SAN GABRIEL VALLEY MUNICIPAL WATER DISTRICT

Annual Financial Report
For the Fiscal Year Ended June 30, 2022

SAN GABRIEL VALLEY MUNICIPAL WATER DISTRICT

Table of Contents

December 1, 2022

Board of Directors
San Gabriel Valley Municipal Water District
Azusa, California

Introduction

It is our pleasure to submit the Annual Financial Report for the San Gabriel Valley Municipal Water District for the fiscal year ended June 30, 2022, following guidelines set forth by the Governmental Accounting Standards Board. District staff prepared this financial report. The District is ultimately responsible for both the accuracy of the data and the completeness and the fairness of presentation, including all disclosures in this financial report. We believe that the data presented is accurate in all material respects. This report is designed in a manner that we believe is necessary to enhance your understanding of the District's financial position and activities.

This report is organized into two sections: (1) Introductory and (2) Financial. The Introductory Section offers general information about the District's organization and current District activities, reports on a summary of significant financial results and includes the Management's Discussion and Analysis of the District's basic financial statements. The Independent Auditor's Report is a component of the Introductory Section. The Financial Section includes the District's audited basic financial statements with accompanying notes.

Accounting Principles General Accepted in the United States of America (US GAAP) requires that management provide a narrative introduction, overview and analysis to accompany the financial statements in the form of the Management's Discussion and Analysis (MD&A) section. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found on page 9.

District Structure and Leadership

The San Gabriel Valley Municipal Water District was organized in 1959. Included in the District are the cities of Alhambra, Azusa, Monterey Park, and Sierra Madre. The District imports water from the State Water Project through its pipeline which was completed in 1974. The pipeline begins at the Devil Canyon Powerplant on the East Branch of the State Water Project, County of San Bernardino, and terminates at the San Gabriel Canyon Spreading Grounds, County of Los Angeles. The District's operation's include delivery of water through the Devil Canyon-Azusa Pipeline, as well as the generation of electricity at its San Dimas Hydroelectric Facility. Currently all energy produced is sold to the City of Azusa.

The imported water is spread in the Main San Gabriel Basin. The Main San Gabriel Basin Watermaster requires replacement water be spread in the Main San Gabriel Basin. The replacement water spread in the Main San Gabriel Basin is to replace water pumped by the four above mentioned cities in excess of their pumping rights. In addition, the District has an obligation under the Long Beach Judgment to ensure there is adequate water flowing through the Whittier Narrows into the Central Basin. This is a requirement of the San Gabriel River Watermaster.

The District is governed by a five-member Board of Directors representing five divisions. The General Manager administers the day-to-day operations of the District in accordance with policies and procedures established by the Board of Directors.

The District employs seven full-time employees and one part-time employee. The District's Board of Directors meet each month. Meetings are publicly noticed and citizens are encouraged to attend.

District Services

The District's customer is the Main San Gabriel Basin Watermaster acting on behalf of the cities of Alhambra, Azusa, Monterey Park, and Sierra Madre which consume 100% of the water annually delivered by the District. The District has a contract with the State of California Department of Water Resources for up to 28,800 acre-feet of water delivered annually from the State Water Project.

Economic Condition and Outlook

The District's offices are located in the City of Azusa in the County of Los Angeles. Development potential is limited due to lack of available land. The region's economy has experienced improvement, tempered by the slow recovery in labor market.

Internal Control Structure

District management is responsible for the establishment and maintenance of the internal control structure that ensures the assets of the District are protected from loss, theft, or misuse. The internal control structure also ensures adequate accounting data is compiled to allow for the preparation of financial statements in conformity with US GAAP. The District's internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

Budgetary Control

The District Board of Directors annually adopts an operating and capital budget prior to the new fiscal year. The budget authorizes and provides the basis for reporting and control of financial operations and accountability for the District's enterprise operations and capital projects. The budget and reporting treatment applied to the District is consistent with the accrual basis of accounting and the financial statement basis.

Investment Policy

The Board of Directors has adopted an investment policy that conforms to state law, District ordinance and resolutions, prudent money management, and the "prudent person" standards. The objective of the Investment Policy is safety, liquidity, and yield in that order. District funds are invested in the State Treasurer's Local Agency Investment Fund and institutional savings and checking accounts.

Water Rates and District Revenues

District policy direction ensures that all revenues from water sales, property taxes, interest from investments, and hydro-electric sales must support all District operations including capital project funding. Accordingly, tax rates, water rates, and the investment policy are reviewed on an annual basis.

Audit and Financial Reporting

State law requires the District to obtain an annual audit of its financial statements by an independent certified public accountant. The accounting firm of Moss, Levy & Hartzheim LLP has conducted the fiscal year 2022 audit of the District's financial statements. Their unmodified Independent Auditor's Report is located on page 5.

Other References

More information is contained in the Management's Discussion and Analysis and the Notes to the Basic Financial Statements found in the Financial Section of the report.

Acknowledgements

Preparation of this report was accomplished by the combined efforts of District staff. We appreciate the dedicated efforts and professionalism that these staff members contribute to the District. We would also like to thank the members of the Board of Directors for their continued support in planning and implementation of the San Gabriel Valley Municipal Water District's fiscal policies.

Darin J Kasamoto

Darin Kasamoto
General Manager

This page intentionally left blank

MOSS, LEVY & HARTZHEIM LLP
CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS
CRAIG A HARTZHEIM, CPA
HADLEY Y HUI, CPA
ALEXANDER C HOM, CPA
ADAM V GUISE, CPA
TRAVIS J HOLE, CPA
WILSON LAM, CPA

COMMERCIAL ACCOUNTING & TAX SERVICES
9465 WILSHIRE BLVD., 3RD FLOOR
BEVERLY HILLS, CA 90212
TEL: 310.670.2745
FAX: 310.670.1689
www.mlhcpas.com

GOVERNMENTAL AUDIT SERVICES
5800 HANNUM AVE., SUITE E
CULVER CITY, CA 90230
TEL: 310.670.2745
FAX: 310.670.1689
www.mlhcpas.com

INDEPENDENT AUDITOR'S REPORT

The Members of the Board of Directors of
San Gabriel Valley Municipal Water District
Azusa, California

Opinions

We have audited the accompanying basic financial statements and major fund of the San Gabriel Valley Municipal Water District (District) as of and for the fiscal year ended June 30, 2022, and related notes to the financial statements as listed in the table of contents.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the District, as of June 30, 2022, and the changes in financial position and cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 generally accepted auditing standards 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 District'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 Distirct's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 9 through 12 and the required supplementary information on pages 33 through 36 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the District's basic financial statements. The introductory section and accompanying supplementary information, such as schedule of operating expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects in relation to the financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2022, on our consideration of the District'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 District's internal control over financial reporting and compliance.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
December 3, 2022

This page intentionally left blank

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the San Gabriel Valley Municipal Water District (District) provides an introduction to the financial statements of the District for the fiscal year ended June 30, 2022. Readers should consider the information presented here in conjunction with the transmittal letter and with the basic financial statements and related notes, which follow this section.

