsible Parties of \$905K.

**San Gabriel Basin Water Quality Authority**  
*Management's Discussion and Analysis, continued*  
**For the Fiscal Years Ended June 30, 2025 and 2024**

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

**Other Capital Assets** – For FY 2025, Other Capital Assets included fixed assets of \$10.4M net of accumulated depreciation of \$7.3M and Right-to-use lease assets of \$576K net of accumulated amortization of \$325K. 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.

During FY 2025, purchases of office equipment totaled \$45.9K. Additionally, disposals of office equipment totaled \$16.9K. These asset disposals were fully depreciated. The current year's additions and disposals along with depreciation of 306K resulted in a net decrease in depreciable fixed assets of \$260K. During the prior FY 2024, purchases of office equipment totaled \$14.4K. Additionally, disposals of office equipment totaled \$43.7K. These asset disposals were fully depreciated. The prior year's additions and disposals along with depreciation of \$301K resulted in a net decrease in depreciable fixed assets of \$287K.

For FY 2025, included in Other Capital Assets are right-to-use lease assets totaling \$251K, which is \$576K net of accumulated amortization of \$325K. For FY 2024, included in Other Capital Assets is right-to-use lease assets totaling \$359K, which is \$576K net of accumulated amortization of \$217K. See further discussion in the section titled 'Summary of Statements of Net Position at *Right-to-use lease asset/right-to-use lease payable*.

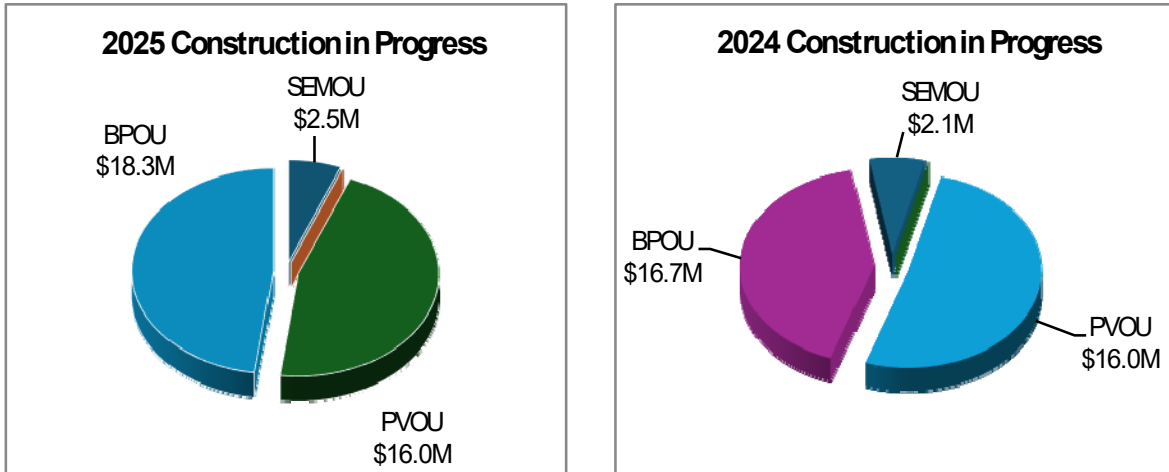
Overall, other capital assets net at FY 2025 and 2024 are \$3.3M and \$3.7M, respectively.

**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 on the following page is the composition of CIP by Operable Unit as of June 30, 2025 and 2024.

**San Gabriel Basin Water Quality Authority**  
**Management's Discussion and Analysis, continued**  
**For the Fiscal Years Ended June 30, 2025 and 2024**

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



**Construction In Progress (CIP) continued** – At June 30, 2025, CIP totaled \$36.8M, a net increase of \$2.0M or 5.7% from FY 2024. Approximately 49.8% of CIP is related to the BPOU, 43.5% is related to the PVOU with the remaining 6.7% related to the SEMOU. During FY 2025, the Authority incurred \$470K of CIP for the treatment system at the San Gabriel Valley Water Company (SGVWC) B-6 treatment facility as well as \$947K for the Valley County Water District (VCWD) treatment at Sub-Area 1, \$208K for construction of Nitrate Treatment at La Puente Valley County Water District (LPVCWD) and \$352K for the SEMOU Whitmore Groundwater Treatment Facility. At the prior year ended June 30, 2024, CIP totaled \$34.9M, a net increase of \$3.6M or 11.4% from FY 2023. Approximately 47.9% of CIP was related to the BPOU, 46.0% was 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 as well as \$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).

Listed below and on the following page are descriptions of the major projects currently under construction and include in CIP as of June 30, 2025.

**BALDWIN PARK OPERABLE UNIT**

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

\$4.4M 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**

\$6.7M 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**

\$3.1M 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 Years Ended June 30, 2025 and 2024**

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

**Current Liabilities** – At FY 2025, current liabilities totaled \$4.58M, a decrease of \$2.8M from the prior FY 2024 and are comprised primarily of accounts payable and unearned revenue. At FY 2024, current liabilities totaled \$7.4M, an increase of \$824K from the fiscal year 2023 and are comprised primarily of accounts payable and unearned revenue.