Financial Highlights

- The District's net position increased 11.27% or $4,433,053 without considering prior period adjustments in 2022 as a result of operations.

- The District's operating revenue decreased 64.65% or $1,758,213, in fiscal year 2022, primarily due to a decrease in water sales.

- The District's operating expenses decreased 27.23% over the prior fiscal year due lack of State Water Project water for delivery. Non-operating expenses increased due to grants passed through the District, which had no effect on the District's new position.

- The District's non-operating revenue, mostly composed of property taxes, remained largely the same.

Required Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies.

The Statement of Net Position includes all of the District's investments in resources (assets and deferred outflows) and obligations (liabilities and deferred inflows). It also provides the basis for computing a rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District. All of the current fiscal year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the District's operations over the past fiscal year and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges. This statement can also be used to evaluate profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows, which provides information about the District's cash receipts and cash payments during the reporting period. The Statement of Cash Flows reports cash receipts, cash payments and, net changes in cash resulting from operation investing, non-capital financing, and capital and related financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Financial Analysis of the District

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District finances in the current fiscal year.

These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private sector companies. All of the current fiscal year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District's net position and changes in it. The District's net position – the difference between assets and deferred outflows less liabilities and deferred inflows – is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating. Readers should consider other non-financial factors such as changes in economic conditions, population growth, zoning and new or changed government legislation, such as changes in Federal and State water quality standards.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found beginning on page 17.

Condensed Statement of Net Position

	2022	2021	Change
Assets			
Current and other assets	$ 28,752,541	$ 27,669,741	$ 1,082,800
Non-current assets	9,188,131	6,984,595	2,203,536
Capital assets, net	12,875,784	13,926,709	(1,050,925)
Total Assets	50,816,456	48,581,045	2,235,411
Deferred Outflows of Resources			
Pension related	1,325,016	1,104,366	220,650
OPEB related	755,039	839,996	(84,957)
Total Def. Outflows	2,080,055	1,944,362	135,693
Liabilities			
Current liabilities	985,050	1,144,888	(159,838)
Non-current liabilities	5,814,470	8,365,766	(2,551,296)
Total Liabilities	6,799,520	9,510,654	(2,711,134)
Deferred Inflows of Resources			
Pension related	1,069,338	205,921	863,417
OPEB related	1,242,581	506,030	736,551
Total Def. Inflows	2,311,919	711,951	1,599,968
Net Position			
Net investment in capital assets	12,875,784	13,926,709	(1,050,925)
Unrestricted	30,909,288	26,376,093	4,533,195
Total Net Position	$ 43,785,072	$ 40,302,802	$ 3,482,270

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of the District exceeded liabilities and deferred inflows by $43,785,072 as of June 30, 2022, which is an increase of $4,433,053 when compared to the prior fiscal year without taking prior period adjustments into consideration.

A large portion of the District's net position, 29.41% and 34.56%, as of June 30, 2022 and 2021 respectively, reflects the District investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are not available for future spending.

At the end of fiscal years June 30, 2022 and 2021, the District showed a positive balance in its unrestricted net position of $30,909,288 and $26,376,093, respectively.

Condensed Statement of Revenues, Expenses and Changes in Net Position

	2022	2021	Change
Revenues			
Operating revenue	$ 961,421	$ 2,719,634	$ (1,758,213)
Non-operating revenue	15,296,594	14,353,644	942,950
Total Revenues	16,258,015	17,073,278	(815,263)
Expenses			
Operating expenses	10,548,638	14,495,728	(3,947,090)
Depreciation	567,236	569,088	(1,852)
Non-operating expenses	709,088	563,227	145,861
Total Expenses	11,824,962	15,628,043	(3,803,081)
Change in Net Position	4,433,053	1,445,235	2,987,818
Beginning Net Position	40,302,802	38,857,567	1,445,235
Prior Period Adjustments	(950,783)	-	(950,783)
Beginning Net, Restated	39,352,019	38,857,567	494,452
Ending Net Position	$ 43,785,072	$ 40,302,802	$ 3,482,270

The statement of revenues, expenses, and changes in net position shows how the District's net position changed during the fiscal years. In the case of the District, net position increased by $4,433,053 for the fiscal year ended June 30, 2022 without taking prior period adjustments into consideration.

In 2022, the District's net position increased 11.27% or $4,433,053 as a result of operations compared to 2021.

The District's operating revenue decreased 64.65% or $1,758,213, in fiscal year 2022, primarily due to a decrease in water sales and a decrease in interest revenue.

The District's operating expenses decreased 27.23%, or $3,947,090 primarily due to lack of State water supply and therefore lack of water delivery expenses. The District's non-operating expenditures also remained largely the same if passthrough grants are not taken into account.

Capital Asset Administration

At the end of fiscal year 2022 and 2021, the District's investment in capital assets amounted to $12,875,784, and $13,926,709, respectively. This investment in capital assets includes land, pipelines and structures, equipment, vehicles and construction-in- process, etc. Major capital asset additions during the fiscal year included upgrades to the pipeline.

	Balance as of June 30, 2021	Additions	Deletions	Prior Period Adjustments	Balance as of June 30, 2022
Total non-depreciable capital assets	$ 1,686,714	$ 204,853	$ -	(950,783)	$ 940,784
Total depreciable capital assets	36,299,684	274,958	(32,576)	-	36,542,066
Total accumulated depreciation	(24,072,406)	(567,236)	32,576		(24,607,066)
Net depreciable capital assets	12,227,278	(292,278)	-	-	11,935,000
Net capital assets	$ 13,913,992	$ (87,425)	$ -	$ (950,783)	$ 12,875,784

Conditions Affecting Current Financial Position and Outlook

Management is unaware of any conditions, which could have a significant impact on the District's current financial position, net assets, or operating results to terms of past, present and future. Covid-19 impacts are expected to be minimal because the District derives its tax revenue solely from property taxes.