*Accounts payable* is \$3.3M for the current year, which is a decrease of \$2.3M from FY 2024, primarily due to a decrease in payables for BPOU projects of \$1.1M and a decrease in payables to SEMOU producers and vendors of \$1.3M. The decreases in BPOU payables and SEMOU payables are due to fluctuations in capital and treatment and remediation (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 by way of various settlement agreements with SEMOU RPs. The funds are held to pay certain SEMOU project costs as per agreement. During the current year, the Authority recognized unearned revenue of \$146K as income. In FY 2024, There were no payments of T & R costs to the SEMOU water producers.

**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, 2025, the note payable has been paid in full; there is a \$0 balance. At June 30, 2024, the note payable balance was \$415.6K and was current. The Authority has a corresponding note receivable from the BPOU RPs. 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. For 2025, the balance receivable was \$0, and the note receivable had been paid in full. For 2024, the balance receivable totaled \$415.6K.

**San Gabriel Basin Water Quality Authority**  
*Management's Discussion and Analysis, continued*  
**For the Fiscal Years Ended June 30, 2025 and 2024**

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

***Right-to-use lease asset/ right-to-use lease payable*** – In fiscal year 2022, the Authority implemented GASB statement No. 87 - *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments, This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for 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 2025, the right-to-use lease asset was \$576K with amortization of \$325K, for a net lease asset of \$251K. The corresponding lease payable totals \$292K, of which \$112K is current. For FY 2024, the right-to-use lease asset was \$576K with amortization of \$216K, for a net lease asset of \$359K. The corresponding lease payable totals \$402K, of which \$110K is current. Included in the asset and payable is a building lease of \$551K for 64 months and an office equipment lease of \$25K for 60 months.

***Net Position - Net Investment in Capital Assets*** – For FY 2025, investments in capital assets total \$40.1M and are comprised of CIP of \$36.8M and other capital assets net of depreciation and amortization of \$3.3M. For FY 2024, investment in capital assets totaled \$38.5M and was comprised of CIP of \$34.9M and other capital assets net of depreciation of \$3.7M.

The increase of \$1.6M of 4.2% for FY 2025 resulted primarily from an increase in CIP of \$1.98M in construction activities and a decrease in other capital assets due to disposals, depreciation, and amortization expense.

***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 receipt of funds. In addition to the funding from USBR and EPA, the Authority has reached several financial settlements with RPs in the BPOU, EMOU, PVOU and SEMOU. Certain 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.

**San Gabriel Basin Water Quality Authority**  
**Management's Discussion and Analysis, continued**  
**For the Fiscal Years Ended June 30, 2025 and 2024**

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

***Restricted Net Position (continued)***

For FY 2025, restricted funds total \$8.5M, which is a decrease of \$9.2M from FY 2024. This decrease was due to the payment of FFPA award grants from restricted funds. During the prior 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, in addition to the federal grant activity for the FY 2024.

**Statements of Revenue, Expense and Changes in Net Position**

	<u>For the Years Ended June 30</u>		<u>Dollar Change</u>	<u>Percentage Change</u>
	<u>2025</u>	<u>As Restated 2024</u>		
Total Operating Revenues	\$ 32,552,513	\$ 28,563,989	\$ 3,988,524	14.0%
Total Operating Expenses	<u>32,231,559</u>	<u>29,830,645</u>	<u>2,400,914</u>	<u>8.0%</u>
<b>Operating income (loss)</b>	320,954	(1,266,656)	1,587,610	6.0%
Nonoperating revenues	878,803	798,638	80,165	10.0%
Nonoperating (expenses)	<u>(17,741)</u>	<u>(34,262)</u>	<u>16,521</u>	<u>-48.2%</u>
<b>Non-operating revenues, net</b>	<u>896,544</u>	<u>832,900</u>	<u>63,644</u>	<u>7.6%</u>
<b>Income (Loss) before capital contributions (use of capital)</b>	1,182,016	(502,280)	1,684,296	-335.3%
Capital Contributions (use of capital)	<u>(1,668,093)</u>	<u>4,947,803</u>	<u>(6,615,896)</u>	<u>-133.7%</u>
<b>Change in net position</b>	(486,077)	4,445,523	(4,931,600)	-110.9%
<b>Net position, beginning of year as restated</b>	<u>62,585,724</u>	<u>58,140,201</u>	<u>4,445,523</u>	<u>7.6%</u>
<b>Net position at end of year</b>	<u>\$ 62,099,647</u>	<u>\$ 62,585,724</u>	<u>\$ (486,077)</u>	<u>-0.8%</u>

**Operating Revenues** - Operating revenues for FY 2025 total \$32.6M, which is an increase of \$4.0M or 14.0% over the prior year in which operating revenues total \$28.6M. The increase is due primarily to an increase of \$7.1M in state grant funding, a decrease of \$2.1M in FFPA award funding, and a decrease of \$977K in RP contributions.

**San Gabriel Basin Water Quality Authority**  
**Management's Discussion and Analysis, continued**  
**For the Fiscal Years Ended June 30, 2025 and 2024**

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

**RP Contributions** - Through agreements, treatment and remediation (T & R) costs for projects located primarily in the BPOU and SEMOU are paid through the Authority. For FY 2025, the Authority recognized as revenue \$18.9M in funding from the BPOU RPs and \$146K from the SEMOU RPs. For FY 2024, the Authority recognized revenue \$20.5M in funding from the BPOU RPs and \$0 from SEMOU RPs for costs related to these projects. Overall, the decrease of \$977K or 4.8% over the prior year is due primarily to decreases in T & R costs for the BPOU projects.

**Federal Funding** - The Authority recognizes as income certain federal grants that are used to pay for project T & R costs. During FY 2025, \$3.0M was recognized as income from federal grants, a decrease of \$2.2M or 41.9% from FY 2024. During FY 2024, \$5.1M was recognized as income from federal grants, which was an increase of \$4.1M or 385.9% from the prior year.

**Operating Expenses** - Total operating expenses increased by \$2.4M or 8.0% in the current year, primarily due to a net decrease in project T & R costs of \$3.8M and an increase in project grants of \$5.9M, which corresponds to the increase in funding from state grants and the decrease in RP contributions.

**Professional Services** - Professional services for FY 2025 totaled \$123K, which is a decrease of \$34.9K from the prior year. Costs incurred during 2025 include the services of certain professional firms costs for general legal counsel, project legal costs, computer consultants, and audit services. In the prior year, professional fees totaled \$158K, and included project legal costs, database and mapping consultants, computer consultants, audit services, and management consultant services.

**Project T & R Costs and Project Grants** - For FY 2025, Project T & R costs totaled \$21.1M and project grants totaled \$8.28M. Project T&R costs relate primarily to projects within the BPOU; project grants relate primarily to FPPA awards and Proposition 68 grants paid to water producers throughout the San Gabriel Basin. This is an increase from 2024 of \$2.2M or 8.1%. For FY 2024, Project T&R costs totaled \$24.9M and project grants totaled \$2.3M; both are related primarily to projects within the BPOU and SEMOU. Although the majority of these costs are funded through RPs, for FY 2024 approximately \$5.1M in costs were funded by federal funding sources.

**Nonoperating Revenues (Expenses)** - For both FY 2025 and 2024 Nonoperating Revenues (Expenses) include interest income and interest expense.

**Capital Contributions**

Capital Contributions (use of capital)	2025	2024
Governmental - Federal	\$ (3,121,556)	\$ 3,351,562
Governmental - State	352,726	-
Responsible Parties	1,100,737	810,939
Water Producers	-	785,302
Total Capital Contributions (Use of Capital)	\$ (1,668,093)	\$ 4,947,803

**San Gabriel Basin Water Quality Authority**  
*Management's Discussion and Analysis, continued*  
**For the Fiscal Years Ended June 30, 2025 and 2024**

*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 construction-in-progress (CIP), fixed assets, or restricted assets such as cash and accounts receivable. Capital contributions are negative in the current year - these are shown as a use of capital. The Authority paid out \$3.1M in FFPA funding and did not receive any federal funding contributions. For FY 2024, the Authority received \$5.5M in federal and disbursed FFPA awards of \$2.1M for T & R costs which reduced the federal capital contributions.

The capital contributions received from the Responsible Parties were from the BPOU RPs for the construction reimbursements for the SGVWC B6 project, the VCWD SA-1 project, and the LPVCWD Nitrate project. For FY 2024, 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*

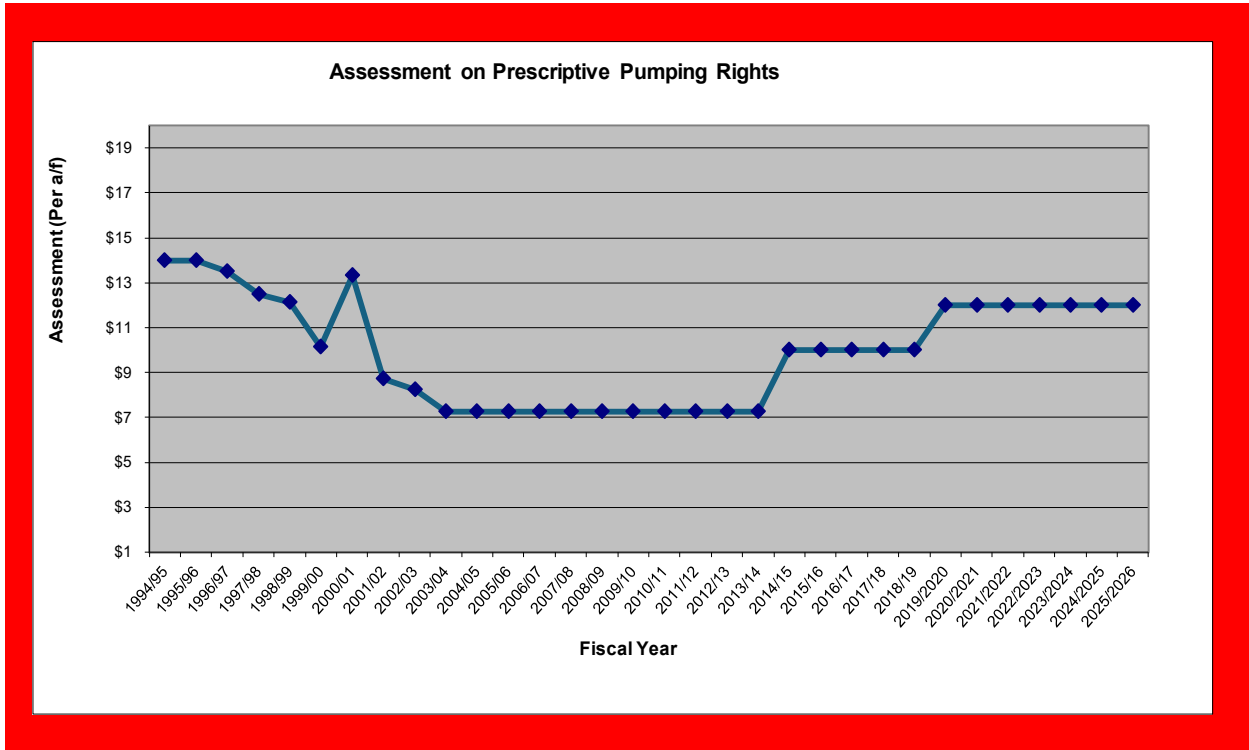
Section 605 of WQA's enabling Act, as amended by AB279 (Rubio) effective January 1, 2024, grants the WQA the authority to impose an annual pumping right assessment not to exceed \$20 per acre-foot. Additionally, Section 608 of the enabling Act grants WQA the authority to annually adjust the assessment 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) resulting in an allowable maximum assessment of \$21.40 per acre-foot at June 30, 2025.