Requests for Information

This financial report is designed to provide an overview of the District's financial operations and condition. Should the reader have questions regarding the information included in this report or wish to request additional information, please contact the District's General Manager at 1402 N. Vosburg Drive, PO Box 1299, Azusa, California 91702.

FINANCIAL SECTION

SAN GABRIEL VALLEY MUNICIPAL WATER DISTRICT
STATEMENT OF NET POSITION
June 30, 2022

Assets	
Current Assets:	
Cash and cash equivalents	$ 22,559,303
Investments	4,509,910
Accounts receivable, net	205,625
Interest receivable	19,946
Property taxes receivable	825,807
Water inventory	551,280
Prepaid expenses	80,670
Total current assets	28,752,541
Noncurrent Assets:	
Investments	5,188,131
Advances to other governments, net	4,000,000
Capital assets not being depreciated	940,784
Capital assets, net of accumulated depreciation	11,935,000
Total noncurrent assets	22,063,915
Deferred Outflows of Resources	
Pension related	1,325,016
OPEB related	755,039
Total deferred outflows of resources	2,080,055
Total assets and deferred outflows of resources	52,896,511
Liabilities	
Current Liabilities:	
Accounts payable	384,330
Accrued liabilities	23,824
Unearned revenue	503,896
Current portion of compensated absences	73,000
Total current liabilities	985,050
Noncurrent liabilities:	
Compensated absences	298,199
Net pension liability	824,291
Net OPEB liability	4,691,980
Total noncurrent liabilities	5,814,470
Total liabilities	6,799,520
Deferred Inflows of Resources	
Pension related	1,069,338
OPEB related	1,242,581
Total deferred inflows of resources	2,311,919
Total liabilities and deferred inflows of resources	9,111,439
Net Position	
Net investment in capital assets	12,875,784
Unrestricted	30,909,288
Total net position	$ 43,785,072

See Notes to Basic Financial Statements

SAN GABRIEL VALLEY MUNICIPAL WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2022

Operating Revenues:	
Water sales	$ 943,485
Other services	17,936
Total operating revenues	961,421
Operating Expenses:	
Source of supply - water deliveries	7,831,833
General and administrative expenses	2,716,805
Total operating expenses	10,548,638
Operating income (loss) before depreciation	(9,587,217)
Depreciation expense	(567,236)
Operating income (loss)	(10,154,453)
Non-Operating Revenues (Expenses):	
Property taxes - ad valorem	6,090,169
Property taxes - voter approved	9,206,425
Grant funding to other agencies	(227,760)
Interest and investment earnings	(481,328)
Total non-operating revenues (expenses)	14,587,506
Change in net position	4,433,053
Total Net Position - beginning of fiscal year	40,302,802
Prior Period Adjustments	(950,783)
Total Net Position - beginning of fiscal year, restated	39,352,019
Total Net Position - end of fiscal year	$ 43,785,072

See Notes to Basic Financial Statements

SAN GABRIEL VALLEY MUNICIPAL WATER DISTRICT
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2022

Cash Flows from Operating Activities:	
Cash received from water sales	$ 928,708
Cash payments to vendors and suppliers	(8,619,740)
Cash payments for employees and benefit programs	(2,888,520)
Net cash provided (used) by operating activities	(10,579,552)
Cash Flows from Non-capital Financing Activities:	
Cash received from property taxes	14,662,878
Net cash provided (used) by non-capital financing activities	14,662,878
Cash Flows from Capital and Related Activties:	
Cash received (payments) from (to) other governments	(227,760)
Purchase of capital assets	(479,811)
Advances to other governments	(4,000,000)
Net cash provided (used) by capital and related financing activities	(4,707,571)
Cash Flows from Investing Activities:	
Use of money and property	(187,390)
Net cash provided (used) by investing activities	(187,390)
Net Increase (Decrease) in Cash and Cash Equivalents	(811,635)
Cash and Cash Equivalents, Beginning of Fiscal Year	23,370,938
Cash and Cash Equivalents, End of Fiscal Year	$ 22,559,303
Reconciliation to Statement of Net Position:	
Cash and investments	$ 22,559,303
Cash and Cash Equivalents	$ 22,559,303

(Continued)

See Notes to Basic Financial Statements

SAN GABRIEL VALLEY MUNICIPAL WATER DISTRICT
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2022

(Continued)

Reconciliation of Operating Income (Loss) to Net Cash	
Provided (Used) by Operating Activities:	
Operating income (loss)	$ (10,154,453)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	567,236
(Increase) decrease in accounts receivable	(32,713)
(Increase) decrease in inventory	201,059
(Increase) decrease in prepaid expenses	86,178
(Increase) decrease in deferred outflows of resources - pension and OPEB	(135,693)
Increase (decrease) in accounts payable and accrued expenses	(159,838)
Increase (decrease) in compensated absences	(58,395)
Increase (decrease) net pension liability	(1,754,681)
Increase (decrease) net OPEB liability	(738,220)
Increase (decrease) in deferred inflows of resources - pension and OPEB	1,599,968
Total adjustments	(425,099)
Net cash provided by (used by) operating activities	$ (10,579,552)

See Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the San Gabriel Valley Municipal Water District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below:

A. Financial Reporting Entity

The San Gabriel Valley Municipal Water District was organized in 1959. Included in the District are the cities of Alhambra, Azusa, Monterey Park and Sierra Madre. The District imports state water through its pipeline which was completed in 1975. The pipeline originates at the State Water Project located at Devil Canyon, County of San Bernardino, and terminates in the San Gabriel Canyon Spreading Grounds. The District maintains the pipeline and also generates electricity, which is sold to the City of Azusa at its San Dimas electrical generating plant.

The imported water is spread in the Main San Gabriel Basin and the Central Basin. The Main San Gabriel Basin Watermaster (Watermaster) requires that replacement water and cyclic storage be spread in the Main San Gabriel Basin. The water spread in the Main San Gabriel Basin is to replace water pumped by the four above mentioned cities in excess of their pumping rights. The Watermaster requires that make-up water be spread in the Central Basin to satisfy the terms of the Long Beach Judgment.