**San Gabriel Basin Water Quality Authority**  
*Management's Discussion and Analysis, continued*  
**For the Fiscal Years Ended June 30, 2025 and 2024**

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, 2025 and 2024**

		June 30	
		2025	As Restated 2024
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and investments (note 2)	\$	21,572,740	\$ 19,587,459
Accounts receivable (note 3)		4,645,137	11,196,482
Inventories		444,879	444,879
Prepaid expenses and other receivables		22,290	57,646
Interest receivable		110,946	107,184
Current portion of note receivable (note 4)		-	415,627
<b>Total current assets</b>		<b>26,795,992</b>	<b>31,809,277</b>
<b>Noncurrent assets</b>			
Capital assets:			
Construction in progress (note 5)		36,828,813	34,851,352
Other capital assets, net (note 5)		3,040,861	3,301,148
Right-to-use lease assets, net (note 5)		251,014	359,294
<b>Total capital assets, net</b>		<b>40,120,688</b>	<b>38,511,794</b>
Deposits		23,013	22,934
<b>Total noncurrent assets</b>		<b>40,143,701</b>	<b>38,534,728</b>
<b>Total assets</b>	<b>\$</b>	<b>66,939,693</b>	<b>\$ 70,344,005</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable	\$	3,263,995	\$ 5,522,726
Compensated absences –current (note 13)		117,613	98,287
Interest payable		-	11,222
Unearned revenue		1,088,610	1,234,672
Current portion of note payable (note 6)		-	415,627
Current portion of right-to-use lease payable (note 12)		112,324	109,763
<b>Total current liabilities</b>		<b>4,582,542</b>	<b>7,392,297</b>
<b>Noncurrent liabilities</b>			
Compensated absences – long term (note 13)		77,978	74,166
Right-to-use lease payable, net of current portion (note 12)		179,494	291,818
<b>Total noncurrent liabilities</b>		<b>257,472</b>	<b>365,984</b>
<b>Total liabilities</b>		<b>4,840,014</b>	<b>7,758,281</b>
<b>NET POSITION</b>			
Net investment in capital assets		39,869,674	38,152,500
Restricted		8,540,749	17,774,266
Unrestricted		13,689,224	6,658,958
<b>Total net position</b>	<b>\$</b>	<b>62,099,647</b>	<b>\$ 62,585,724</b>

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, 2025 and 2024**

	<b>Years ended June 30</b>	
	<b>2025</b>	As Restated <b>2024</b>
<b>Operating revenues</b>		
Pumping right assessments	\$ 2,371,335	\$ 2,371,335
Responsible party contributions	19,472,633	20,450,078
Federal funding sources	2,976,102	5,126,103
State funding	7,732,443	616,473
<b>Total operating revenues</b>	<b>32,552,513</b>	<b>28,563,989</b>
<b>Operating expenses</b>		
Administrative salaries	1,067,976	960,752
Fringe benefits	309,028	249,638
Consulting	487,711	472,256
Professional services	122,993	157,923
Office Lease	8,530	1,800
Supplies	19,316	11,525
Insurance	47,261	40,478
Public relations	188,826	166,552
Travel and conferences	50,669	31,989
Telephone and utilities	8,075	8,602
Dues and subscriptions	36,527	36,357
Board member fees	43,350	46,950
Equipment lease, rent and maintenance	35,410	35,385
Depreciation	306,181	301,833
Amortization - Office Lease and Copier Lease	108,280	108,280
Miscellaneous expense	888	944
Project treatment and remediation costs	21,114,609	24,870,107
Project grants	8,275,929	2,329,274
<b>Total operating expenses</b>	<b>32,231,559</b>	<b>29,830,645</b>
<b>Operating Income (loss)</b>	<b>320,954</b>	<b>(1,266,656)</b>
<b>Nonoperating revenues (expenses)</b>		
Interest income	878,803	798,638
Interest expense	(17,741)	(34,262)
<b>Net nonoperating revenues (expenses)</b>	<b>861,062</b>	<b>764,376</b>
<b>Income (Loss) before capital contributions</b>	<b>1,182,016</b>	<b>(502,280)</b>
<b>Capital contributions (use of capital)</b>	<b>(1,668,093)</b>	<b>4,947,803</b>
<b>Change in net position</b>	<b>(486,077)</b>	<b>4,445,523</b>
<b>Net position, beginning of the year – as restated (note 14)</b>	<b>62,585,724</b>	<b>58,140,201</b>
<b>Net position at end of year</b>	<b>\$ 62,099,647</b>	<b>\$ 62,585,724</b>

See accompanying notes to the basic financial statements.

**San Gabriel Basin Water Quality Authority**  
**Statements of Cash Flows**  
**For the Fiscal Years Ended June 30, 2025 and 2024**

	Years ended June 30	
	2025	As Restated 2024
<b>Cash flows from operating activities</b>		
Cash from operating revenues	\$ 38,957,796	\$ 20,676,424
Cash paid to suppliers for goods and services	(32,600,840)	(27,348,443)
Cash paid to or on behalf of employees for services	(1,416,542)	(1,257,340)
<b>Net cash provided by (used in) operating activities</b>	<b>4,940,414</b>	<b>(7,929,359)</b>
<b>Cash flows from noncapital financing activities</b>		
Proceeds received from note receivable	415,627	-
Interest received from note receivable	28,963	45,189
Payments on lease payable	(109,763)	(101,140)
Payments on note payable	(415,627)	(404,700)
Interest paid on lease payable and note payable	(28,963)	(45,189)
<b>Net cash used in noncapital financing activities</b>	<b>(109,763)</b>	<b>(505,840)</b>
<b>Cash flows from capital and related financing activities</b>		
Acquisition of capital assets	(154,174)	(114,735)
Construction in progress expenditures	(1,977,461)	(3,565,689)
Capital contributions received	(1,668,093)	4,947,803
<b>Net cash (used in) provided by capital and related financing activities</b>	<b>(3,799,728)</b>	<b>1,267,379</b>
<b>Cash flows from investing activities</b>		
Interest received on investments	954,358	876,464
<b>Net cash provided by investing activities</b>	<b>954,358</b>	<b>876,464</b>
<b>Net change in cash and cash equivalents</b>	<b>1,985,281</b>	<b>(6,291,356)</b>
Cash and cash equivalents at beginning of year	19,587,459	25,878,815
Cash and cash equivalents at end of year	\$ 21,572,740	\$ 19,587,459

**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, 2025 and 2024**

	<b>Years ended June 30</b>	
	<b>2025</b>	As Restated <b>2024</b>
<b>Cash flows from operating activities</b>		
Operating Income (loss)	\$ 320,954	\$ (1,266,656)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities		
Depreciation and Amortization	414,461	410,113
(Increase) decrease in accounts receivable	6,551,345	(7,887,565)
(Increase) decrease in prepaid expenses and other receivables	35,356	(271)
(Increase) in deposits	(79)	-
Increase (decrease) in accounts payable and accrued expenses	(2,235,561)	815,020
(decrease) in unearned revenue	(146,062)	-
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 4,940,414</b>	<b>\$ (7,929,359)</b>

See accompanying notes to the basic financial statements.

**San Gabriel Basin Water Quality Authority**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2025 and 2024**

**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 non-operating 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 non-operating revenues and expenses.

Capital contributions consist of contributed capital assets, 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 Years Ended June 30, 2025 and 2024**

**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. 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.

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. See Note 1 – *Compensated Absences*, and Notes 13 and 14 for the impact of this note on the financial statements due to implementation in the current fiscal year.

*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 Years Ended June 30, 2025 and 2024**

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

**Use of Estimates**

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

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

**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.

**Account Receivables**

Account receivables are recorded at net realizable value. Management believes that account receivables are fully collectible. Therefore, no allowance for doubtful accounts is reflected on the Statements of Net Position at June 30, 2025 and 2024.

**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.

**San Gabriel Basin Water Quality Authority**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2025 and 2024**

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

**Capital Assets**

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

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

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

**Construction-in-Progress**

Project capital costs are accumulated as construction in progress over the life of the construction. The Authority 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.

**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, 2025 and 2024, respectively.

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, 2025 and 2024, respectively.

**San Gabriel Basin Water Quality Authority**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2025 and 2024**

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

**Accrued Liabilities and Accounts Payable**

The Authority records account 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.

**Compensated Absences**

The Authority has adopted the provisions of GASB Statement No. 101. 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. The Authority has determined that the accrued vested sick liability meets the provisions, as reported above, of GASB Statement No. 101 for reporting. Therefore, a liability for the vested and accrued value of sick leave that will be settled in the future by employees as time off is included in the liability for compensated absences.

**San Gabriel Basin Water Quality Authority**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2025 and 2024**

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

**Compensated Absences, continued**

The Authority's policy is to permit employees to accumulate earned vacation and sick leave according to the number of years of service with the Authority. The liability for the vested of vacation and sick leave is recorded as an expense when earned.

Upon separation from the Authority as a result of retirement, disability, or death, permanent employees are entitled to receive compensation at their current base salary for all unused vacation. Vacation leave vesting policy is: ten (10) working days per year (years 1-5), fifteen (15) working days per year (years 6-9), and twenty (20) working days per year (year 10 and thereafter). Sick leave is earned at a rate of one day per month worked, to a maximum of 120 hours. Sick leave has no payout or cash value. Sick leave is not paid for those circumstances where an employee has not completed the probationary period or is separated from the Authority upon termination.

**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, 2025 and 2024 totaled \$1,088,610 and \$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.

**San Gabriel Basin Water Quality Authority**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2025 and 2024**

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

**Pollution Remediation**

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

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

The Authority was created by the State of California to facilitate the development, financing and implementation of groundwater treatment programs in the San Gabriel Valley, the purpose of which is to clean up contaminated groundwater. As such, the Authority works with Water Producers 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 ending 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, 2025 and 2024, 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).