The District is governed by a five-member Board of Directors representing five divisions. The General Manager administers the day-to-day operations of the District in accordance with policies and procedures established by the Board of Directors. The District employs seven employees. The District's Board of Directors meets each month. Meetings are publicly noticed and citizens are encouraged to attend.

B. Basis of Accounting

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs of providing water to its service areas on a continuing basis be financed or recovered primarily through user charges (water sales), capital grants, and similar funding. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place. Operating revenues and expenses, such as water sales and water deliveries result from exchange transaction associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Management, administration, and depreciation expenses are also considered operating expenses. Other revenues and expense not included in the above categories are reported as non-operating revenues and expenses.

C. Basis of Preparation

The District's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (US GAAP), as applied to enterprise funds. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District solely operates as a special-purpose government which means it is only engaged in business-type activities; accordingly, activities are reported in the District's proprietary fund.

D. Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers cash and cash equivalents as short term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Cash equivalents have an original maturity date of three months or less from the date of purchase.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Cash and Cash Equivalents (Continued)

The District categorizes its fair value measurements within the fair value hierarchy establish by generally accepted accounting principles. These principles recognize a three-tiered fair value hierarchy as follows: Level 1 – Investments reflect prices quoted in active markets; Level 2 – Investments reflect prices that are based on similar observable asset either directly or indirectly, which may include inputs in markets that are not considered active; and Level 3 – Investments reflect prices based upon unobservable sources.

E. Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the AICPA, require management to make 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/expenditures during the reporting period. Actual results could differ from those estimates.

F. Investments and Investment Policy

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

G. Receivables

For customer accounts receivables, the District considers these receivables to be fully collectable and accordingly, no allowance for doubtful accounts has been provided. For tax revenue receivables, when management deems a tax receivable amount is uncollectable, the District uses the direct write off method for recording the bad debt. In 2022, the District wrote off $84,495 of old receivables related to property tax revenues in prior fiscal year. The District believes the bad debt recorded under this method approximates the amount that would be recorded if the District used the allowance method.

H. Property Tax

The County of Los Angeles Assessor's Office assesses all real and personal property within the County each year. The County of Los Angeles Tax Collector's Office bills and collects the District's share of property taxes and assessments. The County of Los Angeles Treasurer's Office remits current and delinquent property tax collections to the District throughout the fiscal year. Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countrywide assessed valuations.

Property taxes receivable at fiscal year-end are related to property taxes collected by the County of Los Angeles, which have not been credited to the District's cash balance as of June 30. The property tax calendar is as follows:

Lien date	March 1
Levy date	July 1
Due dates	November 1 and March 1
Collection dates	December 10 and April 10

I. Inventory

Water held in inventory is valued at cost using the first-in first-out method. The District holds minor supplies inventory for emergency repairs which is expensed as incurred.

J. Prepaid Expenses

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in the basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical costs. District policy has set the capitalization threshold for recording capital assets at $1,000. Donated assets are recorded at acquisition value at the date of donation. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend lives are also expensed in the current period.

L. Depreciation

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as shown herein.

Description	Estimated Lives
Pipeline	7 to 75 years
Telemetry Equipment	10 years
Building and Structures	7 to 30 years
Office Furniture and Equipment	5 to 15 years
Vehicles and Equipment	5 to 10 years
State Water Project	60 years

M. Compensated Absences

The District's policy is to permit employees to accumulate earned but unused vacation and sick time pay benefits. All vacation and sick time is accrued when incurred. Upon termination of employment, employees are paid all unused vacation and qualifying unused sick time up to a maximum of 960 hours.

N. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pension, and pension expense, information about the fiduciary net position of the District's defined benefit retirement plan, Miscellaneous, of the California Employees' Retirement System ("CalPERS") and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

O. Other Post-Employment Benefits (OPEB)

The total OPEB liability, deferred outflows/inflows of resources related to OPEB, and OPEB expense of the District's defined benefit OPEB plan of the CalPERS are measured on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

P. Deferred Outflows and Inflows of Resources

The District recognizes deferred outflows and inflows of resources in relation to full accrual, pension, and OPEB. Deferred outflow and inflow of resources are defined as a consumption or resource of net position by the government that is applicable to a future report period. Pursuant to GASB Statements 68 and 71, the District recognizes deferred outflows/inflows of resources related to pensions. Pursuant to GASB Statement 75, the District recognizes deferred outflows/inflows of resources related to OPEB.

Q. Water Sales

Water sales are billed when the Watermaster places an order for replacement water.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Net Position and Fund Equity

Net position is reported in three categories under GASB Statement No. 34. These captions are described below.

Net Investment in Capital Assets describes the portion of net position which is represented by the current net book value of the District's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the District cannot unilaterally alter.

Unrestricted describes the portion of net position which is not restricted as to use.

S. Fiscal Year

The fiscal year of the District begins on July 1 and ends on June 30.

T. Budgets and Budgetary Accounting

The District adopts an annual non-appropriated budget for planning, control and evaluation purposes. Budgetary control and evaluation are affected by comparisons of actual revenues and expenses with planned revenues and expenses for the period. Encumbrance accounting is not used to account for commitments related to unperformed contracts for construction and services.

U. Future Accounting Pronouncements

GASB Statements listed below will be implemented in future financial statements.

The provisions for Statement Number 91 "*Conduit Debt Obligations*" are effective for fiscal years beginning after December 15, 2021.

The provisions for Statement Number 94 "*Public-Private and Public-Public Partnerships and Availability Payment Arrangements*" are effective for fiscal years beginning after June 15, 2022.

The provisions for Statement Number 96 "*Subscription-Based Information Technology Arrangements*" are effective for fiscal years beginning after June 15, 2022.

The provisions for GASB Statement Number 99, "Omnibus 2022" are effective for fiscal year beginning after June 15, 2022, and June 15, 2023.

The provisions of Statement Number 100 "Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62" are effective for fiscal years beginning after June 15, 2023.