**San Gabriel Basin Water Quality Authority**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2025 and 2024**

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

**Reclassification**

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

**NOTE 2      CASH AND INVESTMENTS**

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

<b>Investment Type</b>	<b>Totals as of June 30,</b>	
	<b>2025</b>	<b>2024</b>
Cash on Hand	<b>250</b>	250
Deposits with financial institutions	<b>11,433,895</b>	12,836,093
Local Agency Investment Fund (LAIF)	<b>10,138,595</b>	6,751,116
Total cash and investments	<b>21,572,740</b>	19,587,459

**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 Years Ended June 30, 2025 and 2024**

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

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

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

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

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

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

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

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits.

**San Gabriel Basin Water Quality Authority**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2025 and 2024**

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

**Custodial Credit Risk, continued**

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

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

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

On June 30, 2025 and 2024, the Authority's deposits (bank balances) exceeded the maximum deposit insurance amount by \$11,183,895 and \$12,586,093, respectively.

**Disclosure Relating to Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized statistical rating organization.

**Disclosures Relating to Interest Rate Risk**

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

Information about the sensitivity of the fair values of the Authority's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Authority's investments by maturity as of June 30, 2025 and 2024:

		<b>June 30, 2025</b>			
		<b>Remaining Maturity</b>			
<b>Investment</b>	<b>Amount</b>	<b>12 Months or Less</b>	<b>13 to 36 Months</b>	<b>37 to 60 Months</b>	<b>Over 60 Months</b>
LAIF *	\$ <u>10,138,595</u>	\$ <u>10,138,595</u>	\$ -	\$ -	\$ -
Total	\$ <u>10,138,595</u>	\$ <u>10,138,595</u>	\$ -	\$ -	\$ -
		<b>June 30, 2024</b>			
		<b>Remaining Maturity</b>			
<b>Investment</b>	<b>Amount</b>	<b>12 Months or Less</b>	<b>13 to 36 Months</b>	<b>37 to 60 Months</b>	<b>Over 60 Months</b>
LAIF *	\$ 6,751,116	\$ 6,751,116	\$ -	\$ -	\$ -
Total	\$ <u>6,751,116</u>	\$ <u>6,751,116</u>	\$ -	\$ -	\$ -

\* LAIF is not rated.

**San Gabriel Basin Water Quality Authority**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2025 and 2024**

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

**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:

<u>Investment Type</u>	<u>Totals as of June 30,</u>		<u>Level of Inputs</u>
	<u>2025</u>	<u>2024</u>	
Cash on Hand	<b>250</b>	250	Level 1
Deposits with financial institutions	<b>11,433,895</b>	12,836,093	Level 1
Local Agency Investment Fund (LAIF)	<b>10,138,595</b>	6,751,116	Uncategorized
Total cash and investments	<b><u>21,572,740</u></b>	<u>19,587,459</u>	

**NOTE 3 ACCOUNTS RECEIVABLE**

Accounts receivable consists of the following at June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Federal Grants	\$ -	\$ 6,735,023
State Grants	<b>397,188</b>	200,000
Responsible Party Contributions	<b>2,876,294</b>	3,781,648
Pumping Right Assessments	<b>1,371,610</b>	479,766
Other	<b>45</b>	45
Total accounts receivable	<b><u>\$ 4,645,137</u></b>	<u>\$ 11,196,482</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 occurred over a twenty-year term on a fully amortizable basis. Interest accrued at the rate of 2.7 percent per annum. On June 30, 2024, the note receivable for the Authority was \$415,627 which was receivable within the next 12 months. As of June 30, 2025, this note receivable was repaid in full.

**San Gabriel Basin Water Quality Authority**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2025 and 2024**

**NOTE 5 CAPITAL ASSETS**

A summary of changes in capital assets for the year ending June 30, 2025, is as follows:

	<b>Beginning Balance June 30, 2024</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance June 30, 2025</b>
Capital assets, not being depreciated				
Construction in progress	\$ 34,851,352	\$ 1,977,461	-	\$ 36,828,813
Total capital assets, not being depreciated	<u>34,851,352</u>	<u>1,977,461</u>	<u>-</u>	<u>36,828,813</u>
Capital assets being depreciated				
Office furniture and equipment	194,551	45,894	(16,864)	223,580
BPOU monitoring wells	8,792,835	-	-	8,792,835
SEMOU sentinel well	102,437	-	-	102,437
SEMOU Whitmore Treatment Facility	933,954	-	-	933,955
SEMOU monitoring wells	337,885	-	-	337,885
Total capital assets being depreciated	<u>10,361,662</u>	<u>45,894</u>	<u>(16,864)</u>	<u>10,390,692</u>
Less accumulated depreciation				
Office furniture and equipment	(156,366)	(19,794)	16,864	(159,296)
BPOU monitoring wells	(6,394,674)	(251,223)	-	(6,645,897)
SEMOU sentinel well	(58,538)	(2,927)	-	(61,465)
SEMOU Bozung Treatment Facility	(435,314)	(26,684)	-	(461,998)
SEMOU monitoring wells	(15,622)	(5,553)	-	(21,175)
Total accumulated depreciation	<u>(7,060,514)</u>	<u>(306,181)</u>	<u>16,864</u>	<u>(7,349,831)</u>
Total capital assets being depreciated, net	<u>3,301,148</u>	<u>(260,287)</u>	<u>-</u>	<u>3,040,861</u>
Right-to-use lease assets being amortized				
Office space	551,243	-	-	551,243
Office equipment	24,611	-	-	24,611
Total right-to-use lease assets being amortized	<u>575,854</u>	<u>-</u>	<u>-</u>	<u>575,854</u>
Less accumulated amortization				
Office space	(206,716)	(103,358)	-	(310,074)
Office equipment	(9,844)	(4,922)	-	(14,766)
Total accumulated amortization	<u>(216,560)</u>	<u>(108,280)</u>	<u>-</u>	<u>(324,840)</u>
Total right-to-use lease assets being amortized, net	<u>359,294</u>	<u>(108,280)</u>	<u>-</u>	<u>251,014</u>
Total capital assets, net	<u>\$ 38,511,794</u>	<u>\$ 1,608,894</u>	<u>\$ -</u>	<u>\$ 40,120,688</u>