The provisions of Statement Number 101 "*Compensated Absences*" are effective for fiscal years beginning after December 15, 2023.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2022 are classified in the accompanying financial statements as follows:

Statement of Net Position:		
Cash and cash equivalents	$	22,559,303
Investments (current)		4,509,910
Investments (non-current)		5,188,131
Total cash and investments, Statement of Net Position	$	32,257,344

Cash and investments as of June 30, 2022 consist of the following:

Cash on hand	$	442
Deposits with financial institutions		4,762,572
Investments		27,494,330
Total cash and investments	$	32,257,344

A. Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized for the San Gabriel Valley Municipal Water District (District) by the California Government Code or the District's investment policy, where more restrictive. The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Government Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	80%	N/A
U.S. Government Agency Securities	5 years	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper, Prime Quality	5 years	15%	10%
Certificates of Deposit	5 years	30%	$250,000
Negotiable Certificates of Deposit	5 years	30%	None
Medium-Term Notes	5 years	30%	None
Money Market Mutual Funds	N/A	15%	None
Local Agency Investment Fund (LAIF)	N/A	None	$ 75 Million
Collateralized Bank Deposits	5 years	25%	None
Investment Trust of California (CalTRUST)	N/A	15%	N/A

B. Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. The District does not currently hold any investments that are bound by debt agreements.

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

C. 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 to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

		Remaining maturity (in Months)		
Investment Type	Totals	12 Months or Less	13 to 24 Months	25-60 Months
Local Agency Investment Fund (LAIF)	$ 17,792,712	$ 17,792,712	$ -	$ -
Certificates of Deposit	9,701,618	4,509,910	2,021,371	3,170,337
	$ 27,494,330	$ 22,302,622	$ 2,021,371	$ 3,170,337

D. Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The District has no investments including investments held by bond trustees that are highly sensitive to interest rate fluctuations.

E. Disclosures 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 the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating (Standard & Poor's) as of fiscal year end for each investment type.

			Rating as of Fiscal Year End	
Investment Type	Amount	Minimum Legal Rating	AAA	Not Rated
Local Agency Investment Pool (LAIF)	$ 17,792,712	N/A	$ -	$ 17,792,712
Certificates of Deposit	9,701,618	N/A	9,701,618	
Total	$ 27,494,330		$ 9,701,618	$ 17,792,712

F. Concentration of Credit Risk

The investment policy of the District contains limitations on the amount that can be invested in any one issuer. There was no investment in any one issuer (other than external investment pools) that represents 5% or more of total District investments.

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

G. 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 and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits; 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 government unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2022, none of the District's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

H. Investment in State Investment Pool

The District 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 and operates in accordance with appropriate state laws and regulations. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District'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 reported value of the pool is the same as the fair value of the pool shares. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Deposits and withdrawals are made on the basis of $1 and not fair value.

I. Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy establish by generally accepted accounting principles. These principles recognize a three tiered fair value hierarchy as follows: Level 1 – Investments reflect prices quoted in active markets; Level 2 – Investments reflect prices that are based on similar observable asset either directly or indirectly, which may include inputs in markets that are not considered active; and Level 3 – Investments reflect prices based upon unobservable sources.

Pooled investments by fair value hierarchy	Total	FMV Measurement Level 2
Investments subject to fair value hierarchy:		
Negotiable Certificates of Deposit	$ 9,701,618	$ 9,701,618
Total Investments measured at fair value hierarchy	9,701,618	$ 9,701,618
Investments measured using uncategorized inputs:		
State Investment Pool (LAIF)	17,792,712	
Total investments not subject at fair value hierarchy	17,792,712	
Total pooled investments	27,494,330	
Total investments	$ 27,494,330	

NOTE 3 – ADVANCES TO MEMBER CITIES RECEIVABLE

Advances to member cities activity for the fiscal year ended June 30, 2022 was as follows:

	Balance as of June 30, 2021	Additions	Reductions	Balance as of June 30, 2022
Notes receivable:				
City of Monterey Park	$ -	$ 4,000,000	$ -	$ 4,000,000
Total notes receivable	$ -	$ 4,000,000	$ -	$ 4,000,000

City of Monterey Park

On December 13, 2021, the City of Monterey Park was provided with $4,000,000 in loan funding for the construction of a PFAS Treatment Plant. Terms of the loan agreement call for annual principal-only payments in the amount of $400,000 at a zero percent, commencing one year after the filing of the Notice of Completion for the project. As of June 30, 2022, the city has yet to file the Notice of Completion.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2022 was as follows:

	Balance as of June 30, 2021	Additions	Deletions	Prior Period Adjustments	Balance as of June 30, 2022
Nondepreciable capital assets					
Land	$ 735,931	$ -	$ -	$ -	$ 735,931
Construction in progress	950,783	204,853	-	(950,783)	204,853
Total nondepreciable capital assets	1,686,714	204,853	-	(950,783)	940,784
Depreciable capital assets					
Pipeline	26,742,616	-	-	-	26,742,616
Telemetry equipment	885,581	48,442	-	-	934,023
Buildings and structures	2,350,182	-	(23,670)	-	2,326,512
Office furniture and equipment	179,790	-	-	-	179,790
Vehicles and equipment	298,960	226,516	(8,906)	-	516,570
State water project participation rights	5,784,165	-	-	-	5,784,165
Roof	58,390	-	-	-	58,390
Total depreciable capital assets	36,299,684	274,958	(32,576)	-	36,542,066
Less accumulated depreciation					
Pipeline	(16,290,108)	(346,118)	-	-	(16,636,226)
Telemetry equipment	(602,252)	(83,323)	-	-	(685,575)
Buildings and structures	(2,337,153)	(640)	23,670	-	(2,314,123)
Office furniture and equipment	(136,354)	(20,013)	-	-	(156,367)
Vehicles and equipment	(257,414)	(17,819)	8,906	-	(266,327)
State water project participation rights	(4,434,527)	(96,403)	-	-	(4,530,930)
Roof	(14,598)	(2,920)	-	-	(17,518)
Total accumulated depreciation	(24,072,406)	(567,236)	32,576	-	(24,607,066)
Net depreciable capital assets	12,227,278	(292,278)	-	-	11,935,000
Net capital assets	$ 13,913,992	$ (87,425)	$ -	$ (950,783)	$ 12,875,784

NOTE 5 –LONG-TERM LIABILITY

The following is a summary of long-term liability activity of the District's activities for the fiscal year ended June 30, 2022:

	Balance as of June 30, 2021	Additions	Reductions	Balance as of June 30, 2022	Due Within One Year
Compensated absences	$ 429,594	$ 14,605	$ (73,000)	$ 371,199	$ 73,000
Total long-term liability	$ 429,594	$ 14,605	$ (73,000)	$ 371,199	$ 73,000

NOTE 6 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; inquiries to employees and natural disasters. The District is a member of the ACWA/Joint Powers Insurance Authority (JPIA), a risk sharing joint powers authority created to provide self-insurance programs for California water agencies. The purpose of the JPIA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage. At June 30, 2022, the District participated in the liability and property programs of the JPIA as follows:

- General and auto liability, public officials and employees' errors and omissions: Total risk financing self-insurance limits of $1,000,000 per occurrence. The JPIA purchased additional excess coverage layers: $59,000,000 for general, auto and public officials liability, which increases the limits on the insurance coverage noted above.