**San Gabriel Basin Water Quality Authority**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2025 and 2024**

**NOTE 5 CAPITAL ASSETS (CONTINUED)**

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

	<b>Beginning Balance June 30, 2023</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance June 30, 2024</b>
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>3,565,689</u>	<u>-</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>-</u>	<u>3,301,148</u>
Right-to-use lease assets being amortized				
Office space	551,243	-	-	551,243
Office equipment	24,611	-	-	24,611
Total right-to-use lease assets being amortized	<u>575,854</u>	<u>-</u>	<u>-</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>-</u>	<u>(216,560)</u>
Total right-to-use lease assets being amortized, net	<u>467,574</u>	<u>(108,280)</u>	<u>-</u>	<u>359,294</u>
Total capital assets, net	<u>35,341,812</u>	<u>\$ 3,169,982</u>	<u>\$ -</u>	<u>\$ 38,511,794</u>

**San Gabriel Basin Water Quality Authority**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2025 and 2024**

**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. As of June 30, 2025, this note payable was repaid-in-full. See Note 4 for additional information.

The changes in long-term debt for the year ending June 30, 2025, are as follows:

	<b>Beginning Balance June 30, 2024</b>	<b>Additions</b>	<b>Payments</b>	<b>Ending Balance June 30, 2025</b>	<b>Due Within One Year</b>
Note payable	\$ 415,627	\$ -	\$ (415,627)	\$ -	\$ -

The changes in long-term debt for the year ending June 30, 2024, are as follows:

	<b>Beginning Balance June 30, 2023</b>	<b>Additions</b>	<b>Payments</b>	<b>Ending Balance June 30, 2024</b>	<b>Due Within One Year</b>
Note payable	\$ 820,327	\$ -	\$ (404,670)	\$ 415,627	\$ 415,627

**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, ATOU 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, 2025, the Authority did not receive any federal funding from USBR; however, the Authority provided federal funding to water producers for treatment facilities capital projects in the form of FFPA awards of \$3.12M. This was recorded as a use of federal capital contributions. For the fiscal year ended June 30, 2024, the federal funds received from USBR for Phase I and II totaled \$5.5M, net of payments of FFPA awards of \$2.1M.

The Authority has entered into an agreement with the California SWRCB for Proposition 1 Round 3 funding for the expansion of the Whitmore Groundwater Treatment Facility located in the SEMOU. Capital contributions for the expansion project total \$352,726 and \$0 for the fiscal years ended June 30, 2025 and 2024, respectively.

**San Gabriel Basin Water Quality Authority**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2025 and 2024**

**NOTE 7            CAPITAL CONTRIBUTIONS, continued**

Capital contribution sources include the following, continued:

**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 Water Producers contributed \$0 and \$785,303 for the fiscal years ending June 30, 2025 and 2024, 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 \$1,100,736 and \$810,939 for the fiscal years ending June 30, 2025 and 2024, respectively.

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

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

**NOTE 8            PENSION PLAN**

The Authority sponsors a Money Purchase Pension Plan (the Pension Plan), a defined contribution plan, under Internal Revenue Code Section 401(a) for the benefit of its employees who have attained the age of 21 and have completed 1,000 hours of service. The Authority contributes, on behalf of the employees, 12.726 percent of their covered compensation up to and not to exceed the lesser of \$69,000 (\$76,500 including catch-up contributions). The Authority's contributions to the Pension Plan totaled \$134,472 and \$115,969, respectively for the fiscal years ending June 30, 2025, and 2024, respectively.

**San Gabriel Basin Water Quality Authority**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2025 and 2024**

**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 \$688,708 and \$570,594 as of June 30, 2025 and 2024, 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.

**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, 2025 and 2024 was \$8,530 and \$1,800, respectively, and for the equipment leases were \$1,280 and \$903 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, 2025, is 5 percent.

**San Gabriel Basin Water Quality Authority**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2025 and 2024**

**NOTE 11 RIGHT-TO-USE LEASE ASSET, continued**

**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, 2025.

The Authority reported right-to-use asset, net of accumulated amortization amounting to \$251,014 and \$359,294 as of June 30, 2025, and 2024, respectively.