In addition to the above, the District also has the following insurance coverage:

- Public officials' and Employee dishonesty coverage up to $100,000 per loss includes public employee dishonesty, forgery or alteration, computer fraud coverage subject to a $1,000 deductible per occurrence.

- Property loss is paid at the replacement cost for property on file, if replaced within two years after the loss, otherwise paid on an actual cash value basis, to a combined total of $100 million per occurrence, subject to the following deductibles: $1,000 per occurrence for buildings, fixed equipment, mobile equipment, and $500 deductible per occurrence for licensed vehicles.

- Boiler and machinery coverage for the replacement cost up to $100 million per occurrence, subject to various deductibles per occurrence on damage to scheduled items.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years. There were no reductions in insurance coverage in fiscal year 2022. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2022.

NOTE 7 – COMMITMENTS AND CONTINGENCIES

Grant Awards

Grant funds received by the District are subject to audit by the grantor agencies. Such audit could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. Management of the District believes that such disallowances, if any, would not be significant.

Litigation

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

NOTE 7 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

Participation in the State Water Project

The District has entered into a long-term water supply contract with the State of California, Department of Water Resources (DWR). Under the terms of the contract, the State will deliver specified amounts of water to the District through the year 2035. The District is obligated to pay to the State a portion of the capital and operations and maintenance costs of the State Water Project (SWP).

All of the SWP charges incurred prior to fiscal year 1976 were capitalized because the District's pipeline was not operational until fiscal year 1976. These charges are amortized over the life of the contract. The yearly amortization of pre-fiscal year 1976 charges is $96,403.

The District expenses all SWP charges incurred after fiscal year 1976 because of the uncertainty regarding projected future water deliveries and because the District's contract with the State indicates that unused annual entitlements cannot be carried forward to future years.

In fiscal year 2022, charges of $8,041,039 were expensed. The SWP charges are allocated between two components, capital charges and operating and maintenance charges. Capital charges totaled $106,439 and operating and maintenance charges were $7,934,600 before the application of $755,245 in SWP credits which reduced the expenses to $7,285,794. The credits comprised of bond costs, final adjustments, and interest credits on aqueduct payments. The credits comprised of bond costs, final adjustments, and interest credits on aqueduct payments.

NOTE 8 – PENSION PLAN

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

A. General Information about the Pension Plan

Plan Descriptions - All qualified employees are eligible to participate in the District's Miscellaneous Plan, cost sharing multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2022, are summarized as follows:

	Misc. Plan	
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-55	52-67
Required employee contribution rates	6.902%	7.250%
Required employer contribution rates	10.868%	7.072%

NOTE 8 – PENSION PLAN (CONTINUED)

A. General Information about the Pension Plan (Continued)

Contributions - Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2022, the District reported net pension liabilities for its proportionate share of the net position liability of the Plan as follows:

Proportionate Share of Net Pension Liability
Misc. Plan
$ 824,291

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2021, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30, 2020 and 2021 was as follows:

Proportion - June 30, 2020	0.06114%
Proportion - June 30, 2021	0.04341%
Change - Increase (Decrease)	-0.01773%

For the fiscal year ended June 30, 2022, the District recognized pension expense of $123,475 related to prior contributions. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 909,553	$ -
Differences between projected and actual contributions	265,839	89,434
Differences between expected and actual experience	92,435	-
Changes in assumptions	-	-
Net Difference between projected and actual earnings on plan investments	-	719,563
Changes in proportion	57,189	260,341
Total	$ 1,325,016	$ 1,069,338

NOTE 8 – PENSION PLAN (CONTINUED)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

$909,553 reported as deferred outflows of resources related to contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and will be recognized as pension expense as follows:

Fiscal Year Ended June 30,	Amount
2023	$ (150,791)
2024	(146,784)
2025	(157,450)
2026	(198,850)
Total	$ (653,875)

The District's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions - The total pension liabilities in the June 30, 2020 actuarial valuations were determined using the following actuarial assumptions:

	Misc. Plan
Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	3%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.15%
Mortality	Derived using CalPERS' Membership Data for all Funds

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2019 valuation were based on the results of a December 2017 actuarial experience study. Further details of the Experience Study can found on the CalPERS' website.

Discount Rate - The discount rate used to measure the total pension liability was 7.15% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS' website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.15 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.15 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

NOTE 8 – PENSION PLAN (CONTINUED)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and longterm market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound geometric returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated and adjusted to account for assumed administrative expenses.

The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The long-term expected real rate of return by asset class and the target allocation adopted by the CalPERS' Board effective on July 1, 2020, are as follows:

Asset Class	Assumed Asset Allocation	Real Return Year 1-10(a)	Real Return Year 11+(b)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%

a) An expected inflation of 2% used for this period
b) An expected inflation of 2.92% used for this period

Sensitivity of the Net Pension Liability to Changes in the Discount Rate -The following presents the net pension liability of the District for each Plan, calculated using the discount rate for each Plan, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Misc. Plan
1% Decrease	6.15%
Net Pension Liability	$ 2,299,629
Current Discount Rate	7.15%
Net Pension Liability	$ 824.291
1% Increase	8.15%
Net Pension Liability	$ (395,349)

Pension Plan Fiduciary Net Position - Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS' financial reports.

NOTE 9 – OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description

The District administers an Agent Multiple-Employer defined benefit postemployment healthcare plan. Dependents are eligible to enroll and benefits continue to surviving spouses. Retirees are eligible for medical benefits if they retire at age 55+ and have 5+ years of CalPERS service. The District pays 100% of the actual premium costs of the health insurance for retirees and dependents and also provides reimbursement for cost sharing under the plan offered by the District subject to restrictions as determined by the District.

Eligibility

The table below presents a summary of the basic participant information for the active and retired participants covered under the terms of the Plan.

Participant type	Count
Inactive participants currently receiving benefits	11
Inactive participants entitled to but not yet receiving benefit payments	-
Active employees	7
Total	18

Funding Policy

The District makes contributions based on projected pay-as-you-go financing requirements. As of June 30, 2022, the District has not established a plan or equivalent that contains an irrevocable transfer of assets dedicated to providing benefits to retirees in accordance with the terms of the Plan and that are legally protected from creditors.

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021. Since the District has not established an irrevocable trust for the pre-funding of retiree healthcare benefits, the total OPEB Liability and Net OPEB Liability are both $4,691,980.

Actuarial Method and Assumptions

The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

Actuarial Assumptions	
Valuation Date	June 30, 2021
Measurement Date	June 30, 2021
Inflation	2.50%
Salary Increases	2.80%
Discount Rate	1.92%
Health Care Trend Rate	5.75%
Mortality Rates	Based on CalPERS tables

NOTE 9 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

The discount rate used to measure the total OPEB liability was 1.92 percent. The District's OPEB plan is an unfunded plan, therefore, the discount rate was set to the rate of tax-exempt, high-quality 20-year municipal bonds as of the valuation date. Since the most recent GASB 75 valuation, the following changes have been made:

- The discount rate and expected rate of return on assets was changed from 2.45 percent to 1.92 percent.
- The initial healthcare trend rate changed from 6.50 percent to 5.75 percent.
- The inflation rate changed from 0.75 percent to 2.50 percent.

Change in Total OPEB Liability

	Total/Net OPEB Liability
Balance for fiscal year ended June 30, 2021	$ 5,430,200
Changes for the fiscal year:	
Service cost	218,142
Interest	135,574
Differences between expected and actual experience	(1,299,178)
Changes of assumptions	438,054
Benefits payments	(230,812)
Net changes	(738,220)
Balance for fiscal year ended June 30, 2022	$ 4,691,980

There is sensitivity of the total OPEB liability due to changes in the discount rate and healthcare cost trend rates. The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using the discount and trend rate that were 1 percentage point lower or 1 percentage point higher than the current discount and healthcare cost trend rates.

Sensitivity of the Total OPEB Liability to changes in the Discount Rate

	Total OPEB Liability
1% decrease in Discount Rate (1.45%)	$ 5,397,926
Current Discount Rate (2.45%)	$ 4,691,980
1% increase in Discount Rate (3.45%)	$ 4,114,625

Sensitivity of the Total OPEB Liability to changes in the Healthcare Cost Trend Rates

	Total OPEB Liability
1% decrease in Healthcare Cost Trend Rates (5.50%)	$ 4,071,541
Current Healthcare Cost Trend Rates (6.50%)	$ 4,691,980
1% increase in Healthcare Cost Trend Rates (7.50%)	$ 5,444,705

NOTE 9 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2022, the District recognized OPEB expense of $480,000. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Summary of Deferred Outflows/Inflows	Outflows	Inflows
Change of assumptions	$ 559,598	$ (103,648)
Differences between expected and actual experience	12,810	(1,138,933)
Amounts paid subsequent to the measurement date	182,631	
Total	$ 755,039	$ (1,242,581)

$182,631 reported as deferred outflows of resources related to contributions subsequent to the measurement date and will be recognized as a reduction of the total OPEB liability in the fiscal year ended June 30, 2023.

Amounts reported as deferred outflows of resources related to OPEB will be recognized as OPEB expense as follows:

Fiscal Year ended	Future recognition
2023	$ (343,257)
2024	(123,247)
2025	(203,669)
2026	
	$ (670,173)

NOTE 10 – PRIOR PERIOD ADJUSTMENT

There was a prior period adjustment $(950,783) of capital assets due to an overstatement of construction in progress in the prior fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

Cost Sharing Defined Benefit Pension Plan

Schedule of the District's Proportionate Share of the Net Pension Liability – Last 10 Years*

	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019
Proportion of the net pension liability	0.01524%	0.02370%	0.02298%	0.02209%
Proportionate share of the net pension liability	$ 824,291	$ 2,578,972	$ 2,355,085	$ 2,128,755
Covered payroll	$ 1,036,057	$ 974,580	$ 892,605	$ 796,000
Proportionate Share of the net pension liability as a percentage of covered payroll	79.56%	264.62%	263.84%	267.43%
Plan fiduciary net position as a percentage of total pension liability	92.62%	75.98%	77.12%	77.69%

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Proportion of the net pension liability	0.02179%	0.02102%	0.01869%	0.01991%
Proportionate share of the net pension liability	$ 2,161,060	$ 1,819,051	$ 1,283,170	$ 1,238,997
Covered payroll	$ 781,000	$ 772,000	$ 820,000	$ 754,000
Proportionate Share of the net pension liability as a percentage of covered payroll	276.70%	235.63%	156.48%	164.32%
Plan fiduciary net position as a percentage of total pension liability	75.39%	79.58%	85.10%	83.03%

Notes to Schedule

Change in Assumptions: In the 2016 valuation, the accounting discount rate was reduced from 7.65 percent to 7.15 percent.

*Fiscal year 2015 was the 1st year of implementation, therefore only eight years are shown.

SAN GABRIEL VALLEY MUNICIPAL WATER DISTRICT
REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2022

Cost Sharing Defined Benefit Pension Plan

Schedule of Contributions – Last 10 Years*

	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019
Contractual required contribution (actuarially determined)	$ 271,376	$ 233,098	$ 195,840	$ 195,840
Contributions in relation to the actuarially determined contributions	(271,376)	(233,098)	(195,840)	(195,840)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 1,036,057	$ 974,580	$ 892,605	$ 835,000
Contributions as a percentage of covered payroll	26.19%	23.92%	21.94%	23.45%

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractual required contribution (actuarially determined)	$ 175,177	$ 122,358	$ 131,256	$ 132,987
Contributions in relation to the actuarially determined contributions	(175,177)	(122,358)	(131,256)	(132,987)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 796,000	$ 781,000	$ 772,000	$ 820,000
Contributions as a percentage of covered payroll	22.01%	15.67%	17.00%	16.22%

Notes to Schedule

Valuation Date: June 30, 2020

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry-Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Asset Valuation Method	Market Value
Inflation	2.50%
Salary Increases	Varies based on age, service, and type of employment
Investment Rate of Return	7.15%, net of pension plan investment and administrative Expenses; includes Inflation
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds

*Fiscal year 2015 was the 1st year of implementation, therefore only eight years are shown.