**NOTE 12 RIGHT-TO-USE LEASE PAYABLE**

As of June 30, 2025, lease payable consisted of the following:

	<b>Beginning Balance June 30, 2024</b>	<b>Additions</b>	<b>Payments</b>	<b>Ending Balance June 30, 2025</b>	<b>Due Within One Year</b>
Ruffles Properties	\$ 385,171		(104,913)	\$ 280,258	\$ 105,913
Cell Business Equipment	16,410		(4,850)	11,560	6,411
	<u>\$ 401,581</u>	<u>-</u>	<u>(109,763)</u>	<u>\$ 291,818</u>	<u>\$ 112,324</u>

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

	<b>Beginning Balance June 30, 2023</b>	<b>Additions</b>	<b>Payments</b>	<b>Ending Balance June 30, 2024</b>	<b>Due Within One Year</b>
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>

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

<u>Years ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	112,324	11,995	124,319
2027	128,677	5,774	134,451
2028	50,817	461	51,278
	<u>\$ 291,818</u>	<u>\$ 18,230</u>	<u>\$ 310,048</u>

**San Gabriel Basin Water Quality Authority**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2025 and 2024**

**NOTE 13      COMPENSATED ABSENCES**

The Authority recognizes a liability for compensated absences in accordance with GASB Statement No. 101 - *Compensated Absences*. Compensated absences comprise unpaid vacation leave that accrue when benefits are fully vested and are determined annually. Compensated absences also includes sick leave liability where the accrual is determined annually following the provisions set by GASB Statement No. 101 – *Compensated Absences*.

As of June 30 2025, the liability for compensated absences was calculated based on employees’ pay rates at the fiscal year end and historical usage data, considering employment policies. The liability represents amounts that are more likely than not to be used or paid out. The liability is reported in the Statements of Net Position.

The net change in the compensated absence liability for the fiscal years ended June 30, 2025 and 2024, increased by \$23,137 and \$40,427, respectively.

Changes to compensated absences for the year ending June 30, 2025 were as follows:

<u>As Restated 2024</u>	<u>Change</u>	<u>Balance 2025</u>	<u>Due Within One Year</u>	<u>Due in More Than One Year</u>
\$ 172,454	23,137 *	195,591	117,613	77,978

Changes to compensated absences for the year ending June 30, 2024 were as follows:

<u>As Restated 2023</u>	<u>Change</u>	<u>As Restated 2024</u>	<u>Due Within One Year</u>	<u>Due in More Than One Year</u>
\$ 132,027	40,427 *	172,454	98,287	74,167

\*The change in the compensated absence liabilities is presented as a net change.

**San Gabriel Basin Water Quality Authority**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2025 and 2024**

**NOTE 14      ADJUSTMENTS TO NET POSITION**

In fiscal year 2025, the Authority implemented GASB Statement No. 101 – *Compensated Absences* to recognize the provisions of the Statement towards its compensated absences liability. As a result of the implementation, the Authority recognized adjustments to its compensated absence liability and recorded prior period adjustments, and decreases to net position, of \$39,977 at July 1, 2023 and \$7,951 at July 1, 2024.

The adjustments to net position are as follows:

Net Position at July 1, 2023, as previously stated	\$ <u>45,978,248</u>
Change in net position at June 30, 2023, as previously stated	12,201,930
Effect of the adjustments to record 2023 compensated absences following GASB 101	<u>(39,977)</u>
Subtotal 2023 adjustment	(39,977)
Change in net position at June 30, 2023, as restated	<u>12,161,953</u>
Net Position at July 1, 2024, as restated	<u>58,140,201</u>
Change in net position at June 30, 2024, as previously stated	4,453,474
Effect of the adjustments to remove 2023 compensated absences following GASB 101	39,977
Effect of the adjustments to record 2024 compensated absences following GASB 101	<u>(47,928)</u>
Subtotal 2024 adjustments	(7,951)
Change in net position at June 30, 2024, as restated	<u>4,445,523</u>
Net Position at July 1, 2025, as restated	<u>\$ <u>62,585,724</u></u>

**NOTE 15      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.

**San Gabriel Basin Water Quality Authority**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2025 and 2024**

**NOTE 16      GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS ISSUED, NOT YET EFFECTIVE**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2025, that have effective dates that may impact future financial presentations.

***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.

**San Gabriel Basin Water Quality Authority**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2025 and 2024**

**NOTE 16      GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS ISSUED,  
NOT YET EFFECTIVE, continued**

***Governmental Accounting Standards Board Statement No. 105***

In December 2025, the GASB issued Statement No. 105 – *Subsequent Events*. The primary objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. This Statement defines subsequent events as transactions or other events that occur after the date of the financial statements but before the date the financial statements are available to be issued. This Statement describes the date the financial statements are available to be issued as the date at which (1) the financial statements are complete in a form and format that complies with generally accepted accounting principles and (2) approvals necessary for issuance have been obtained. That definition modifies the subsequent events time frame throughout the GASB literature. This Statement also requires the date through which subsequent events have been evaluated to be disclosed. This Statement clarifies the subsequent events that constitute recognized and nonrecognized events and establishes specific note disclosure requirements for nonrecognized events.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2026, and all reporting periods thereafter. Earlier application is encouraged.

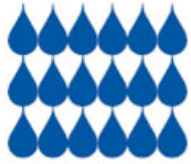
**NOTE 17      SUBSEQUENT EVENTS**

The Authority has evaluated events or transactions through April 22, 2026, the date on which the financial statements were available to be issued, for potential recognition or disclosure in the financial statements and determined no other subsequent events require disclosure or adjustment to the accompanying financial statements.

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# **Report on Internal Controls and Compliance**





**C.J. Brown & Company CPAs**  
An Accountancy Corporation

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**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 years ended June 30, 2025 and 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 April 22, 2026.

**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  
April 22, 2026