SAN GABRIEL VALLEY MUNICIPAL WATER DISTRICT
REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2022

Schedule of Changes in Total OPEB Liability and Related Ratios - Last 10 Years*

Total OPEB Liability	**Fiscal Year Ending 6/30/2022**	**Fiscal Year Ending 6/30/2021**	**Fiscal Year Ending 6/30/2020**
Service cost	$ 218,142	$ 180,064	$ 134,409
Interest	135,574	153,721	207,620
Diff. between expected and actual exp.	438,054	25,010	(613,323)
Changes of assumptions	(1,299,178)	451,114	(374,643)
Benefit payments	(230,812)	(198,939)	(196,854)
Implicit rate subsidy		(22,757)	(29,171)
Net change in total OPEB liability	**(738,220)**	**588,213**	**(871,962)**
Total OPEB Liability - beg. of fiscal year	**5,430,200**	**4,841,987**	**5,713,949**
Total OPEB Liability - end of fiscal year	**$ 4,691,980**	**$ 5,430,200**	**$ 4,841,987**
Covered payroll	**$ 1,032,988**	**$ 916,068**	**$ 916,068**
Total OPEB Liability as a % of eligible payroll	**454.2%**	**592.8%**	**528.6%**

Total OPEB Liability	**Fiscal Year Ending 6/30/2019**	**Fiscal Year Ending 6/30/2018**
Service cost	$ 184,425	$ 179,271
Interest	200,281	195,701
Diff. between expected and actual exp.		
Changes of assumptions	(128,680)	
Benefit payments	(196,533)	(213,797)
Implicit rate subsidy	(25,792)	
Net change in total OPEB liability	**33,701**	**161,175**
Total OPEB Liability - beg. of fiscal year	**5,680,248**	**5,519,073**
Total OPEB Liability - end of fiscal year	**$ 5,713,949**	**$ 5,680,248**
Covered payroll	**$ 812,255**	**$ 810,600**
Total OPEB Liability as a % of eligible payroll	**703.5%**	**700.7%**

Notes to Schedule

Funding Policy: The District funds the benefits on a pay-as-you-go basis. No assets are accumulated in a trust.

*Fiscal year 2018 was the 1st year of implementation, therefore only five years are shown.

SAN GABRIEL VALLEY MUNICIPAL WATER DISTRICT
REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2022

Schedule of OPEB Employer Contributions - Last 10 Years*

	Fiscal Year Ending 6/30/2022	Fiscal Year Ending 6/30/2021	Fiscal Year Ending 6/30/2020
Actuarially determined contribution (ADC)[1]	N/A	N/A	N/A
Contributions in relation to the ADC	N/A	N/A	N/A
Contribution deficiency (excess)	N/A	N/A	N/A
OPEB-eligible pr for reporting period (fiscal year)	$ 1,032,988	$ 810,600	$ 812,255
Contributions as a percent of payroll	N/A	N/A	N/A

	Fiscal Year Ending 6/30/2019	Fiscal Year Ending 6/30/2018
Actuarially determined contribution (ADC)[1]	N/A	N/A
Contributions in relation to the ADC	N/A	N/A
Contribution deficiency (excess)	N/A	N/A
OPEB-eligible pr for reporting period (fiscal year)	$ 916,068	$ 916,068
Contributions as a percent of payroll	N/A	N/A

[1] Per GASB 75 paragraph 57c., these disclosures are only required if the employer calculates an Actuarially Determined Contribution (ADC). The District does not currently calculate an ADC.

*Fiscal year 2018 was the 1st year of implementation, therefore only five years are shown.

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Changes in Net OPEB Liability

The schedule is intended to show the funded status of the District's actuarially determined liability for postemployment benefits other than pensions. In the future, as data becomes available, 10 years of information will be presented.

Schedule of OPEB Employer Contributions

The schedule presents information on the District's required contribution, the amounts actually contributed and any excess or deficiency related to the required contribution. In the future, as data becomes available, 10 years of information will be presented.

Schedule of District's Proportionate Share of the Net Pension Liability

The schedule presents information on the District's proportionate share of the net pension liability, the plan's fiduciary net position and, when applicable, the State's proportionate share of the net pension liability associated with the District. In the future, as data becomes available, 10 years of information will be presented.

Schedule of District's Pension Contributions

The schedule presents information on the District's required contribution, the amounts actually contributed and any excess or deficiency related to the required contribution. In the future, as data becomes available, 10 years of information will be presented.

This page intentionally left blank

OTHER SUPPLEMENTARY INFORMATION

SAN GABRIEL VALLEY MUNICIPAL WATER DISTRICT
SCHEDULE OF OPERATING EXPENSES
For the Fiscal Year Ended June 30, 2022

Operating Expenses:	
Source of supply:	
Salaries and wages	$ 317,004
Maintenance - plant and pipeline	30,197
Water sold	7,236,575
State water supply contract costs	233,083
Hydroelectric plant maintenance	14,974
Total source of supply	7,831,833
General and administrative:	
Salaries and wages	845,401
Employee benefits:	
Public employees' retirement benefits	(264,893)
Payroll taxes	83,504
Workers' compensation insurance	14,034
Group health, dental and life insurance	520,162
Other post-employment benefits	283,288
Uniforms	2,999
Insurance	44,508
Office supplies and expense	29,115
Membership dues, conferences, and travel	86,823
Public relations and water conservation program	189,894
Consulting and engineering fees	420,899
Government relations	90,000
Director fees	31,600
Legal and state water contractors fees	49,456
Accounting and audit fees	28,566
Telephone and communications	56,564
Utilities	18,076
Vehicle maintenance	28,466
Maintenance - buildings and grounds	73,250
Property tax	598
Bad debt expenses	84,495
Total general and administrative	2,716,805
Total operating expenses	$ 10,548,638

NOTE 1 – PURPOSE OF SCHEDULE

Schedule of Operating Expenses

This schedule is to provide greater detail of operating expenses for the fiscal year ended June 30, 2022.